



**REPORT ON THE
*SUPPLEMENTARY ESTIMATES (B), 2021–22***

Standing Senate Committee on National Finance

SECOND REPORT

**The Honourable Percy Mockler, Chair
The Honourable Éric Forest, Deputy Chair
The Honourable Clément Gignac
The Honourable David Richards**

December 2021

MEMBERS OF THE COMMITTEE

The Honourable Percy Mockler, Chair
The Honourable Éric Forest, Deputy Chair
The Honourable Clément Gignac
The Honourable David Richards
The Honourable Peter M. Boehm
The Honourable Jean-Guy Dagenais
The Honourable Pat Duncan
The Honourable Rosa Galvez
The Honourable Amina Gerba
The Honourable Tony Loffreda
The Honourable Elizabeth Marshall
The Honourable Kim Pate

EX-OFFICIO MEMBERS:

The Honourable Marc Gold, P.C. (or Raymonde Gagné)
The Honourable Donald Neil Plett (or Yonah Martin)

OTHER SENATORS WHO PARTICIPATED IN THE STUDY:

The Honourable Senators: Larry W. Smith and Hassan Yussuff

PARLIAMENTARY INFORMATION, EDUCATION AND RESEARCH SERVICES:

Shaowei Pu, Analyst
Michaël Lambert-Racine, Analyst

COMMITTEES DIRECTORATE:

Mireille K. Aubé, Clerk of the Committee
Annie Trudel, Administrative Assistant of the Committee

ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Thursday, December 2, 2021:

The Honourable Senator Gagné moved, seconded by the Honourable Senator Gold, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (B) for the fiscal year ending March 31, 2022, when and if the committee is formed; and

That, for the purpose of this study, the committee have the power to meet, even though the Senate may then be sitting or adjourned, with rules 12-18(1) and 12-18(2) being suspended in relation thereto.

After debate,

The question being put on the motion, it was adopted.

Clerk of the Senate

Gérald Lafrenière

EXECUTIVE SUMMARY

After nearly two challenging years marked by the COVID-19 pandemic, Canadians continue to weather uncertainties even as the Canadian economy gradually recovers, a situation that underscores the interconnection between health, social, and economic wellbeing. While some government COVID-19 support programs were wound down, many have been transformed into recovery support programs. Under this context, as part of its oversight role, guided by the principles of transparency, accountability, predictability, and reliability, the Standing Senate Committee on National Finance considered the *Supplementary Estimates (B), 2021–22*, which were tabled in the Senate and referred to our committee for study on December 2, 2021.

These supplementary estimates request Parliament's approval for an additional \$8.7 billion in voted expenditures and increase forecasted statutory expenditures by \$4.7 billion, for a total increase in budgetary expenditures of \$13.4 billion.

In order to examine the *Supplementary Estimates (B), 2021–22*, our committee held three meetings and examined the estimates of seven organizations that are requesting total voted appropriations of approximately \$6 billion, which represents 69% of the total voted amount requested in these supplementary estimates. The committee also heard from the President of the Treasury Board, the Honourable Mona Fortier, and the Parliamentary Budget Officer, Yves Giroux.

Due to the limited timeframe given to our committee, we were unable to receive complete responses to some of our questions during the meetings. However, departments agreed to provide follow-up responses in writing by December 13, 2021. However, as of this date, we have not yet received complete written responses from the following departments:

- Department of National Defence and the Canadian Armed Forces
 - Crown-Indigenous Relations and Northern Affairs Canada
 - Department of Finance Canada
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OBSERVATIONS

1. The **Treasury Board of Canada Secretariat (TBS)** is requesting additional voted appropriations of \$1.6 billion, including \$1.5 billion for transfers to departments and agencies for negotiated salary adjustments.

With respect to the transfers for salary adjustments, officials from the TBS indicated that since the beginning of the 2018 round of bargaining, 53 agreements were reached. These agreements affect 270,000 federal public servants.

Additionally, the *Supplementary Estimates (B), 2021–22* included approximately \$900 million in planned expenditures related to contingent liabilities. TBS officials explained that contingent liabilities are reported in the Public Accounts of Canada on an accrual basis when there is a probability greater than 70 per cent that a liability may exist, and that it can be reasonably quantified. They added that when a department needs to make a payment in relation to such a liability, it will make a request through the estimates process and that the amounts requested may only be used for that purpose. TBS officials also added that the *Public Accounts of Canada 2021* would be published before the legislated deadline of December 31, 2021 and that the Departmental Results Reports would be published thereafter.

The Parliamentary Budget Officer observed that the \$900 million amount for contingent liabilities presented in the Supplementary Estimates would contribute to reducing the stock of such liabilities reported in the Public Accounts of Canada. He indicated that these liabilities could increase going forward due to the government's focus on identifying and resolving Indigenous land claims. As well, he stated that there are no obvious reasons for the delay in the publication of the Public Accounts of Canada. He suggested that the *Financial Administration Act* could be amended to require the government to table them at an earlier date.

The Government provides information about the estimates and expenditures through a variety of sources, such as the Public Accounts of Canada and the Departmental Results Reports. However, to ensure parliamentarians can use these documents in their review of the Supplementary Estimates, they should provide these documents in a timelier manner.

2. The **Department of Finance Canada** is requesting additional voted appropriations of \$14.7 million, including \$9.7 million for Indigenous engagement on the Trans Mountain Expansion Project and for the Participant Funding Program. The Department also presents non-budgetary statutory authorities of \$2.7 billion, including \$2.3 billion for the Canada Enterprise Emergency Funding Corporation to support the Large Employer Emergency Financing Facility.

Department of Finance Canada officials observed that the funding requested in relation to the Trans Mountain Expansion project would be used to engage Indigenous communities along the pipeline and marine shipping routes to support their economic participation in the project. They stated that the project is approximately 37% complete and that approximately \$9.9 billion in capital spending has been incurred as of September 30, 2021.

Officials appearing remotely were asked for additional information regarding the \$2.3 billion amount to support the Large Employer Financing Facility, but they could not provide a response during the meeting due to technical difficulties. The committee does not understand the need to create a new corporation to manage this program rather than have it managed by an existing

department or other organization. The committee notes that the President of the Treasury Board and her officials were unable to justify this decision.

3. **Global Affairs Canada (GAC)** is requesting additional voted appropriations of \$683.5 million, including \$375 million to support access by developing countries to vaccines, therapeutics and diagnostics for COVID-19 and \$165 million to support the recovery of developing countries from the COVID-19 pandemic.

Regarding the manner in which COVAX vaccines are allocated among developing countries, officials explained that Gavi, a co-leader of COVAX, agreed to delegate this role to the World Health Organization, which uses a framework that ensures vaccines are distributed equitably among recipient countries. They indicated that Gavi, in which Canada has a formal representative role, monitors the distribution of COVAX vaccines. As well, GAC officials stated that when vaccine doses within Canada's portfolio are considered to be surplus, Health Canada collaborates with GAC to ensure that these doses do not go to waste and are instead distributed to countries that need them through COVAX. They indicated that the pace of vaccine donations has accelerated, and that Canada is on track to meet its commitment to donate 200 million doses by the end of 2022.

In addition, GAC officials told us that the amount of \$165 million to support the recovery of developing countries would support Canada's ongoing humanitarian assistance, which is delivered in partnership with the United Nations, Red Cross and other non-governmental organizations. While we welcome the clarifications provided by officials regarding this funding, we would have appreciated more specific information about its allocation among developing countries.

Our committee is encouraged by the progress made regarding the government's commitment towards vaccine donations to developing countries. Recognizing that an effective response to the COVID-19 pandemic needs to be global, we urge the government to work with our international partners and allies to achieve higher global vaccination rates, improve access to vaccines in developing countries and make all reasonable efforts to ensure that the vaccine doses purchased by the government are not wasted.

4. **The Department of National Defence and the Canadian Armed Forces** is requesting additional voted appropriations of \$644.4 million, including \$327.7 million for the Canadian Forces pay increase and \$63.9 million for expanded contributions to the North Atlantic Treaty Organization (NATO).

Speaking on the pay increases for the Canadian Forces, officials stated that they are aligned with the pay increases reached through the collective bargaining processes for federal public service employees, as approved by the TBS in February 2021. The increases apply to Regular and Reserve Force general service officers and pilots of the ranks of lieutenant-colonel and below, medical and dental officers and non-commissioned members of the Canadian Armed Forces. DND officials indicated that they are retroactive and apply to the 2018-2019 to 2020-2021 fiscal years.

Regarding the increased contributions to NATO, DND officials explained that Canada has rejoined a number of NATO programs and that there have been increases in NATO common funding budgets. They noted that \$32.6 million would be for the North Atlantic Treaty Organization Military Budget and \$31.3 million for the NATO Security Investment Program.

5. **Innovation, Science and Economic Development Canada (ISED)** is requesting additional voted authorities of \$34 million, including \$21.9 million for the Canada Digital Adoption Program.

Officials from ISED said that the Canada Digital Adoption Program is a \$1.4 billion program introduced in Budget 2021 to provide funding to small- and medium-sized businesses for their adoption of digital technologies. Officials noted that they have built stronger internal controls and fraud-detection frameworks due to its greater exposure to fraud.

ISED provides support to seven regional development agencies (RDAs) under its portfolio, including two new regional development agencies that were created to replace Western Economic Diversification Canada. They are Pacific Economic Development Canada (PacifiCan) for British Columbia, and Prairies Economic Development Canada, which focuses on Alberta, Saskatchewan and Manitoba.

In the *Supplementary Estimates (B), 2021–22*, PacifiCan is requesting additional voted authorities of \$151 million. Officials explained that the additional funding for PacifiCan is required to set up its apparatus, including its own deputy minister, its internal services, a new office, and the required support services. As such, they reiterated that this should not be reflected as a favouritism approach of making additional investments in one RDA over another.

Speaking further on the allocation of the programs' funds among RDAs, officials explained that it is formulated through the program design process. The terms and conditions of the program apply equally to all RDAs. Officials added that with the local knowledge and relationship, RDAs are well positioned to ensure the allocation of funds to areas of greatest needs.

Regarding the unclear and inconsistent disclosure of information in the estimates document, officials from ISED agreed that the presentation is confusing, but they said that they are unable to influence it as these estimates documents are produced on the behalf of government by the TBS.

Speaking on lack of detailed information on the requested funding, officials said that the departmental results report for the RDAs will provide a more detailed breakdown by region and by program. According to their communications with the TBS, these reports will be tabled in Parliament at the end of January 2022.

Our committee recognized the government's support for small- and medium-sized businesses during this particularly precarious time. However, the lack of detail and context made it difficult for parliamentarians to scrutinize its spending plan. Therefore, we continue to urge the government to engage with Parliament regarding its information release strategy and provide more detailed and timelier information on its spending plan.

6. **Indigenous Services Canada (ISC)** is requesting \$2 billion in additional voted appropriations, \$494 million of which is for infrastructure in Indigenous communities.

Officials from ISC explained that prioritization of the infrastructure funding is determined largely through interactions between their regional offices and communities. This funding is dedicated directly to support health facilities, schools and housing. Facilities that are deemed to be at risk typically receive the largest notional allotment of funds.

Officials from ISC clarified that while this requested infrastructure funding is not for drinking water projects, there has been a fourfold increase in operations and maintenance funding specifically dedicated to support drinking water since Budget 2016. Additionally, the Fall Economic Statement of last year committed to increasing the funding until 2025 to \$370 million annually. Finally, officials added that while the previous formula asked Indigenous communities to absorb 20% of costs, the funding formula has been updated so that ISC now pays 100% of the costs. Officials told us that there are currently 40 long-term drinking water advisories in place in 30 communities. ISC has a plan in place for these communities to lift their boil water advisories, in partnership with Indigenous leaders and community members.

ISC is also requesting \$15.4 million to support Indigenous-led businesses. Officials stated that this funding is dedicated to Indigenous entrepreneurs, including women Indigenous entrepreneurs and the Indigenous tourism industry. Officials added that through the Indigenous entrepreneurship program, Indigenous entrepreneurs can obtain loans from 59 Aboriginal Financial Institutions across the country. Finally, officials admitted that the government has not reached its target of allocating 5% of federal contracts to Indigenous businesses, although the government has increased engagement with federally directed agencies over the last year.

While we welcome additional funding for infrastructure and businesses in Indigenous communities, our committee urges the government to continue working with Indigenous communities to address the inequities facing Indigenous peoples, including the long-term drinking water advisories.

7. **Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)** is requesting \$412 million in additional voted appropriations for the Specific Claims Settlement Fund.

Officials from CIRNAC stated that they have been working on accelerating the pace of settlements and simplifying the process. For example, in 2020-2021, they resolved 36 specific claims which resulted in \$1.7 billion in funding. They achieved this acceleration by working proactively with First Nations and by bundling claims to settle multiple claims at once. Additionally, they are also working with the Assembly of First Nations to reform and improve the process.

CIRNAC is also requesting \$230 million for infrastructure in Indigenous communities. ISC also requested the same funding item. Official from ISC clarified that for funding shared by two departments, the general rule is that ISC is responsible for communities south of the 60th parallel, while CIRNAC works with communities north of the 60th parallel.

Our committee is pleased to see the government making progress in making compensation for its past injustices. However, our committee would like to remind the government of numerous cases still being litigated in court, and we urge the government to proactively engage with Indigenous communities to reach a resolution.

WITNESSES

December 8, 2021

Treasury Board of Canada Secretariat

- The Honourable Mona Fortier, P.C., M.P., President of the Treasury Board;
- Annie Boudreau, Assistant Secretary, Expenditure Management Sector;
- Karen Cahill, Assistant Secretary and Chief Financial Officer;
- Marie-Chantal Girard, Senior Assistant Deputy Minister, Employee Relations and Total Compensation;
- Rod Greenough, Executive Director, Expenditure Strategies and Estimates;
- Roch Huppé, Comptroller General of Canada; and
- Sonya Read, Acting Assistant Secretary, Digital and Services Policy.

December 9, 2021

Crown-Indigenous Relations and Northern Affairs Canada

- Serge Beaudoin, Assistant Deputy Minister, Northern Affairs;
- Darlene Bess, Chief Finances, Results and Delivery Officer;
- Georgina Lloyd, Director General, Implementation Branch, Implementation Sector;
- Chantal Marin-Comeau, Director General, Missing and Murdered Indigenous Women and Girls Secretariat; and
- Martin Reiher, Assistant Deputy Minister, Resolution and Individual Affairs Sector.

Department of Finance Canada

- John Daley, Chief Financial Officer;
- Anne David, Director, Corporate Finance and Asset Management;
- Miodrag Jovanovic, Assistant Deputy Minister, Tax Policy Branch;
- Alison McDermott, Associate Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch;
- Sam Millar, Associate Assistant Deputy Minister, Economic Development and Corporate Finance Branch;
- Bradley Recker, Director, Fiscal Policy Division, Economic and Fiscal Policy Branch;
- Martin Tabi, Director General, International Finance and Development Division, International Trade and Finance; and
- James Wu, Senior Director, Debt Management, Funds Management Division, Financial Sector Policy Branch.

Department of National Defence and the Canadian Armed Forces

- Lieutenant-General Frances Allen, Vice Chief of the Defence Staff;
- Cheri Crosby, Assistant Deputy Minister (Finance) and Chief Financial Officer; and
- Troy Crosby, Assistant Deputy Minister (Materiel).

Global Affairs Canada

- Annie Boyer, Director General, Financial Planning and Management, and Deputy Chief Financial Officer
 - Gillian Frost, Executive Director, South Asia Division;
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- Anick Ouellette, Assistant Deputy Minister and Chief Financial Officer, Corporate Planning, Finance and Information Technology Branch;
- Stephen Salewicz, Director General, International Humanitarian Assistance;
- Andrew Smith, Director General, International Assistance Policy; and
- Joshua Tabah, Director General, Health and Nutrition.

Indigenous Services Canada

- Nelson Barbosa, Acting Director General, Community Infrastructure Branch, Regional Operations;
- Julien Castonguay, Director General, Strategic Policy, Planning and Information, First Nations and Inuit Health Branch;
- Christopher Duschenes, Director General, Economic Policy Development Branch, Lands and Economic Development;
- Catherine Lappe, Assistant Deputy Minister, Child and Family Services Reform Sector;
- David Peckham, Assistant Deputy Minister, Education and Social Development Programs Sector and Partnerships Sector; and
- Philippe Thompson, Chief Finances, Results and Delivery Officer.

Innovation, Science and Economic Development Canada

- Andrea Johnston, Assistant Deputy Minister, Innovation Canada;
- Étienne-René Massie, Director General, Small Business Branch;
- Douglas McConnachie, Assistant Deputy Minister and Chief Financial Officer, Corporate Management Sector; and
- Nipun Vats, Assistant Deputy Minister, Science and Research Sector.

Office of the Parliamentary Budget Officer

- Yves Giroux, Parliamentary Budget Officer;
 - Jill Giswold, Analyst;
 - Jason Jacques, Director General, Costing and Budgetary Analysis; and
 - Kaitlyn Vanderwees, Analyst.
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