



An Overview of Canada's Public Finance System

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Foundations

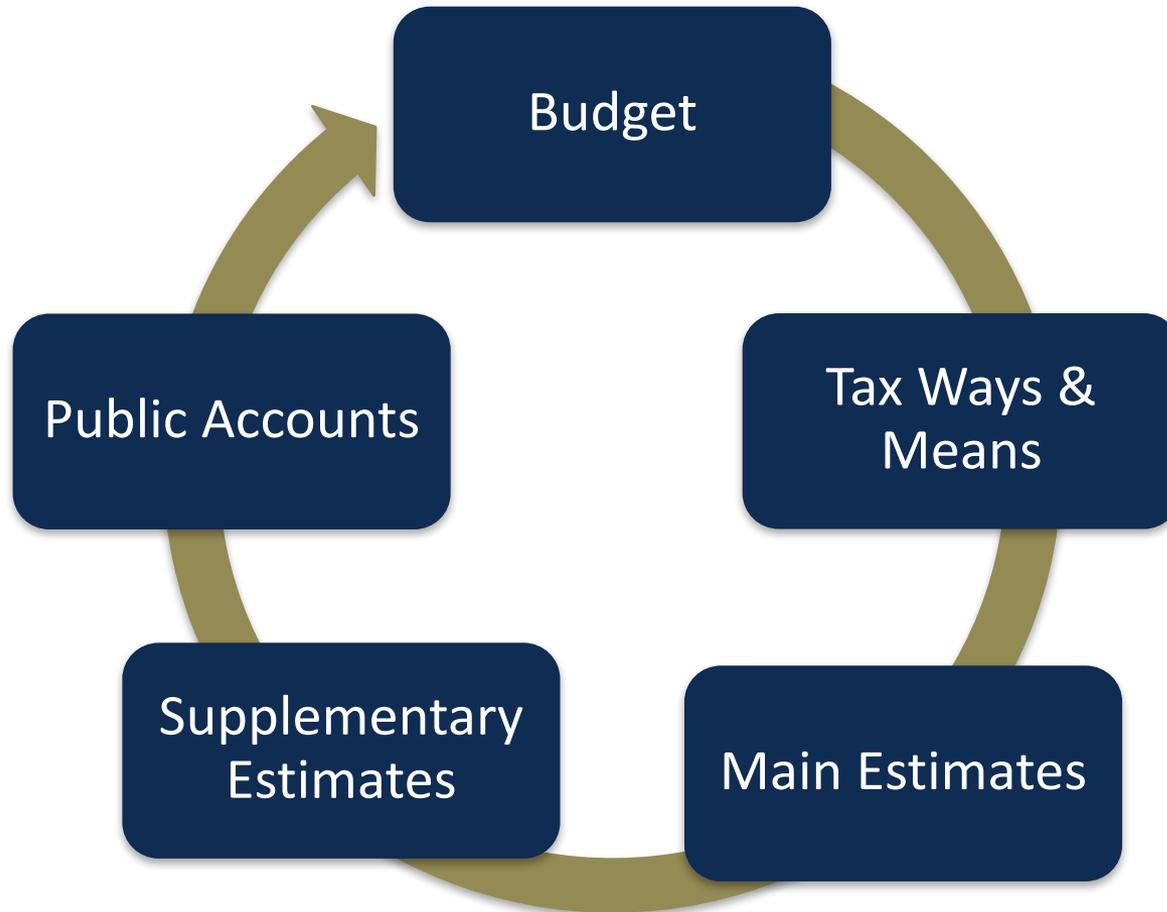
All Duties and Revenues over which the respective Legislatures of Canada, Nova Scotia, and New Brunswick before and at the Union had and have Power of Appropriation, except such Portions thereof as are by this Act reserved to the respective Legislatures of the Provinces, or are raised by them in accordance with the special Powers conferred on them by this Act, shall form One Consolidated Revenue Fund, to be appropriated for the Public Service of Canada in the Manner and subject to the Charges in this Act provided. Section 102, Constitution Act, 1867

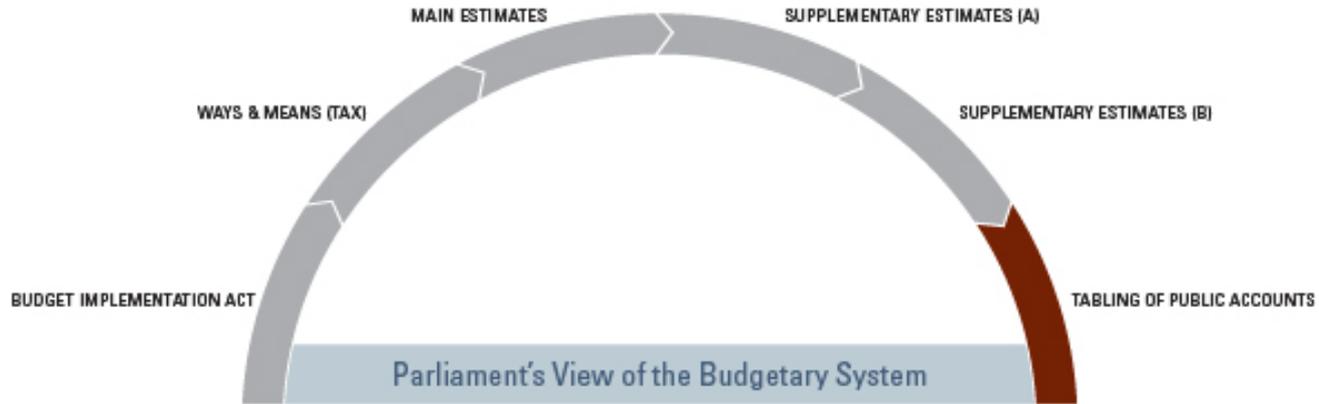
**The power of the purse resides with
Parliament.**

Fiscal Ecosystem

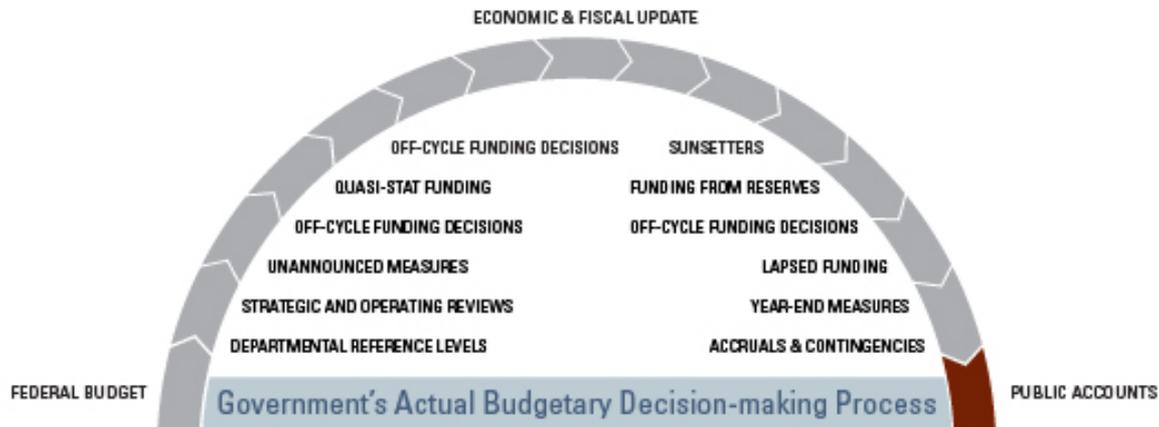
- Intertwined set of political incentives, public and private information and a web of rules and processes based on constitution, legislation, convention and political expediency.
- Actors in the ecosystem:
 - Executive branch
 - Non-partisan public administration
 - Others, e.g. civil society, media and the private

A typical financial cycle





BRIDGING THE APPROPRIATIONS AND BUDGET GAP



Framework for a well-functioning EMS

- An optimized EMS has three objectives:
 - Targets a balanced budget over the course of an economic cycle
 - Rapidly and sustainably aligns expenditures with government priorities; and,
 - Ensures that services are delivered efficiently

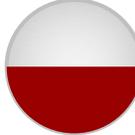
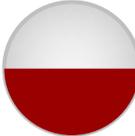
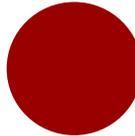
A well functioning EMS is key to restoring and maintaining public confidence in government

EMS Performance Measurement Framework

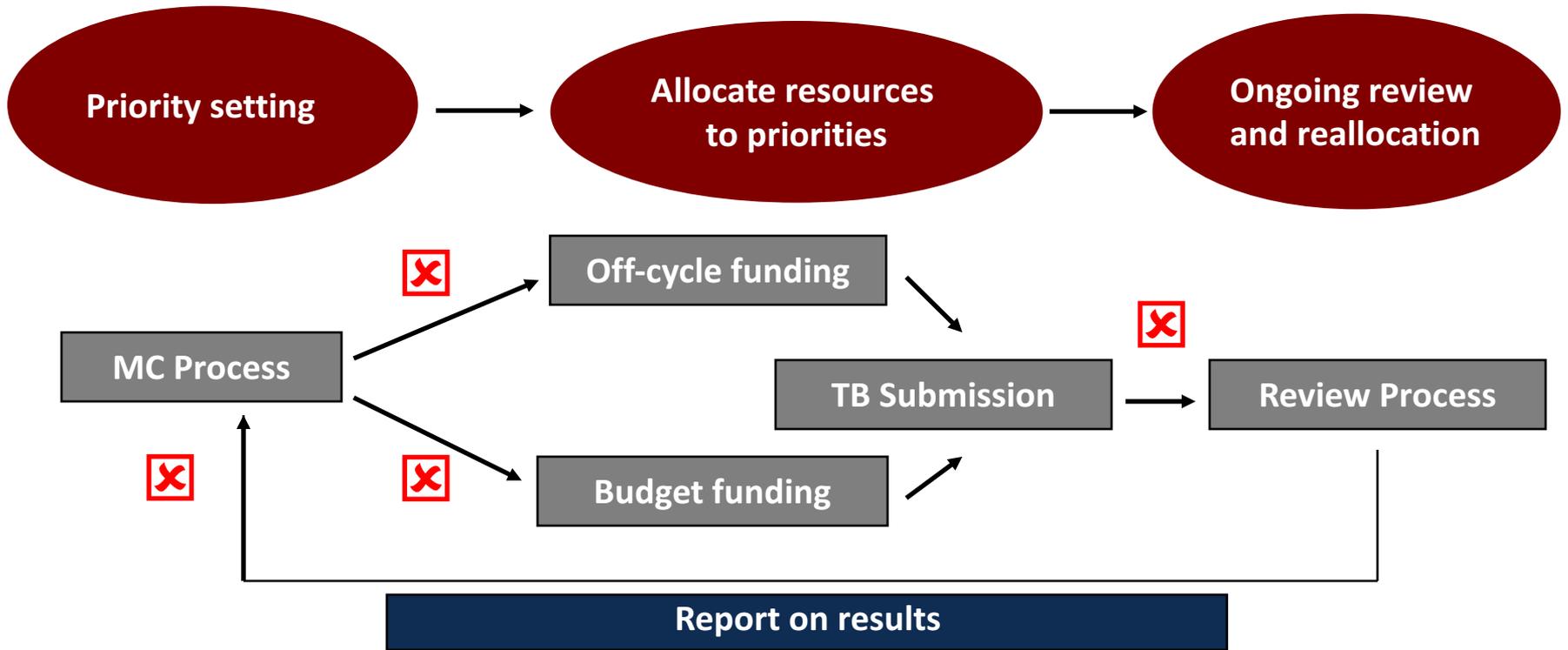
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|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aggregate Fiscal Discipline | Budget totals should be the result of explicit, enforced decisions; they should not merely accommodate spending demands. These totals should be set before individual spending decisions are made, and should be sustainable over the medium-term and beyond. |
| Allocative Efficiency | Expenditures should be based on government priorities and on effectiveness of public programs. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programs. |
| Operational Efficiency | Agencies should produce goods and services at a cost that achieves ongoing efficiency gains and (to the extent appropriate) is competitive with market prices. |

Organizational view of EMS

Roles and responsibilities in a well-functioning EMS

| | PCO | FIN | TBS |
|------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Allocative Efficiency |  |  |  |
| Operational Efficiency |  |  |  |
| Fiscal Integrity |  |  |  |

Process view of EMS



X Disconnects within and among processes

Principal conclusions

- Front-end oversight and due diligence is essential for well-functioning EMS
- Eliminate disconnects within and among processes to improve operational efficiency
- As the prerogative of the executive, they have to demand excellence (e.g. talk of estimates reform in Canada).

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