

February 23, 2023



# Supplementary Estimates (C) 2022-23



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report presents a detailed analysis of the Government's third Supplementary Estimates for the 2022-23 fiscal year, which outlines \$10.3 billion in new spending. Parliament's approval is required for \$4.7 billion.

Lead Analysts:

Robert Behrend, Advisor-Analyst

Kaitlyn Vanderwees, Analyst

This report was prepared under the direction of:

Jason Jacques, Director General

Marie-Eve Hamel Laberge, Martine Perreault and Rémy Vanherweghem assisted with the preparation of the report for publication.

For further information, please contact [pbo-dpb@parl.gc.ca](mailto:pbo-dpb@parl.gc.ca)

Yves Giroux

Parliamentary Budget Officer

RP-2223-024-S\_e

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2022

# Table of Contents

---

What Parliamentarians Need to Know	1
1. Why the Government Wants \$10.3 billion	2
1.1. Overview – Total Authorities	2
1.2. Frozen Allotments	3
1.3. Budget 2022 Measures	4
2. Where New Money will be Spent	5
2.1. National Defence	5
2.2. Official Development Aid	7
2.3. Professional & Special Services	8
2.4. Student Loan Write-offs	9
Notes	11

# What Parliamentarians Need to Know

---

*Supplementary Estimates (C), 2022-23* provides information to support the Government's fifth appropriation bill for this year. It outlines an additional \$10.3 billion in budgetary authorities. Voted authorities, which require approval by Parliament, total \$4.7 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$5.6 billion.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$443.3 billion, which represents a \$29.4 billion (7.1 per cent) increase over the preceding year.

- Most of the money that was earmarked in Budget 2022 for this fiscal year will be available for departments to spend (114 initiatives; 90 per cent of total money).
- The single largest component requiring Parliament's approval is almost \$1 billion for National Defence. Over half of this is to support the Ukraine war.
- Over \$800 million in new cash is intended to pay for professional and special services, which includes spending on external consultants. This brings total planned spending for the current year to \$21.4 billion.

PBO is available to offer briefings or answer questions on any items included in these Supplementary Estimates.

# 1. Why the Government Wants \$10.3 billion

---

The Government can only spend public money with Parliament's permission. Members of Parliament and Senators provide this approval in two ways.

Parliament can provide its authority through approval of appropriation bills, which generally provide permission to spend certain amounts of money within a given year. Alternatively, Parliament can also provide ongoing permission to spend through continuing legislation, such as the Old Age Security benefits paid under authority of the *Old Age Security Act*.<sup>1</sup>

As explained by Minister Fortier, the Supplementary Estimates reflect "additional spending requirements which were either not sufficiently developed in time for the inclusion in the Main Estimates, or have subsequently been refined to account for developments in particular programs and services."<sup>2</sup> This effectively means the Government requires more time to figure out how their spending announcements can be implemented.

The *Supplementary Estimates (C), 2022-23* is the third planned Supplementary Estimates in 2022-23 and supports the fifth appropriation bill for the current fiscal year. Given that there are only five weeks remaining in the fiscal year, this means that the money will need to be spent by March 31<sup>st</sup>.

## 1.1. Overview – Total Authorities

---

*Supplementary Estimates (C), 2022-23* outlines an additional \$10.3 billion in budgetary authorities (Table 1-1). Voted authorities total \$4.7 billion and statutory authorities are forecasted to increase by a total of \$5.6 billion. The increase in statutory authorities is primarily due to higher interest costs on unmatured debt, increases in OAS benefits and the one-time payment for the rental housing benefit.

Table 1-1 Supplementary Estimates (C), 2022–23: Total authorities

	Budgetary (\$ billions)	Non-budgetary (\$ billions)
Voted	4.7	0.0
Statutory	5.6	0.0
<b>Total</b>	<b>10.3</b>	<b>0.0</b>

Source: Treasury Board of Canada Secretariat, Supplementary Estimates (C), 2022-23

Non-budgetary authorities, which include loans, investments and advances, are set to decrease by \$2.9 million.

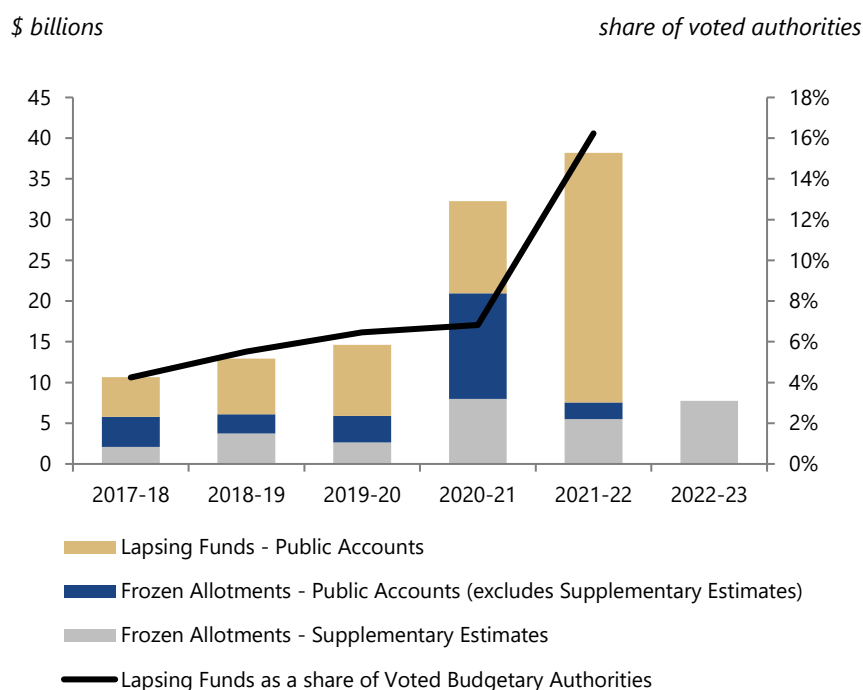
## 1.2. Frozen Allotments

“Frozen allotments” refer to money that has been approved by Parliament, but for which access by departments is restricted by the Government, for example, until some specific conditions are met. These Supplementary Estimates indicate that \$7.7 billion in money already approved by Parliament is now administratively frozen by the Treasury Board. This represents a \$2.2 billion increase from the final Supplementary Estimates presented last year.<sup>3</sup> Some of the larger amounts pertain to *Crown-Indigenous Relations and Northern Affairs* (\$3.0 billion for out of court settlements and the Federal Contaminated Sites Action Plan) and *Innovation, Science and Economic Development* (\$1.6 billion for Universal Broadband, the Strategic Innovation Fund and Digital Research Infrastructure).

As shown in Figure 1-2, both frozen allotments and total overall unspent budgets (or “lapses”) reached record levels in 2020-21 and 2021-22. This is principally attributable to the federal pandemic response, which saw an unprecedented increase in approved spending and considerable uncertainty regarding whether all the approved funding would be required. PBO’s internal monitoring suggests that lapse amounts in 2022-23 will remain higher than pre-pandemic levels.

Figure 1-2

## Unspent money continues to grow



Sources: Public Accounts of Canada, Treasury Board of Canada Secretariat, and PBO calculations.

### 1.3. Budget 2022 Measures

The *Supplementary Estimates (C), 2022-23* represents the third opportunity for the Government to seek parliamentary approval for Budget 2022 items through the Estimates process.

To track the implementation of Budget 2022 measures, PBO identified initiatives that have forecast spending in 2022-23 and matched them with items included in the Supplementary Estimates.

As presented in our online [tracking tables](#), there are approximately 46 Budget 2022 measures for which \$1.2 billion is sought in these Supplementary Estimates. Of these measures, 34 are being allocated money for the first time. This brings the projected total for Budget 2022 expenditures in 2022-23 to around \$11.4 billion, which includes Budget measures introduced through previous supplementary estimates and other legal mechanisms. This represents around 90 per cent of the projected total for Budget 2022 expenditures in 2022-23.

## 2. Where New Money Will be Spent

---

### 2.1. National Defence

---

The single largest component of proposed spending in these Supplementary Estimates relates to National Defence. The Government is seeking an additional \$933 million, which represents about a tenth of the overall Supplementary Estimates and a fifth of new money requiring parliamentary approval.

The new resources reflect a myriad of measures to buttress Canadian defence capacity and respond to evolving conditions in Ukraine. Most notably, \$500 million would provide military assistance to Ukraine and \$56 million would support Operation UNIFIER – the Canadian Armed Forces' capacity building mission in Ukraine (see Box 2-1).

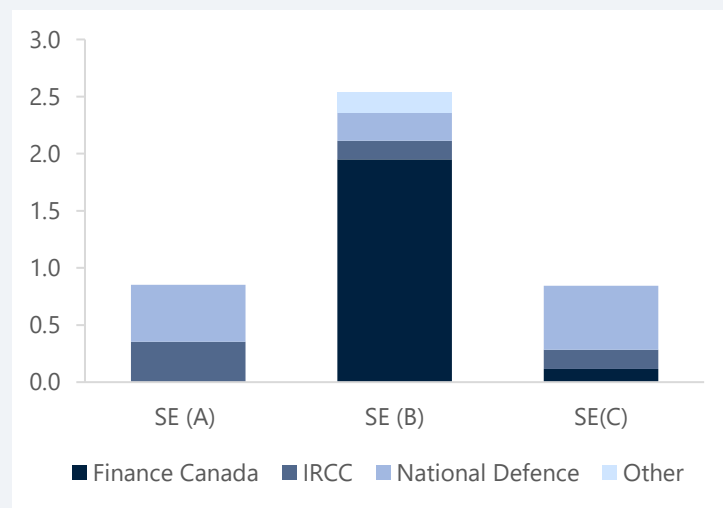
Most of this money was not announced in Budget 2022 and therefore reflect new resources that will bring National Defence's budget to an intergenerational high of \$28.4 billion in the current fiscal year. This is consistent with the figures published by PBO last year, which estimated that the department's spending was forecast to rise to \$28.8 billion this year and grow to \$42.2 billion in 2026-27, driven primarily by new equipment acquisitions (Figure 2-2).<sup>4</sup>



## Box 2-1 Support for Ukraine

As the war in Ukraine continues, *Supplementary Estimates (C), 2022-23* sees an increase of \$0.9 billion for Ukraine-related measures, bringing total funding to \$4.3 billion identified in the Estimates. This includes \$2.0 billion in funding to Finance Canada for concessionary loans.

**Supplementary Estimates Funding for Ukraine-related measures**  
\$ billions

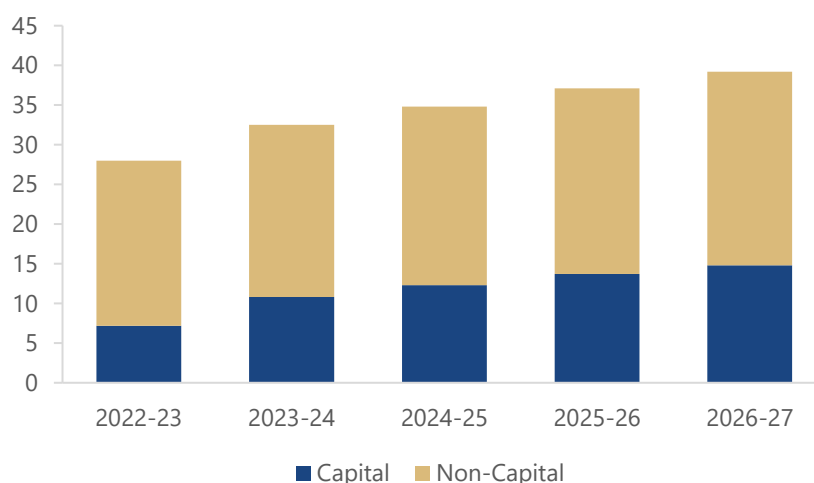


Sources: *Supplementary Estimates 2022-23*. Department of Finance, Canada.

Notwithstanding the growth in available funding, it is unclear whether the 2017 *Strong, Secure and Engaged* funding envelope remains adequate to support the planned renewal of the Canadian Armed Forces. As noted in previous PBO reports, several major acquisitions are over-budget. PBO plans to publish an independent life-cycle cost estimate of the announced F-35 procurement that will provide further insight regarding the potential fiscal risk.

Figure 2-2 Projected National Defence Spending

\$ billions



Source: PBO calculations.

## 2.2. Official Development Aid

Another major item in these Supplementary Estimates is a proposed \$370 million increase in international assistance to help other countries address the impacts of climate change in support of the Paris Agreement goals. Budget 2022 indicated that total spending on international assistance is projected to exceed \$8 billion this year.

The Organization for Economic Cooperation and Development (OECD) defines “Official Development Assistance” (ODA) as government aid designed to promote the economic development and welfare of developing countries. The United Nations has set an aspirational goal for developed countries to achieve annual ODA spending levels of at least 0.7% of Gross National Income (GNI).<sup>5</sup> While the Government of Canada does not specifically target this UN goal, it does have a policy objective “to increase Canada’s international development assistance every year towards 2030 to realize UN Sustainable Development Goals.”<sup>6</sup>

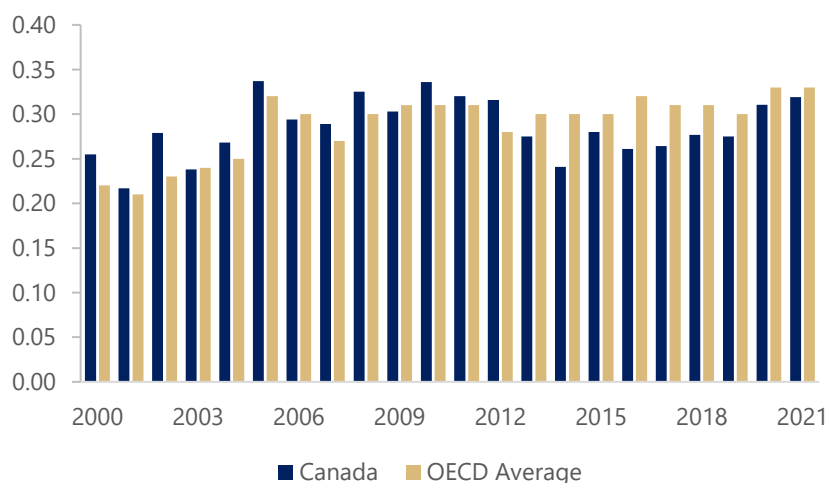
As depicted in Figure 2-3, while Canada’s ODA spending has slightly increased between 2015 and 2021, it remains below the levels seen in the previous decades. At 0.32% of GNI in 2021, it is less than half of the UN goal and marginally lower than the overall OECD average.<sup>7</sup> As Budget 2022

indicated, nominal spending for Canada's International Assistance Envelope would remain mostly stable through to the current fiscal year, suggesting that Canadian spending as a share of GNI has likely declined since 2021.<sup>8</sup>

Figure 2-3

## Official Development Assistance, Canada and OECD Average

% Gross National Income



Source: Organization for Economic Cooperation and Development.

Note: OECD average is based on countries with membership on the OECD Development Assistance Committee.

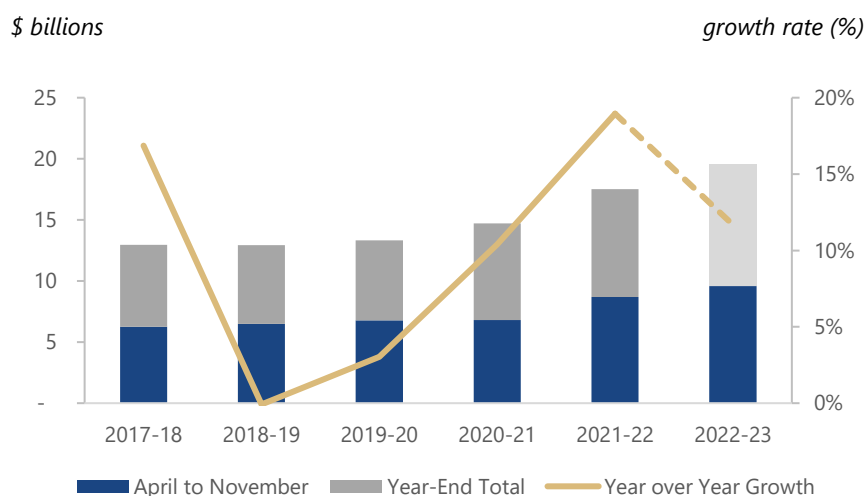
## 2.3. Professional & Special Services

In these Supplementary Estimates, the Government is asking for an additional \$817 million for professional & special services. Professional & special services includes payments for various professional services and expert assistance along with care of veterans and welfare services, and provisions for other operational and maintenance services performed under contract.<sup>9</sup>

Since the 2017-18 fiscal year, spending on professional and special services has increased by over a third (Figure 2-4). As of November 2022, nearly \$10 billion dollars have been spent on professional and special services this year - a record level compared to previous years over the same period. The 2023-24 Main Estimates indicate that planned expenditures on professional and special services will remain steady at \$19.5 billion in 2023-24.

Figure 2-4

## Spending on professional &amp; special services



Sources: Fiscal Monitor, Public Accounts, PBO calculations.

Note: Years prior to and inclusive of 2021-22 reflect year-end totals in the Public Accounts. The in-year estimate for the 2022-23 year-end total is a PBO calculation.

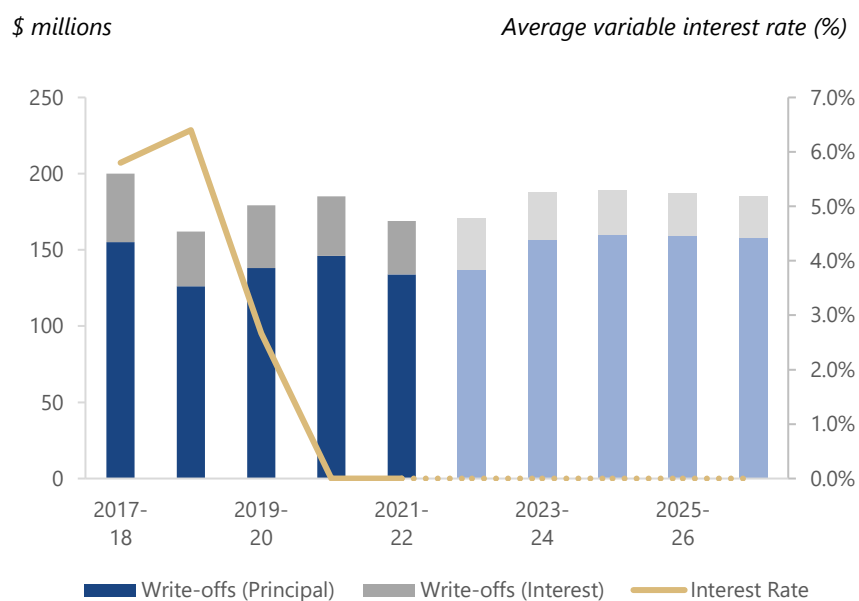
## 2.4. Student Loan Write-offs

The Canada Student Loans Program provides repayable loans and non-repayable grants to help Canadians finance their participation in postsecondary education.<sup>10</sup>

The Government seeks Parliament's approval each year to write-off student loans that are deemed uncollectable. These Supplementary Estimates request \$227 million to write-off 23,142 unrecoverable debts. This is over \$50 million more than what was originally projected in the Chief Actuary's report and \$57 million more than last year. Some volatility in the actual amounts written off from year to year is to be expected as decisions around which loans to write-off is a multi-step process.

As shown in Figure 2-5, the government announced in the Fall Economic Statement its intention to permanently waive interest accrual on student loans, a policy that has been temporarily in place since April 2020. Since most write-offs occur for individuals who have been in default for seven years or longer, this policy change will only begin to have an impact on write-offs in 2026-27.

Figure 2-5 Canada Student Loans write-offs



Sources: PBO calculations, Office of the Chief Actuary of Canada.

Notes: Annual figures represent the Canada Student Loans Program loan year (August 1 to July 31). Figures for 2022-23 onward are projections.

# Notes

---

1. *Old Age Security Act*. <https://laws-lois.justice.gc.ca/eng/acts/O-9/>. Accessed February 2023.
2. Treasury Board of Canada Secretariat. *Supplementary Estimates (C)*, 2022-23. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-c-2022-23.html>. Accessed February 2023.
3. This is calculated based on all four frozen allotment categories: Reprofiled, Transferred or Reallocated, Reduction, and Other.
4. Parliamentary Budget Office. Canada's Military Expenditure and the NATO 2% Spending Target. <https://www.pbo-dpb.ca/en/publications/RP-2223-010-S--canada-military-expenditure-nato-2-spending-target--depenses-militaires-canada-objectif-depenses-2-otan>. Accessed February 2023.
5. United Nations General Assembly Resolution A/RES/2626(XXV) of 24 October 1970. <https://documents-dds-ny.un.org/doc/RESOLUTION/GEN/NR0/348/91/IMG/NR034891.pdf?OpenElement>. Accessed February 2023.
6. Mandate Letter for the Minister of International Development. <https://pm.gc.ca/en/mandate-letters/2021/12/16/minister-international-development-and-minister-responsible-pacific>. Accessed February 2023.
7. OECD (2023), ODA (Indicator). doi: 10.1787/33346549-en. Accessed February 2023.
8. Budget 2022. Government of Canada. <https://budget.canada.ca/2022/report-rapport/chap5-en.html#2022-4>. Accessed February 2023.
9. Object codes for 2022 to 2023. <https://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/2223/7-eng.html>. Accessed February 2023.
10. Actuarial Report – Canada Student Financial Assistance Program. As at 31 July 2021. [https://www.osfi-bsif.gc.ca/Eng/Docs/CSLP\\_2022.pdf](https://www.osfi-bsif.gc.ca/Eng/Docs/CSLP_2022.pdf)