

Report of the Commission de révision permanente des programmes

FOCUS ON PERFORMANCE

June 2015

SUMMARY



**Report of the Commission
de révision permanente des programmes**

FOCUS ON PERFORMANCE

June 2015

SUMMARY

This publication was prepared by
the Commission de révision permanente des programmes.

For information on the Commission
please contact its secretariat or visit its website.

Commission de révision permanente des programmes
700, rue St-Amable, 1er étage, bureau 1.400
Québec (Québec) G1R 5E5

Telephone: 418 643-0875, ext. 5301
Fax: 418 643-7157

revisiondesprogrammes@crpp.gouv.qc.ca
www.revisiondesprogrammes.gouv.qc.ca

Second report of the Commission de révision permanente
des programmes – Summary

Legal Deposit – August 2015
Bibliothèque et Archives nationales du Québec

ISBN: 978-2-550-74172-5 (printed)
ISBN: 978-2-550-74173-2 (PDF)

© Gouvernement du Québec – 2015

TABLE OF CONTENTS

Introduction	1
1. For an efficient government, at the service of the public good and well-being.....	3
1.1 The need for change	3
1.2 The ability to call things into question: a government that is continually and systematically self-assessing.....	8
1.3 Integrate performance-oriented management	10
1.4 Put in place a government that is transparent, strategist and innovative.....	12
1.5 Develop a common and coherent vision within a simplified organization.....	14
1.6 Investing in change.....	17
2. The ongoing program review mechanism	19
3. The review of certain programs: a few avenues	29
3.1 A follow-up of the Commission's first report.....	29
3.2 The Société des alcools du Québec	33
3.3 Tax administration (Revenu Québec)	36
3.4 Collection of support.....	43
3.5 Health.....	45
3.6 Interdepartmental approach: Round table on financial assistance for economic development and the other horizontal round tables.....	49
Conclusion	61

List of charts

CHART 1	Breakdown of the annual average spending growth between 2003-2004 and 2013-2014	4
CHART 2	Gross debt and debt representing deficits accumulated at March 31, 2014.....	5
CHART 3	Impact of demography and prices on spending growth between 2013-2014 and 2023-2024	6
CHART 4	Population approving the affirmation "On the whole, the system works pretty well and only minor changes are necessary to make it work better".....	46
CHART 5	Québec's assistance for economic development - Breakdown by type of assistance, 2013-2014.....	50
CHART 6	Québec government assistance for economic development - Distribution by field of activity, 2013-2014	51
CHART 7	Tax burden differential – Total for enterprises, 2014.....	54

List of tables

TABLE 1	Estimation of the financial impact on the government of a cut in the subsidy paid to private subsidized institutions.....	30
TABLE 2	Impact for Québec of tax collection by the Canada Revenue Agency – Estimation	38

List of figures

FIGURE 1	The ongoing program review mechanism - The model proposed by the Commission.....	23
----------	--	----

INTRODUCTION

The Commission de révision permanente des programmes—the ongoing program review committee—is submitting its second report to the government, following completion of work initiated in the early summer of 2014. This report is comprised of a summary and four volumes.

- In the first two volumes, the Commission reports on the analyses made and presents the resulting recommendations.
- The other two volumes present the studies ordered by the Commission or carried out by its secretariat to sustain its thoughts and analyses.

The Commission was chaired by Lucienne Robillard, former minister of the Gouvernement du Québec and of the Government of Canada.

The other members of the Commission:

- Michèle Bourget, former administrator of state;
- Mireille Fillion, former administrator of state;
- Robert Gagné, director of the Centre sur la productivité et la prospérité and full professor at the Département d'économie appliquée at HEC Montréal;
- Claude Montmarquette, emeritus professor at the Département de sciences économiques de l'Université de Montréal, President and Chief Executive Officer of the Center for Interuniversity Research and Analysis of Organizations (CIRANO).

The Commission's mandate and chosen approach

In November 2014, the Commission tabled an initial report. Being drawn up in the context of a return to a balanced budget,¹ the report addressed a specific requirement identified by the government. The second report follows up on the mandate defined by the government in June 2014.²

To fulfill the mandate entrusted to it, the Commission built on an approach that included:

- a departmental approach, with the Commission meeting deputy ministerial teams from each department;
- an interdepartmental approach implemented within the framework of five round tables grouping together the departments and bodies concerned by five areas of government activity;
- the findings of the government-led Web forum;
- analyses and work conducted at its request by its secretariat;
- studies ordered by the Commission.

1. *Rapport de la Commission de révision permanente des programmes*, gouvernement du Québec, November 2014.

2. *Ibid.*, p. 6.

□ **Three-phase process**

In its report, the Commission highlights the analyses and thought given with regard to the ongoing program review. The process was conducted in three phases.

- In the first phase, the Commission set out to define the cornerstones on which could be built a global vision of the Québec government and of its modes of action and the kinds of services that it needs to provide to its citizens.
- In the second phase, the Commission focused its attention on one of the cornerstones, namely, the establishment of an ongoing program review mechanism.
- Lastly, in the third phase, the Commission identified avenues of review for certain government programs.

1. FOR AN EFFICIENT GOVERNMENT, AT THE SERVICE OF THE PUBLIC GOOD AND WELL-BEING

Beyond the return to a balanced budget, the program review and the lasting characteristics that the government wants it to have must stem from a global vision of the government's modes of action and the kinds of services that it needs to provide to citizens.

Defining such a vision is the government's responsibility. In the context of the mandate that has been conferred to it, the Commission examined the main points on which this vision could be founded. Quebecers deserve an efficient, well-functioning government, at the service of their well-being and the public good.

For this objective to be reached, one must first be convinced of the need for change. Given the pressures on Québec, it has no choice but to undergo the transformation. A number of observations made by the Commission confirm this need.

1.1 The need for change

Major financial pressures, which are not recent, have made the government more fragile. Considerable efforts have been put into re-establishing the balanced budget, but it must be said that the return to fiscal balance currently under way will remain fragile.

To address this situation, the government needs to change its way of doing things in order to become more efficient. Similar-scope changes have been undertaken and carried out successfully in a number of developed countries.

Ever-increasing expenditures

Between 2003-2004 and 2013-2014, spending increased an average of 4.8% per year.

In 2013-2014, the Québec government's consolidated expenditure represented 26.2% of the Québec GDP, while in Ontario this spending represented 18.2% of its GDP and, in British Columbia, 18.9%.

Also in 2013-2014, health and social services as well as education, higher education, research, culture and immigration accounted for nearly 60% of the total consolidated spending.

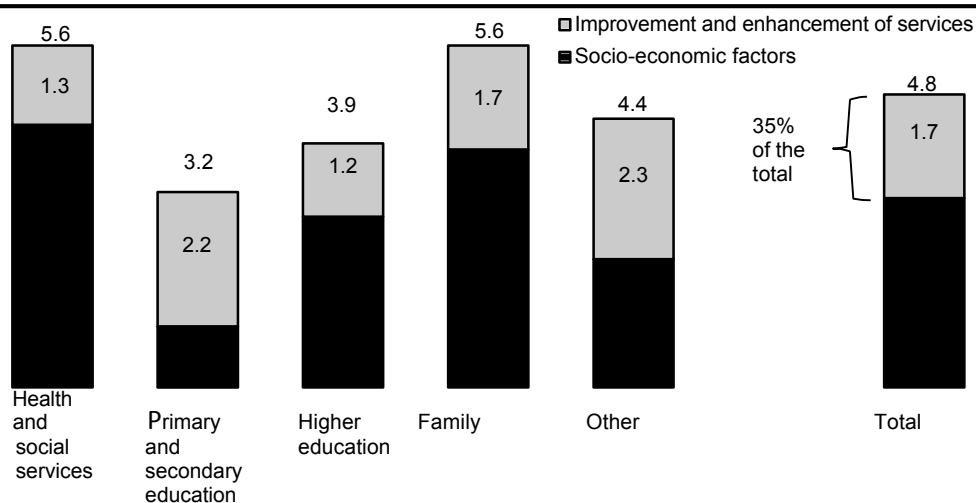
■ **More than one third of expenditures is attributable to the improvement and enhancement of services**

Socio-economic factors—specifically, changing demographics and evolving public service costs—explain only two thirds (65%) of the increase in expenditures observed between 2003-2004 and 2013-2014. About one third (35%) of the growth is attributable to service improvement and enhancement.

In the primary and secondary education sector, service improvement and enhancement account for more than two thirds (69%) of the increase in spending.

CHART 1

Breakdown of the annual average spending growth between 2003-2004 and 2013-2014
(per cent)



Note: The figures have been rounded out; the sum may not equal the total shown.
Source: Ministère des Finances du Québec.

□ **Revenues: growth of wealth is weaker than in Ontario and in Canada as a whole**

To fund these expenditures, Québec cannot count on revenues similar to those that Ontario, and Canada as a whole, enjoy.

Over a period of 30 years, between 1982 and 2012, the average increase in the real GDP was 2.0% per year in Québec, compared to 2.6% in Ontario and 2.4% in Canada.

This difference in growth has a considerable impact in terms of revenues. With the same economic growth as Ontario, Québec's GDP would have been, at the end of the period analyzed, 22.4% higher, which would have meant the creation of an additional wealth of \$7.9 billion.

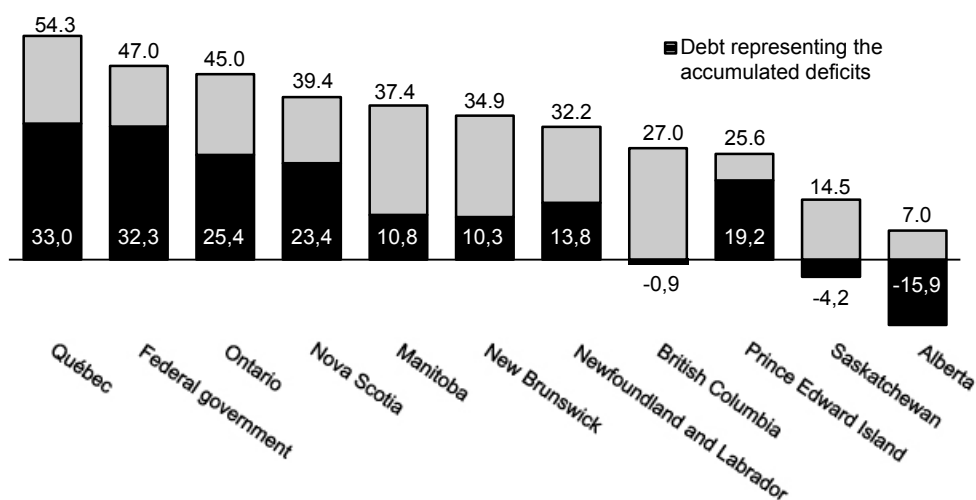
□ **Recurrent deficits for more than the past 45 years**

For more than 45 years now, the rapid growth of spending and the more limited increase in revenues have led Québec to accumulate recurrent deficits, which explains its debt level.

On March 31, 2014, the gross debt represented 54.3% of the GDP and the debt representing the accumulated deficits was 33.0% of the GDP, making Québec the most indebted province in Canada.

CHART 2

Gross debt and debt representing deficits accumulated at March 31, 2014
(as percentage of GDP)



Source: Ministère des Finances du Québec.

This debt limits Québec's capacity to finance public services. In 2015-2016, debt service will be \$10.5 billion, that is, 10.6% of consolidated expenditure. This amount is higher than the spending earmarked to support individuals and families, which will total \$9.3 billion. It is equivalent to close to two thirds (63%) of the spending of all departments, excluding health and education.

The recurring imbalance in public finances has another consequence. To fund public services and fulfill its different missions, the government has defined a taxation that contributes to Quebecers bearing a high tax burden. In 2010, the total fiscal pressure, including the taxation of all public administrations, represented 37.0% of Québec's GDP, the highest rate in all of Canada.³

3. *Final Report of the Québec Taxation Review Committee – Focusing on Québec's Future – Volume 3: Current State of Situation*, March 2015, p. 42.

□ A fragile return to a balanced budget

To reduce these financial pressures, the government took major steps over the past few years to control spending.

According to the fiscal forecasts made public in the 2015-2016 budget, there should be a return to fiscal balance by the end of the current fiscal year. The government plans to maintain this balance, with any surpluses being earmarked to reduce both the tax burden and the weight of the debt through payments to the Fonds des générations.

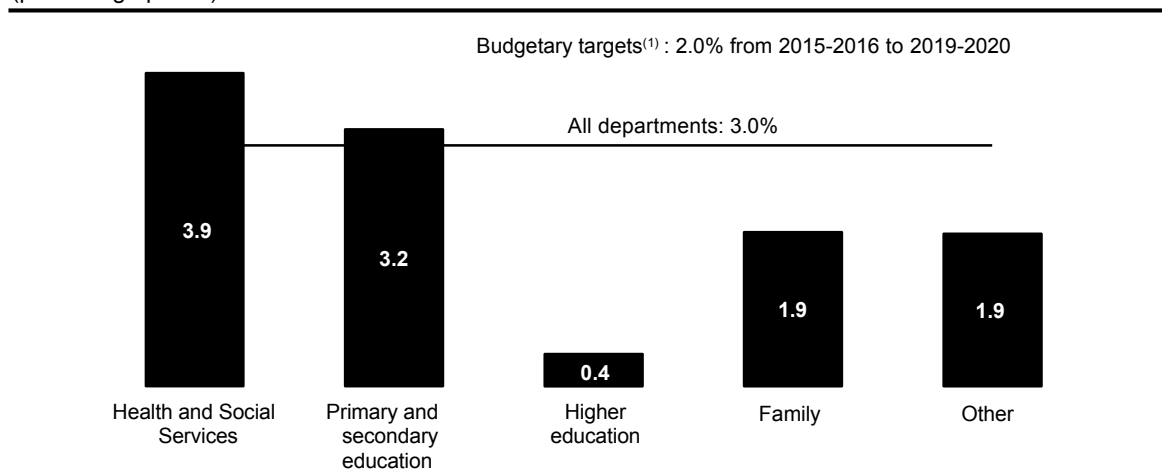
■ Upward pressure on spending

With regard to spending, the government's objective, as set out in the 2015-2016 budget, is to limit spending growth to 2.0% annually from 2015-2016 to 2019-2020. According to the Ministère des Finances, given the forecast change in demography and prices between 2013-2014 and 2023-2024, spending would have to be increased by 3% per year on average to maintain the existing basket of services without changing how services are delivered.⁴

The disparity between the budgetary targets and the foreseeable impact of demography and prices provides an indication of the magnitude of the challenge to take up.

CHART 3

Impact of demography and prices on spending growth between 2013-2014 and 2023-2024 (percentage points)



(1) Consolidated expenditures excluding debt service.
Source: Calculations by the Ministère des Finances du Québec.

4. Ministère des Finances du Québec, *Budget 2014-2015 – The Challenge of Québec's Public Finances*, June 2014, p. 24.

■ Outdated infrastructures

In addition to these upward pressures on spending, Québec must reckon with a major infrastructure maintenance deficit.

In the document of the Secrétariat du Conseil du trésor of March 2015 on Québec's infrastructures, the asset maintenance deficit for infrastructures was evaluated at \$15.1 billion.⁵ The Commission noted that the infrastructures addressed represent a partial inventory that excluded, in particular, the maintenance deficit for the infrastructures of the health and social services network.

Moreover, the Commission noted that the 2015-2025 Québec Infrastructure Plan earmarked slightly more than \$6.0 billion for asset maintenance deficit elimination. Based on these investments alone, the period for eliminating the asset maintenance deficit could be extended over more than 25 years.

■ Strain on revenues

As regards revenues, ongoing demographic changes will have a direct impact on the Québec economy. In 2013, the number of people in the 15 - 64 age group in Québec increased by only 0.1%.⁶ For the period 2014 to 2025, this sector of the population is expected to decrease 0.2% per year.

Though the anticipated increase in productivity is expected to accelerate, Québec's real GDP is forecast to increase an average of 1.7% per year from 2016 to 2020 and 1.4% per year from 2021 to 2025, compared to the average of 2.0% from 1982 to 2012.

□ A financial situation that remains precarious, whereas change has already begun

Confronted with this fragile financial situation, Québec needs to find a means to improve the quality of certain services. Change is needed all the more so given the fact that Québec appears to have lagged behind when it comes to critically examining government procedures.

The challenges facing Québec are really no different than those confronting all developed countries. Many initiatives have been taken in North America and in Europe to ensure the sustainability of public services by improving the government's efficiency and by better targeting the kinds of services offered.

In the 1990s, Scandinavian countries began to seriously call into question the government services and how they were delivered to citizens. The results are impressive: the changes made to the government made it possible to preserve the core public services, and the changes were accomplished without undermining the social cohesion.

Québec must follow suit. We must collectively re-establish the latitude that has been lost and is needed to cover future needs, while assuring the sustainability of services. Changes need to be made to the government's way of doing things, its modes of action, its organization and even to its culture.

5. Secrétariat du Conseil du trésor, *Québec's public infrastructure – 2015-2025 Québec Infrastructure Plan, 2015-2016 Annual Management Plans for Public Infrastructure Investments*, March 2015, p. 60.

6. Labour Force Survey - Statistics Canada.

1.2 The ability to call things into question: a government that is continually and systematically self-assessing

With success being defined as a condition where Quebecers are able to benefit from an efficient, well-functioning government, at the service of the public good and well-being, the first condition of this success is to ensure that the government is able to call things into question by continually and systematically assessing itself. This presupposes an ongoing program review mechanism.

The shortfalls of the program evaluation function within the Québec government

The program evaluation function within the Québec government has major shortfalls. The Commission's work, the expert analyses and the review conducted in 2013 by the Secrétariat du Conseil du trésor all concur on that point.

- The program evaluation function does not mobilize the relevant resources within the departments and bodies and does not receive adequate support from the central bodies.
- The findings most often remain confidential and do not really correspond with the needs of the central bodies, thereby reducing the findings' strategic scope.
- A number of components of the program evaluation exercise are not properly taken into account, including the pertinence and efficiency of the programs.

During the past few months, the Secrétariat du Conseil du trésor worked to build the program evaluation capacity. The Commission acknowledges the effort made by it but questions the approach taken.

The Commission fears that the departments and bodies may perceive a rigid and standardized approach as a new bureaucratic constraint and being difficult to manage because of the resources available. Such an approach, in the Commission's eyes, fails to encourage innovation and could lead to stripping the departments and bodies of their responsibilities.

The goal: to institutionalize a program review culture in the public administration

The Commission considers that a culture of review must be institutionalized within the Québec public administration in order to ensure that the government is truly able to call things into question on an ongoing basis.

For a government, conducting an ongoing and systematic review of the programs offered to citizens is crucial to ensuring that the existing programs effectively make it possible to attain the objectives established when the programs were set up.

An ongoing program review is the best way to tackle the sedimentation of government action. The ability to call things into question is particularly important when the pressure of public finances requires that choices be made and priorities identified. However, it can be very risky to wait until financial difficulties arise before questioning a given program's relevance, effectiveness or efficiency.

The ability to call into question also enables publicly elected policy-makers to have the right information to make the most appropriate decisions concerning programs to put in place, modify or terminate.

The opposite of dismantling the State

The establishment of an ongoing program review process aims above all to ensure that the services meet citizens' needs and are consistent with their ability to pay.

In that way, an ongoing program review mechanism is the opposite of a process to dismantle the State. The goal is not to reduce the government's role but to ensure that its actions are effective and efficient and that they support objectives and choices determined democratically by all citizens.

For the Commission, it is important that the establishment of an ongoing program review process be accompanied by that of a veritable culture of review within the Québec public administration. The process proposed by the Commission is presented in this summary.⁷

The success of the review process will depend on whether the government's ability to call things into question is effectively institutionalized within it, for the greater benefit of all citizens.

7. See page 19.

1.3 Integrate performance-oriented management

Once an ongoing program review mechanism is put in place, it will be important to ensure that management of the government logically flows from the review findings.

- Programs must be continually reviewed in terms of their performance.
- Management of the State must also be assured in terms of performance, that is, allocating resources attributed to each public program and identifying how the services retained in the context of the programs are delivered.

The persistence in Québec of a traditional management framework

Where performance-oriented management is concerned, one finding emerges: Québec continues to operate within a traditional management framework. Despite the efforts made to implement a results-oriented management framework, Québec did not succeed in doing so.

In 2000, when the *Public Administration Act* was adopted, it signaled a major attempt by Québec to replace its traditional management framework with a results-oriented one. Nearly 15 years later, it is clear that the attempt failed. In practice, the departments are trying to comply with the Act, without really integrating it into their governance. In retrospect, the *Public Administration Act* seems to be an exercise lacking in dimension and without any real grounding in the budget process.

This observation is particularly evident in the case of strategic planning, which is not a pillar of the departments' governance.

According to an evaluation made by the École nationale d'administration publique, of the 38 strategic plans submitted in 2009-2010 and 2010-2011, indicators of strategic outcomes represented only 15% of the total, the majority being instead internal management or output indicators. Strategic planning is perceived as an exercise aiming to comply with the *Public Administration Act*, and not as a tool for defining a vision of the challenges at hand and how to take them up.

This failure extends to the method of budgetization. Québec's current method is not performance-oriented; instead, emphasis is placed on cost control. The result is management aligned toward bureaucratic control and short-term management. No link is established between a program's funding level and its performance in terms of goal attainment. When it comes time for the Conseil du trésor to allocate resources among the different programs, it simply has no access to this information.

This failure and the persistence of a traditional management framework in Québec, not tied to performance, can be explained by a number of reasons:

- Essentially, strategic planning appears to be an exercise which, in good part, is disembodied, with objectives that are imprecise and difficult to measure.
- The annual management plan of expenditures does not make it possible to match resource use and the strategic plans' objectives.
- The government has oriented its management more toward the bureaucratic control of expenditures in the short term rather than medium-term planning and result analysis.
- It must be added that the current budgetary structure for programs as presented in the government's budget documents is opaque and makes it difficult to grasp the nature of the programs and their objectives.

The establishment of a results-oriented management framework

The Commission is putting forward a certain number of recommendations for establishing a management framework that is effectively results-oriented, and to institute management within the government that is genuinely performance-oriented.

- The Commission recommends that the strategic planning process be thoroughly thought out once again.
- True performance indicators must be available; they need to take into account the impact on clientele and make it possible to verify whether program and activity outcomes correspond with those initially anticipated.
- The government needs to pursue the shift toward performance-oriented management while putting in place multi-year budgeting.

1.4 Put in place a government that is transparent, strategist and innovative

The third condition of success identified by the Commission is the establishment of a transparent, strategist and innovative government.

Transparency

Transparency is needed in all developed countries as an assurance of good management at the same time as the preferred means of circulating information and fostering public support of proposed changes.

Transparency corresponds to a veritable change of culture in all relations between the government and its citizens. The emergence of the concept of "open government" and its rapid spread worldwide illustrate this change. An open government advocates a transparent state, welcoming suggestions from everyone, willing to discuss its ways of doing things and calling them into question. It advocates a government sufficiently sure of its choices to abandon the secrecy mentality and agree to manage public affairs in the public eye.

The Commission noted that, overall, transparency does not appear to really be part of the Québec public administration culture.

Orientations were announced in March 2015 to pave the way for a consultation on how to make the government more transparent. Amendments were made to the current regulations.

The Commission recommends to the government that it pursue and accentuate the actions taken to make the government more transparent. The government should modify its approach regarding access to information, by translating this accessibility into a rule with precisely defined exceptions.

The Commission encourages the government, in particular, to indicate its desire to enhance the State's transparency by implementing this orientation in the budgetary process.

A State that strategically defines how services are delivered

The State must be a strategist in defining how services are delivered by calling on the most appropriate expertise at the right place and at the right time.

In a rapidly changing world, an efficient and well-functioning state must strategically define its chosen means for ensuring the delivery of services. To be a strategist in defining how services are delivered means that actual funding in the strict sense of the term must be clearly distinguished from the delivery offered as a result of funding. A strategist state is one that abandons the culture of "doing everything itself" while avoiding falling into the opposite trap of delegating everything to outside parties.

The Commission recommends that a strategic review be carried out in defining how services are delivered, with a view to ensuring that the programs offered to citizens are effectively applied. When setting up or reviewing a program, the mode of delivery would necessarily be examined to determine who, from the private or public sector, is best able to offer the most effective service at the best price. The Commission recalls that the private sector also includes many enterprises, both profit-making and non-profit-making, civil society and, in particular, community organizations.

At the same time, the government must protect the strategic know-how in its departments and bodies.

□ **An innovative State**

In a constantly changing world, states need to innovate in order to quickly adapt themselves to new ways of doing things and to make the most of new technologies. The need to change, the capacity to call things into question, transparency and innovation are all interconnected.

During the Commission's meetings with the different departments, it observed that their receptiveness to innovation varies, particularly with regard to introducing new procedures and approaches, the arrival of new technology and possible changes to work methods and to the products and services offered.

In other words, the efforts made to improve the quality of services and productivity are of a varying scale.

- The budget constraints repeatedly imposed on the departments and bodies have had a direct impact on the budgets allocated to improvements in human resources.
- Overall, the government has not put in place a comprehensive action plan aimed at improving its human resources.
- Governance of information resources is often limited by the lack of a global view and understanding of the positioning of technologies within the body's strategic orientations and business needs.
- Information technology is a sector where duplication of effort is observed, notably duplication involving mutual services being underused.

In order to promote and develop innovation across the public administration, the Commission recommends setting up a government innovation action plan, including adequate resources.

The Commission also recommends establishing a collaborative platform which would enable the government to benefit from innovation within and outside it.

Lastly, the Commission recommends to the government that it invest in its human resources in a way that would help individuals capable of being the drivers of innovation within their respective organization to come to the forefront.

1.5 **Develop a common and coherent vision within a simplified organization**

The fourth condition of success identified by the Commission for the government to become an efficient, well-functioning government, at the service of the public good and well-being, has to do with developing a common and coherent vision, within a simplified organization.

A common vision of the State and coherence of action

The different departments and bodies forming the State must share a common vision of the government that they form. At this time, that is far from being the case.

In the Québec public administration, invariably, when a subsystem plans to implement an initiative, it does not first systematically stop to consider the impact of the initiative on the other subsystems. This automatic reflex of anticipating the consequences of the organization's initiatives on the other government entities is often lacking, as is the culture of collaboration and joint action, owing to time constraints, available resources and awareness in this regard.

The Commission has identified strategic difficulties in certain horizontal matters, where a number of departments intervene without there being any optimal coordination, coherence or cohesion in the action taken. That is the case, notably, for government action in economic development, education, employment and culture.

As soon as it was set up, the Commission helped in creating horizontal round tables whose goals were precisely to get departments and bodies in the same sphere of activity to work together and conduct reviews. The Commission recommends going further and broadening the current mandate of the standing departmental committees. This would mean drawing more on the committees to encourage the departments to work as a system.

Simpler, more stable and more comprehensible structures

The structures of the Québec government are complex and cumbersome. As it is, citizens and enterprises alike have problems navigating their way through the maze of government bodies. The very number of government bodies is in itself a symptom of the complexity of the apparatus of the State. From 1867 to 1959, a total of 18 public bodies were created. In 2013-2014, the total stood at 170.

Moreover, departmental structures are changing. Certain department activities are regularly being moved or grouped, which is a source of instability and costs. These incessant moves can result in "orphan programs" that are not clearly part of any given department. Not only is this instability counter-productive, it also has a direct negative impact on the services offered to citizens and results in costs for the government. This is particularly well-illustrated by the repeated changes made to the governance of science and technology: since 1980, this governance has been modified 14 times.

In the same way that programs need to be the focus of ongoing reviews, government bodies also need to be. Such reviews should bear on the body's relevance, its status and the outcomes that it produces and should also help put an end to the overlapping that is too often observed.

What is more, the government needs to see to the stability of departmental structures and enable these structures to benefit from improved performance. Targeted action should be taken to stabilize the organization of the departments responsible for the State's primary missions, that is, education, science and technology, and economic development, in particular.

A multi-service centre offering a significant number of services

In all developed countries, considerable efforts have been made to offer a significant number of services to citizens and enterprises through a multi-service centre, whether a computer portal or physical one-stop location. To fulfill such a mandate, the Québec government established Services Québec.

Created in 2004, Services Québec has a number of accomplishments to its credit.

However, the list of services offered to citizens and enterprises through a multi-service window—Services Québec in Québec—or through a governmental portal, shows that Québec is behind in this regard, when compared to New Brunswick, Ontario, Alberta and British Columbia.

In addition, in Québec, services for citizens and enterprises remain scattered across a large number of access points.

In the spring of 2015, the government announced certain initiatives concerning Services Québec. The Commission recommends that in the ongoing reform, the government take into account the main points raised in 2010 in the firm Raymond Chabot Grant Thornton's⁸ report on Services Québec. These points included the development of a clear vision and business model and recourse to mandatory participation by the departments and bodies for which such an avenue is deemed necessary to attain the business vision.

An efficient and widely used organization support services system (commonly known as the *back office*)

In order to be high-functioning and efficient, departments and bodies must ask themselves how best to obtain the services that support them—what is called the *back office*.

The findings in Québec in this regard vary, depending on whether one is referring to the pooling of services within the same department portfolio, in interdepartmental shared services centres or at the Centre de services partagés du Québec.

- The Commission recommends that the pooling of services within the same departmental portfolio be made mandatory. The current approach is much too slow, and simple prompting has not proved effective.
- The interdepartmental service centres are a real success. The government should respond accordingly and give this approach more support. The interdepartmental centres are an interesting avenue for promoting savings and simplifying client service.
- The Commission supports the steps taken by the government to review the business model and delivery of services of the Centre de services partagés du Québec.

8. Raymond Chabot Grant Thornton, *Rapport – Application de la Loi sur Services Québec*, June 2010.

□ **An effective presence across Québec**

Across Québec, the government's presence to ensure delivery of services to Quebecers varies.

The deployment of services throughout Québec, via regional offices, regional directions, operational centres and points of service, had been carried out with each department or body having its own organizational system to ensure coverage without, however, looking at the services dispensed by other government authorities already in place.

The regional deployment of government action is not based on a global vision, once again demonstrating silo mentality. Without a comprehensive and integrated view of the government's presence in the regions, decisions founded on performance and optimization are difficult to make. The absence of government leadership and vision with respect to regional deployment leads to an apparent patchwork of government services.

The Commission recommends that the regional deployment of services to the public be addressed globally, while taking current issues, and possible improvements, into account.

All departments should re-examine their requirements with regard to regional directions and regional offices.

Certain offices could be grouped under the same roof in order to maintain a critical mass of staff and share administrative services. Thought could also be given to closing offices that do not offer services directly to the public and are unable to maintain a critical mass of staff.

The possibility of delocalizing more activities, such as call centres, computer server rooms, technological development or mail processing centres, should be examined. Delocalization could also be applied to the administration of specific programs.

1.6 Investing in change

Given the important role that the government plays in societal development, every effort must be made to ensure that the government is efficient. The public good requires it and public well-being depends on it.

The current financial context makes this objective all the more urgent. Change is called for, particularly given the daunting challenges confronting Québec because of the financial pressures on it and the need to respond to citizens' expectations.

The establishment of an efficient government will not be without cost. Any transformation requires investments and the transformations recommended by the Commission are no exception.

In particular, provision will need to be made for specific resources to support the emergence of effective performance-oriented management, to finance innovation projects or to support pilot projects illustrating the emergence of a State that is transparent and strategist, offering citizens effective services.

The Commission recommends that resources be reserved explicitly for the transformation of the State. Resource management could be in the context of a transformation fund, inspired by the revenue optimization provision established by the Ministère des Finances. The creation and transparent management of such a fund would illustrate the seriousness and rigour of the process undertaken by the government to render itself efficient.

2. THE ONGOING PROGRAM REVIEW MECHANISM

Implementation of an ongoing program review process constitutes the first condition of the success of the transformation proposed by the Commission, in order to build an efficient, well-functioning government at the service of the public good and well-being.

Defining such a process is also central to the mandate that the government entrusted to the Commission.

The chosen approach

To define the ongoing program review mechanism that it proposed to the government, the Commission chose an approach based both on an analysis of experiences in other jurisdictions and on the defining characteristics of the Québec reality.

Experiences outside Québec

The Commission felt that it was important to be aware of the program review strategies and mechanisms used in other jurisdictions. Throughout its work, the Commission systematically employed a benchmarking approach, which enables it to take advantage of the experiences analyzed elsewhere, drawing on them for inspiration and identifying good practices.

Numerous developed countries have been putting in place program review mechanisms for a number of years now. In many jurisdictions in these countries, such mechanisms have become permanent and, in a manner of speaking, are now institutionalized within public administrations.

The nature of program reviews changed. They often went from being ad hoc operations, focused on budget cuts, to ongoing, systematic operations, integrated recurrently into the preparation of government budgets, with an objective itself that was broader. No longer is the goal one of attaining a specific fiscal target but that of ensuring the sustainability of public services, notably by prioritizing programs and realizing efficiencies.

In the jurisdictions that are most committed to program review, increasing attention is given to the quality of the services offered to the public in the context of these programs.

■ Departmental meetings

Through departmental meetings, the Commission was able to identify where special efforts would be required in order to gain an effective program review mechanism.

- The relationships established between the central bodies and the departments are crucial to successfully implementing a program review mechanism.
- During the meetings, the Commission sensed a certain resistance to change, at times reiterated and sustained by the clientele concerned.
- The deficiencies noted with regard to the existence of a common and coherent vision have an impact on the program review.
- The departments are faced with an absence or paucity of data on which to build their program analyses, for which they are responsible.

■ The attempts at review made in the past few decades in Québec

The desire to establish a program review mechanism in Québec is not new. Since the mid-1980s, the government has undertaken five major program review exercises and actions at the highest level, namely, as the direct initiative of the Premier of the time.

These attempts at review did not produce the outcomes hoped for because of difficulties getting the departments to jump on board, fatigue associated with weakening support from the upper echelons of the government and resistance to change.

■ The review work of the Commission

In the end, the Commission based itself on its own experience, that is, the findings it had made through the course of the work it began in June 2014. That work has enabled it to make a certain number of observations.

The Commission's credibility and the work that it has undertaken with the departments and bodies are founded above all on strong political support, coming from the Premier himself, and from the Chair of the Conseil du trésor. Such support is crucial for an exercise of this kind.

Despite this strong political support, the recommendations that the Commission presented last November were poorly coordinated with government action. Consequently, special attention will have to be given to linking the findings generated by the ongoing program review mechanism with government action.

In conducting its work, the Commission had a good measure of independence compared to that of government authorities. This relative independence enabled the Commission to open new paths and identify avenues that authorities integrated into the public administration would have perhaps hesitated to address. The Commission also noted the limits of such an approach, essentially the difficulty in linking the work of an independent body with the governmental analysis and decision-making process.

The Commission was faced with trying to mobilize resources within a limited period of time in order to fulfill the demanding mandate entrusted to it. From this experience, the Commission learned that the establishment of a program review mechanism will need to be accompanied by adequate means that correspond with the scope of the exercise.

□ **The anticipated outcome of the review process**

A review can be defined as an analysis of the findings obtained from organizations' policies or from public programs. Based on reliable and useful conclusions, the review is designed to improve decision-making, resource allocation and accountability.

A review includes program evaluation. Both the review and program evaluation must be conducted as part of the same planning exercise. Reviews draw on different sources, such as comparative studies, investigations and studies, verifications and audits, risk management and resource optimization.

In practical terms, a program review mechanism must produce the following three deliverables:

- a plan of the review work to come;
- the actual review analyses, leading to the recommendations;
- a follow-up of previously formulated review proposals.

The Commission must ensure that the program review mechanism also applies to government corporations, in compliance with the mandate given to the Commission in November 2014.

□ **The program review process**

The Commission proposes an ongoing program review process bringing together what it considers to be the conditions of success, namely:

- an approach integrated into the public administration;
- an approach founded on strong expertise;
- a process benefitting from independent contributions;
- a transparent process.

In the proposed process, the core of the program review activities would be entrusted to both the program review unit and to the departments and bodies. These activities would be supported by the Secrétariat du Conseil du trésor and by the Ministère des Finances.

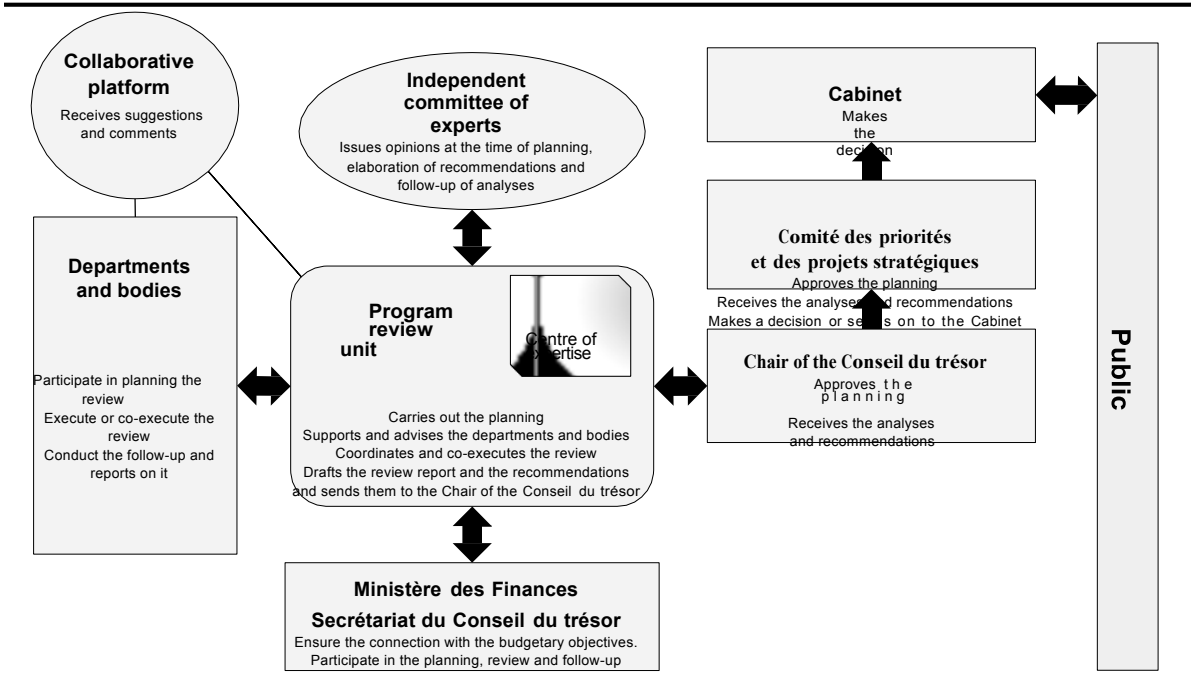
The process would be supported at the highest level, specifically, by the Chair of the Conseil du trésor and ultimately by the Premier, within the framework of the Comité des priorités et des projets stratégiques.

A committee of independent experts, as an advisory committee, would also support the review process.

The process could also count on a centre of expertise, as well as on citizen involvement arising from the collaborative platform.

FIGURE 1

The ongoing program review mechanism – The model proposed by the Commission



Source: Commission secretariat

■ A process integrated into the public administration

The program review process must be integrated into the public administration.

This integration implies a strong and sustained political leadership, at the highest level.

The Commission recommends that the Comité des priorités et des projets stratégiques, chaired by the Premier, be the decision-making body with respect to program review at two key moments:

- The Comité des priorités et des projets stratégiques would be responsible for receiving and approving the plan for the review process and would receive the review-related reports and recommendations.
- The Comité would come to a decision concerning the recommendations presented or, if it prefers, submit the recommendations to the Cabinet.

For any questions having to do with the program review, the Comité des priorités et des projets stratégiques should, by statute, include the Chair of the Conseil du trésor, the Minister of Finance and the ministers concerned by the recommendations presented during the discussion of recommendations.

Responsibility for the program review must be entrusted to an administrative unit placed under the direct authority of the Chair of the Conseil du trésor. The government would make clear the importance that it attaches to establishing the review process, while providing assurances as regards the sustainability of the initiative.

The process must be in line with the government's needs and fiscal targets.

The Secrétariat du Conseil du trésor and the Ministère des Finances would together draw up the plan for the review, the reviews themselves and their follow-up. They would both have the specific responsibility of linking the review process with the fiscal targets.

The process must be fully assumed by the departments and the bodies.

To make full use of the knowledge that the departments and bodies have of the purview of their programs, the Commission recommends that they take part in planning the review, execute or co-execute it, conduct the follow-up and report their findings.

In an effort to secure the departments' and bodies' ownership of the review process, the Commission recommends that the review requirements be defined so as to ensure that they help resolve specific problems confronting the departments and bodies, and that the government contemplate financial incentives tied to the proper handling of review files.

■ An approach founded on solid expertise

The program review approach must be founded on solid expertise.

As well, the program review must be placed under the responsibility of a high-calibre unit having recognized know-how.

The Commission recommends that the program review unit be provided with the resources needed to fulfill the mandate entrusted to it, that it be able to set up a centre of expertise and that it support the departments and bodies.

The budget allocated to the program review unit would be sufficient to allow it to hire external resources, when necessary. The team assigned to program evaluation, put together within the Secrétariat du Conseil du trésor, would be integrated into the program review unit.

Departments and bodies will play a central role in the review process. They must be able to rely on sound knowledge for this purpose.

Departments and bodies are to be provided with appropriate support to help them take part in planning and carrying out the review and conducting follow-up.

■ A process benefitting from independent contributions

The Commission is convinced of the merits of having the program review process benefit from independent contributions.

The Commission therefore recommends the setting up of a committee of independent experts mandated to provide advice during the review planning and implementation phases.

The committee of independent experts would issue opinions during each phase of the review process, specifically, planning, drafting of recommendations and follow-up analysis. These opinions would be an integral part of the documents produced by the program review unit. The committee of independent experts would thereby play the role of an advisory board and would validate the work and proposals.

The Commission also recommends that a platform of collaboration and participation be created.

A collaborative platform would be an integral part of the program review mechanism. The platform would take the form of a website, where citizens and organizations could submit suggestions and comments on defined subjects and within the established parameters. The platform would also be open to experts, concerned persons and the staff of the departments and bodies.

■ **A transparent process**

The program review process put in place by the government is to be a transparent process. Transparency will ensure that an institutionalized program review will result in the changes needed to the organization of the State.

The Commission recommends that the annual planning of the program review work and the recommendations sent to the Comité des priorités et des projets stratégiques be published no later than six months after being submitted to the Chair of the Conseil du trésor.

The Commission recommends that the government's review decisions and the report of the follow-up of the previous recommendations be published as well.

□ Targeted and exhaustive planning of review activities

Planning of the program review should include a targeted approach, that is, precise criteria used to identify the programs to be reviewed. Planning should also strive for an exhaustive process, that is, the review of all government programs on a rather distant horizon.

The Commission thus recommends that the planning, within the framework of an exhaustive review of all programs, adopt an iterative, structured and organized approach for ultimately addressing all of the government's spheres of activity.

■ New programs

New programs should respect the same principles as existing ones, even if they are excluded from review activity planning. New programs should therefore have to meet the same type of requirements as the reviewed programs, i.e. relevance, effectiveness and efficiency.

When new programs are being set up, good practice principles that guide the program review should be applied in order to ensure:

- that the new programs meet a real need of the citizens, which had been clearly identified;
- that the objectives are clearly formulated, accompanied by performance outcome indicators and measurable impacts;
- that cost estimates and impact estimates had been made beforehand, building on verifiable and solid foundations;
- that follow-ups for gathering information to measure outcomes are provided for, as well as the resources needed for that purpose.

These good practices could, for example, be systematically applied by the Secrétariat du Conseil du trésor within the framework of program approval by the Conseil du trésor. All new programs should be reviewed at the end of a pre-established period, no more than five years.

3. THE REVIEW OF CERTAIN PROGRAMS: A FEW AVENUES

The Commission continued the work it had begun in 2014 concerning the analysis of government programs. It proposes a number of avenues stemming from observations that it found particularly salient and strongly recommends that these avenues and the accompanying recommendations be taken into account in pursuing the program review work.

3.1 A follow-up of the Commission's first report

In its report of November 2014, the Commission had flagged a number of evaluation-related difficulties concerning two programs that it had examined at that time, namely, the funding of private schools and the Programme de crédit de taxes foncières agricoles.⁹ The Commission attempted to resolve these difficulties in its subsequent work.

The funding of private schools

Based on the information available and the studies accessible to it, the Commission analyzed the comparative costs and funding of private and public schools, as well as the risk of clientele transferring, that is, students moving from the private sector to the public sector. Such a situation could be expected if the Québec government subsidy to private subsidized institutions were reduced or terminated.

The Commission presented an evaluation, by inference, of what the financial impact for the government would be if it were to reduce public funding of subsidized private schools.

9. See the *Rapport de la Commission de révision permanente des programmes*, November 2014, pp. 72 and 132.

■ **In terms of net figures: additional costs**

In total, the savings resulting from a cut in the subsidy paid to private subsidized institutions would transform, in terms of net cost, into additional costs for the government, because of the increase in subsidies to the public sector resulting from transfers of clientele to public institutions, for all the levels of increase examined.

With a \$3999 hike in tuition fees, which is the equivalent to eliminating the subsidy to private schools, the government could have to bear additional costs of slightly more than \$114 million. The government would thereby not realize any savings.

This is explained by the fact that for Québec, the public funding cost per student in private schools is substantially lower than the public funding cost per student in the public network.

It should be added that the calculation used has certain limitations. If the government subsidy to private subsidized institutions were actually eliminated (which would correspond to a 133% increase in the parent contribution), there would most likely be more students transferring to public institutions than the transfer calculated in Table 1. The financial impact for the government would then be higher, and could reach \$500 million in the case of all students in the private network transferring to the public network.

TABLE 1

Estimation of the financial impact on the government of a cut in the subsidy paid to private subsidized institutions

Tuition hike in dollars ⁽¹⁾	\$999	\$1999	\$2999	\$3999
Tuition hike in percentage ⁽²⁾	33%	66%	100%	133%
Students transferring from private institutions to public				
Savings for the government ⁽³⁾	(\$94.4 M)	(\$188.8 M)	(\$245.5 M)	(\$278.5 M)
Cost for the government ⁽⁴⁾	\$197.8 M	\$395.5 M	\$514.1 M	\$583.3 M
Students remaining in private institutions				
Savings for the government ⁽⁵⁾	(\$92.8 M)	(\$139.3 M)	(\$167.1 M)	(\$190.3 M)
Financial impact on the government of a cut in the subsidy paid to private subsidized institutions	\$10.6 M	\$67.4 M	\$101.5 M	\$114.5 M

Note: Excluding school bus transportation.

(1) The tuition hike considered is presumably equal to the cut in the government subsidy. Private schools would also presumably try to maintain the same level of funding per student.

(2) Supposing that the current tuition fees amount to \$3000.

(3) Number of students transferred, multiplied by the amount of the subsidy to private saved (\$4068).

(4) Number of students transferred, multiplied by \$8520.

(5) Number of students remaining in the private network multiplied by the increase in their contribution, corresponding to a decrease in the government contribution.

Source: Commission's calculations.

■ **An additional cost likely to be under-estimated**

The additional cost for the government of the migration of private network clientele to the public network does not take into account the impact on the public network's student capacity.

Such a migration could require that existing schools be enlarged or new schools built, as well as additional staff hired.

In addition, the transfer of students from the private to the public network would lead to school closings in rural areas, which would put additional pressure on the public network. As it is, school boards anticipate a 14% increase in the number of students between 2013 and 2023.

■ **The Commission's conclusions**

On a purely budgetary level, the evaluations available, with their limitations, lead to the conclusion that a reduction in the public funding to the private sector would not result in savings for the government of Québec, because of the additional cost of funding each new client in the public network. The analysis of the impacts of a cut in public funding could be refined and more comprehensive, but it is difficult to see how that could result in a different conclusion.

Where the public funding of private subsidized schools is concerned, the Commission is convinced that Quebecers have everything to win by maintaining the two networks and the competitive dynamic.

This competition helps raise the overall level of education offered to students. Innovations and initiatives successfully implemented by many public sector institutions to enhance the education offered and meet standards of excellence do, in part, stem from this competition and the existence of another education network.

However, the "vying effect" between the two networks must remain balanced and fair. The government has all the tools needed to ensure this by appropriately defining both networks' funding mechanisms and operating frameworks.

□ Assistance for farmers: the farm property tax credit program

The farm property tax credit program—the Programme de crédit de taxes foncières agricoles (PCTFA)—ensures the reimbursement of approximately 75% of municipal and school taxes applicable to immovables (land and buildings, excluding houses) of eligible agricultural enterprises, that is, almost 25 000 farms in 2013-2014.

According to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, the objective of the program consists in establishing a certain equity between agricultural enterprises—the land of which constitutes one of the main production tools—and enterprises in other sectors, whose production equipment generally belongs to the movables class and is not subject to property taxes.

In 2014-2015, the reimbursement represented an expenditure of \$132 million.

In the first report, the Commission noted several problems:

- management was difficult and complex, with numerous terms and conditions of reimbursement;
- the reimbursement to tenant farmers or non-producers was difficult to justify;
- the obligation for farmers to pay dues to the Union des producteurs agricoles in order to benefit from the program.

Last November, the Commission pointed out that further study had to be effected to evaluate to what extent farm producers carry higher production costs than do enterprises in other sectors of the economy, when they pay similar taxes for their lands and buildings.

Since that date, the data and analyses provided by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, the Ministère des Finances and the Ministère des Affaires municipales et de l'Occupation du territoire have not made it possible to objectively estimate the relevance and effectiveness of the program.

■ The Commission's recommendation

The Commission recommends that the government examine the PCTFA within the context of all the assistance provided to farmers.

In reforming the program, the government must ensure that the assistance provided be of a structuring nature.

The Commission pointed out that the obligation to pay dues to the Union des producteurs agricoles in order to benefit from the program was difficult to justify. This eligibility criterion must be withdrawn.

3.2 The Société des alcools du Québec

The Commission chose to analyze the mandate of the Société des alcools du Québec (SAQ), because of the legitimate questions raised regarding the Québec government's participation in the sale of alcoholic beverages.

In addition, the issue of the public status of the SAQ and of its monopoly is a recurring point of debate in Québec.

The business model implanted in Québec

In Québec, the sale of wine and spirits is controlled by a public monopoly, under the responsibility of the SAQ. It directly controls approximately 90% of the sale of wine and spirits, while the beer market is an open one. Sales are chiefly conducted through a network which, on March 31, 2014, counted 401 branches and 437 agencies. Online sale service is available, but remains limited.

Holders of wholesaler's and grocer's permits account for 10% of all sales of wine and other SAQ products. These sales are governed by the *Regulation respecting the terms of sale of alcoholic beverages by holders of a grocery permit*. The regulation narrowly specifies the alcoholic products to be sold by the permit holders.

It must be noted that this model is now failing, because of the strategies of private stakeholders, the development of online sales and the concerns expressed by consumers. Consumers have more mobility, and purchases made outside Québec, notably in Ontario, amount to \$90 million annually, according to the SAQ.

From all sources combined, the government collects considerable revenues from the sale of alcohol, even excluding sales tax revenues. According to the data published in the 2015-2016 budget:

- revenue for the Québec government in SAQ dividends totaled \$1021 billion in 2014-2015;
- revenue from the sales tax on alcoholic beverages totaled \$601 million in 2014-2015.

There seems to have been a leveling off of dividends during the past fiscal years. The Ministère des Finances attributed this to the reduction in the growth of household spending and to the changes made to the tax rate on alcoholic beverages in 2012 and 2014.

□ **The efficiency and effectiveness of the SAQ**

In order to assess the efficiency and effectiveness of the SAQ, the Commission compared certain operating ratios of Québec's corporations with those of provincial agencies in eight Canadian provinces, as well as those with comparable business models in New Hampshire, Vermont and Pennsylvania.

For the period reviewed, from 2010 to 2014, the SAQ is the provincial agency that had the highest ratio of administrative costs over net sales, with the exception of Newfoundland and Labrador. In the case of the SAQ, the ratio reached 21% in 2014. The same year, it was 16% in Ontario, 10% in British Columbia, 8% in New Hampshire and 8% in Pennsylvania. In Alberta, where the business model differs, it was 1%.

Since 2010, the ratio of remuneration over net sales has fluctuated around 13% at the SAQ. The ratio is lower in all the other cases analyzed. In 2014, it was 6% in British Columbia, 5% in Vermont and 4% in Pennsylvania. In Alberta, where the business model differs, it was 4%.

Issues raised by the Commission

The relevance of Québec's participation in the sale of wine and spirits

The first issue raised by the Commission is that of the relevance of the State's participation in the sale of wine and spirits. It also leads to examining the public or private nature of the sale of wine and spirits in Québec.

The government could decide to reconsider the public nature of the sale of wine and spirits by selling a portion of the capital stock, all of which it currently holds. In Québec's best interests, if a portion were to be sold, the SAQ's monopoly should be maintained. The SAQ's value is in fact directly linked to its status of monopoly.

The Commission did not retain this option.

The efficiency of the SAQ

The second issue concerns the SAQ's efficiency. As the previous data showed, the SAQ's management does not seem to be very efficient. For the Commission, the unsatisfactory results can be explained chiefly through the corporation's position of monopoly. The SAQ enjoys a benefit, that is, an advantage linked to its situation as a monopoly, partly absorbed by the administrative and management costs of the enterprise.

The simplest way to improve the effectiveness of the sale of wine and spirits consists in liberalizing the activity, eliminating the monopoly of the SAQ and by opening the door to competition. Liberalization would directly benefit consumers. It would promote product sales, due to the competitive environment and the price reductions that would follow. It would be the task of the SAQ—whose public status would remain unchanged—to meet the challenge and implement appropriate strategies to profit from its key resources and to adapt to the new context.

For the Commission, it is imperative that the government protect its revenues. To do so, it would suffice to replace dividends with an increase in the specific tax on the alcoholic beverages currently sold by the SAQ. The increase would not impact the final sale price because it would replace the dividend paid to the shareholder. The government could also introduce a specific consumption tax on alcohol, which would allow the tax to vary according to the price of the product sold.

The Commission's recommendation

The Commission recommends an in-depth review of the business plan defined by Québec for the wine and spirits sector.

The Commission does not question the public nature of the corporation. It questions its status of monopoly.

The monopoly accounts for the substantial administrative costs incurred by the SAQ's operations—administrative costs that directly impact the price to the consumer.

Therefore, the Commission recommends that the government liberalize the sale of wine and spirits, while taking the necessary measures to protect the revenues it currently collects in the form of dividends. The SAQ would then compete with other enterprises.

3.3 Tax administration (Revenu Québec)

Québec is the only province having put into place an independent tax administration in order to collect income tax. The existence of two concurrent tax administrations constitutes the leading case of duplication between the Government of Canada and the Québec government. For this reason, the Commission deemed it important to analyze the major issues at stake and to propose certain avenues for the future.

Tax administration

As a first step, the Commission examined the Agence du revenu du Québec (Revenu Québec), in order to have as detailed a picture as possible of its operations and the characteristics that distinguish Québec in that regard from the other Canadian jurisdictions.

The control of Québec's tax system, or tax administration, falls mainly under the responsibility of Revenu Québec. Revenu Québec is in charge of ensuring fiscal compliance, which means to make certain that all taxpayers pay their fair share for the funding of public services and to collect all the revenues due to the government. Revenu Québec thus plays a strategic role in the fight against tax evasion and tax avoidance, by proposing measures to that end and putting them in place. In 1992, an administrative agreement was concluded between the Canadian and Québec governments, stipulating that Revenu Québec would administer the GST in Québec for the federal government.

Under the *Act constituting Revenu Québec*, Revenu Québec may also provide collection services or any other service, product or goods in keeping with its expertise and its mission.

Québec is the only Canadian jurisdiction with an entirely independent tax administration distinct from the federal tax administration. All the other provinces have entrusted the administration of personal income tax to the federal government. All the Canadian provinces, with the exception of Québec and Alberta, entrust the administration of corporate income tax to the federal government. Certain provinces have adopted the harmonized sales tax (HST) and entrusted the federal government with its administration.

The Canadian provinces other than Québec concluded a certain number of agreements on tax collection with the federal government. Generally, the provinces and territories pay no administration fees for the management of tax programs when they are identical to the federal government's programs. Fees are charged for the administration of programs where the criteria differ from federal programs or where there is no equivalent federal program.

□ **The existence of a distinct tax administration and fiscal independence**

The Commission took note of the information provided by the Ministère des Finances regarding the impact of a distinct tax administration on Québec's fiscal independence.

- A significant number of fiscal measures are particular to Québec.
- The close collaboration between the Ministère des Finances of Québec and Revenu Québec makes it possible to promptly coordinate and take charge of adjustments to fiscal measures without delay.
- This collaboration also makes it possible for the Ministère des Finances to have continuous access to the fiscal information required to design and follow up on fiscal policy.
- Québec may collect the majority of its revenues in real time and effect compensation mechanisms for the government's debts. It also has greater freedom in tax audit operations than do the other provinces and in countering tax evasion in Québec.

The Commission has been unable to conduct an in-depth analysis of these different aspects. It noted, however, that since 1997, the autonomy of the provinces other than Québec has grown considerably, with respect to personal income tax, because of the new terms and conditions of the agreement concluded with the federal government.

□ The quantifiable effects of duplication

The Commission attempted to clarify the quantifiable effects of the current duplication, for the Québec government as well as for taxpayers.

■ The budgetary impact for Québec

At the Commission's request, Revenu Québec evaluated the budgetary impact for Québec of a transfer of responsibility to the Canada Revenue Agency.

The transfer of the operations of Revenu Québec to the Canada Revenue Agency would represent an estimated total of \$392 million in direct savings for Québec. The savings would reach \$161 million for corporate taxation, \$69 million for personal income tax, \$26 million for source deductions and \$135 million for taxes.

According to Revenu Québec, the transfer would, however, deprive Québec of revenues totaling \$696 million in the fight against tax evasion. The estimated loss would reach \$122 million with respect to corporate taxation, \$247 million with respect to personal income tax, \$51 million with respect to source deductions and \$276 million with respect to taxes.

In net figures, Revenu Québec estimated that if the federal government took over income tax and sales tax collection operations, it would mean a loss of revenues of \$304 million for Québec, involving a gain of \$40 million for corporate taxation, a loss of \$178 million for personal income tax, a loss of \$25 million for source deductions and a loss of \$141 million for taxes.

In reality, the federal government also takes measures to counter tax evasion, and it is improbable that Revenu Québec would suffer the full loss of revenue it has alleged.

TABLE 2

Impact for Québec of tax collection by the Canada Revenue Agency – Estimate

(in millions of dollars)

	Personal income tax	Source deductions	Corporate taxation	Taxes	TOTAL
Estimated savings prior to revenues from the fight against tax evasion	69	26	161	135	392
Estimated loss of revenues from the fight against tax evasion – Innovative projects and intensification	-247	-51	-122	-276	-696
TOTAL	-178	-25	40	-141	-304

Note: The figures have been rounded out; the sum may not equal the total shown.
Source: Commission de révision des programmes, from data provided by Revenu Québec.

■ The impact on taxpayers

The Commission also wanted to quantify the impact on taxpayers of a transfer of responsibilities from Revenu Québec to the Canada Revenue Agency.

For individuals, Revenu Québec submits that producing two income tax returns is less restrictive given the growing use of software for the filing of tax returns.

As for the cost of the duplication of tax administration for businesses, the scope of the resulting costs seemed limited, according to available studies. The amounts vary according to the studies, but the cost of duplication did not seem to be major, according to the evaluations the Commission was able to refer to.

The evaluations lead to the conclusion that ending the existing duplication between the tax administrations of Québec and Canada would have a relatively low impact on the costs for enterprises—certainly much less than that perceived by the business world. There is a considerable difference between the perception of the business sector with respect to the issue and the information available to the Commission.

It is apparent that further in-depth studies should be conducted to draw more reliable conclusions.

□ **Evaluation of the efficiency of Revenu Québec**

The Commission paid special attention to the evaluation that may be made of the effectiveness of the operations of Revenu Québec, compared to the operations of the Canada Revenue Agency.

The Commission noted that since the creation of the Agence du revenu du Québec in 2011-2012, the total expenditures of Revenu Québec have grown continuously.

Despite the increase, the forecast of amounts collected annually in matters of fiscal recovery have been stable since 2013-2014, at approximately \$3.6 billion.

In 2010-2011, Revenu Québec obtained better results than the Canada Revenue Agency with respect to expenditures per capita and expenditures expressed as a percentage of GDP. The positive difference for Revenu Québec was significantly lower in 2013-2014.

Québec's comparative advantage with respect to expenditures per capita almost disappeared in 2014-2015. The decline in the position of Revenu Québec in comparison can be explained by the continued increase in expenditures of the Québec agency, whereas the expenditures of the Canadian agency were dropping during the same period.

The decline in the comparative position of Revenu Québec will likely continue in the coming years. The Canada Revenue Agency's expenditures for 2014-2015 and 2015-2016 are expected to decrease in comparison with 2013-2014.

The total expenditures per capita forecast for Revenu Québec and the Canada Revenue Agency would amount respectively to \$126.30 and \$119.67 for 2015-2016. The percentage of expenditures per capita for Revenu Québec grew constantly compared to that of the Canada Revenue Agency, from 90.7% in 2013-2014 to 101.0% in 2014-2015. It should increase to 105.5% in 2015-2016.

□ **The Commission's observations**

After having considered the different analyses, the Commission made several observations.

■ **The sensitive nature of the issue**

First, the Commission emphasized the sensitive nature of the issue of tax administration and the duplication that exists between Revenu Québec and the Canada Revenue Agency.

Decided by the Duplessis government, the setting up by Québec of an independent tax administration was a striking illustration of Québec's determination to achieve autonomy, during the period immediately preceding the Quiet Revolution.

Fiscal autonomy was the first reason put forward in favor of maintaining the current duplication. The Commission recognized the importance of this reason, but was not able to evaluate its full impact. In particular, the Commission noted that there is no in-depth analysis of the context resulting from the new operating methods of the Canada Revenue Agency.

■ **Cost of duplication for Québec**

The second observation concerns the cost of the duplication for Québec.

According to the data provided to the Commission by Revenu Québec, the transfer of the operations of Revenu Québec to the Canada Revenue Agency would represent direct savings of \$400 million annually for Québec.

Revenu Québec emphasized that the savings would dissolve through the loss of revenues resulting from the reduction of almost \$700 million from the proceeds of the fight against tax evasion. The Commission had reservations about this evaluation, which assumes the total absence, on the federal side, of additional efforts to counter tax evasion.

Above all, the limits of the current model for the recovery of tax revenues should be questioned, along with its consequences on the relationship Revenu Québec has with taxpayers. The Public Protector of Québec raised pertinent questions in that regard, highlighting the attitude of Revenu Québec in its fight against tax evasion.

■ **Impact of the current duplication on taxpayers**

The Commission's third observation concerns the impact of the current duplication on taxpayers—individuals and businesses.

As regards businesses, the Commission has received contradictory information. For the business sector, the duplication of tax administration represents an additional cost and an administrative burden. The data on hand confirms that the duplication of tax administration does in fact represent an additional cost for businesses, but the cost is limited.

The actual costs may be higher, but that must be confirmed by in-depth analyses.

■ **Revenu Québec's performance**

The Commission's fourth and last observation concerns Revenu Québec's performance in its capacity as collection agency.

On this point, the information is clear: there has been a decline in performance in the past few years. The Commission wishes to indicate its concern regarding the current evolution and the prospects forecast for the upcoming years. The Ministère des Finances, whose minister is responsible for the agency, does not seem to be fulfilling its role, nor has it presented Revenu Québec with requirements in terms of efficiency.

□ The Commission's recommendations

From its observations in the matter of tax administration, the Commission makes two recommendations:

- First, the Québec government should seriously consider the option of transferring its tax administration operations to the federal government.
 - The stake is major and justifies a rigorous and full evaluation. In its analysis of the issue, the Commission often encountered insufficient studies and data. The Commission's analysis should therefore be continued.
 - The Commission considers that the transfer of corporate taxation represents the best potential for savings, while reducing the losses linked to tax recovery. It should, if applicable, be considered a priority.
- Secondly, it is urgent for the government to pay specific attention to Revenu Québec's performance and its relationship with taxpayers. It is essential that Revenu Québec be subject to efficiency and effectiveness requirements, and that the requirements be promptly apparent in the results obtained.

Moreover, the Commission reiterated that Revenu Québec has other mandates besides the collection of taxes. Eventual changes to its mandates should take into account the other operations.

3.4 Collection of support

At departmental meetings, the Commission noted that the responsibility for the Programme de perception des pensions alimentaires (support program) was not assigned to the Ministère de la Justice nor to Revenu Québec—the two government entities committed to the implementation of the program to collect support. Moreover, within the framework of the Web forum, comments were made concerning the collection of support.

For these different reasons, the Commission wished to analyze the program.

The support program was set up by the Québec government in 1995. The program consisted in implementing a support collection mechanism to benefit creditors once the support due was determined by a court judgment.

- In the case of child support, the program applies to support paid for children of married couples, of civil unions or even de facto unions, as long as support was determined by a court judgment.
- In the case of spousal support, the program applies only to married couples or civil unions, the terms and conditions of which have been determined by a court judgment. The program does not apply to de facto spouses.

Since 1995, Revenu Québec has been administering the support payment collection program that applies to all. In that capacity, Revenu Québec's mandate is to collect and remit support. Support judgments are first entered on the register of support at the Ministère de la Justice. A copy of the judgments is sent to Revenu Québec.

Chief results

The Commission obtained a listing of the chief results available for 2013-2014. The clientele was composed of about 134 000 debtors and as many creditors. The program made it possible to pay \$505.5 million in support. The average monthly payment was \$460. A proportion of 80.1% of creditors had received their support due on time and in full. The amounts owed, that is, the support payments to be recovered from debtors, totaled \$188 million.

In 2000, five years after the program's set-up, Revenu Québec presented the government with a report on carrying out the *Act to facilitate the payment of support*. During the period from 1995 to 2000, the rate of collection of support—the percentage of creditors having received the support due on time and in full—increased from 45% to 63%.

A collection of publications provided to the Commission by Revenu Québec describes the clientele. The data is dated 1994-1995. Since then, Revenu Québec has made no update.

The Commission's observations

The Commission made four observations.

- The support payment collection program is an “orphan program”. Revenu Québec is responsible solely for managing the program. Since the transfer in 1995 of management to Revenu Québec, the Ministère de la Justice is no longer responsible for the collection of support. Without any department in charge, the program is exempted from any review regarding its relevance.
- The little information available on the program is outdated, in some cases 20 years old, and is not sufficient to examine the program's performance. As well, it is impossible to judge whether the program targets the right clientele, which would benefit from improvements in the reliability of the payment of support.
- According to the rules of the program, Revenu Québec systematically takes all judgments in charge—all the court orders—ordering the payment of support. It is possible to be exempted from the support collection by Revenu Québec. However, the procedure is complex.
- The program costs are assumed in whole by the State. In 2013-2014, the total costs of the program amounted to more than \$62 million. At that time, the program was managed at Revenu Québec by a team of 713 full-time equivalents. The program targets specific debtors who could potentially pay part of the costs, according to the policy for the funding of public services.

The Commission's recommendations

As regards the Programme de perception des pensions alimentaires, the Commission made four recommendations constituting four avenues for the future:

- First, the Commission recommends that the government clearly designate a department responsible for determining the focus of the program. The Ministère de la Famille or the Ministère de la Justice could take on this responsibility. Revenu Québec could continue to administer the program.
- Second, once the department is designated, its primary mandate would be to establish an updated portrait of the clientele involved in support payments, to ensure that the current program meets the needs of the clientele. The process could lead to an in-depth review of the program to ensure that it targets the clientele that it should serve.
- Third, the government should make legislative amendments to simplify the process for exemption from the program. There should be a process set up to facilitate the exemption when it is requested.
- Fourth, the government should consider charging a fee at least for a portion of the cost of collecting support from the debtor. If the government maintains the automatic participation in the program, charging a fee would not be applicable.

3.5 Health

Health and social services represent by far Québec's most important mission in respect of the resources it commands. In 2013-2014, the health and social services mission represented almost two fifths of the total consolidated spending of the government, including the debt service.

Given the considerable share within the government's budget for health and social services, the Commission had to look at this extremely complex issue—an issue in which the stakes account in part for the financial pressure exerted on the State.

Since the end of the 1980s, Québec's health and social services system has generated an unprecedented number of reports, more than has any of the government's other missions. During that period, Québec's health and social services system has undergone some major reforms.

It must be noted that the diagnosis made in the reports or that formed the basis of reforms has evolved very little in the course of time. In other words, the reports and reforms have ensued for three decades, but the problems and challenges have persisted.

The growing share of health spending in Québec's economy and budget

In 16 years, from 1997-1998 to 2013-2014, the share of health and social services spending within the total consolidated spending grew from 29% to 38%, which represented an increase of almost 30%.

This spending placed significant pressure on public finances, given Québec's wealth and the growth of its revenue. Québec allocates a greater share of its economy to health spending than the average in Canada and in five provinces, including Ontario, British Columbia and Alberta.

Globally, data from 2012 showed that Québec allocated a greater share of its spending to the health sector (8.2%) than the average in OECD countries (7.4%). Québec's share was comparable to the average in G7 countries (8.1%).

For the period from 2003-2004 to 2013-2014, health and social services spending had an annual average growth of 5.6%. A little more than three quarters of the increase was due to socio-economic factors, that is, an aging population, population growth and the evolution of public services—including physicians' basic salary increases.

During the same period, the nominal GDP's annual growth was 3.6%. Although the rate of growth of health spending had fallen since 2010-2011, it was higher than that of Québec's economy almost every year from 2004-2005 to 2013-2014.

□ **Problems in access to health care and services**

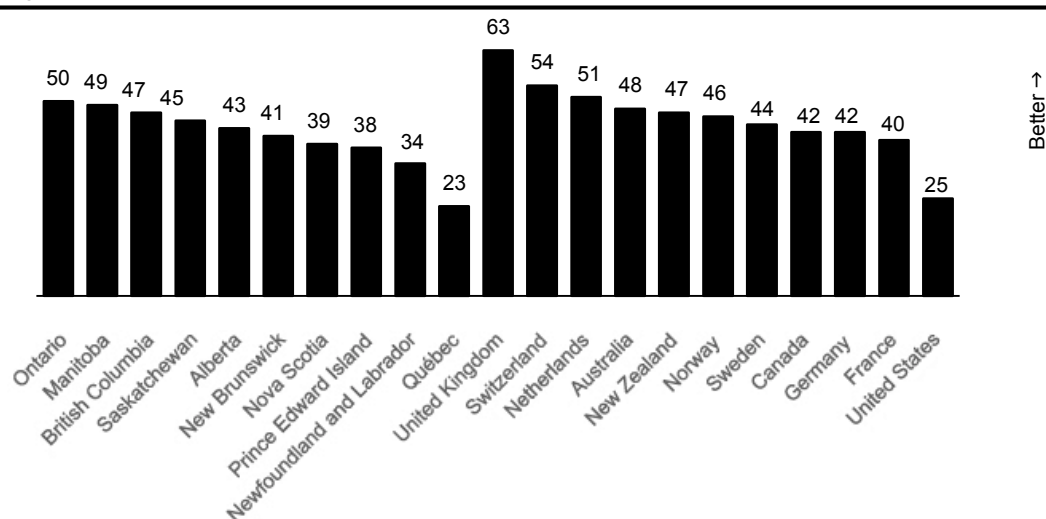
Despite the steady rise in resources in the health sector, access to health care and primary care services remained lacking and was sub-optimal in many cases.

Globally, within Canada, Québec was sixth in rank as regards access to care, according to the most recent reports from the Health and Welfare Commissioner of Québec. Wait time for routine or follow-up care in Québec represented the main problem in access to care. As a consequence of that problem, 44% of all hospital emergency department visits consisted of conditions that could have been treated by a family doctor.

The 2013 Commonwealth Fund International Health Policy Survey of the General Public was a telling demonstration of access problems and their extent, in comparison to other jurisdictions. According to the results of the survey, Quebecers were the citizens who least approved the following affirmation: “the [health care] system works pretty well and only minor changes are necessary to make it work better”.

CHART 4

Population approving the affirmation “On the whole, the system works pretty well and only minor changes are necessary to make it work better.”
(in percentage of respondents)



Source: Health Council of Canada, *Where you live matters: Canadian views on health care quality*. Results from the 2013 Commonwealth Fund International Health Policy Survey of the General Public, *Canadian Health Care Matters*, Bulletin No. 8, January 2014.

The 2012 Commonwealth Fund International Survey of Primary Care Doctors provided similar results.

Québec physicians were among the fewest to agree with the affirmation that "most or almost all" of their "patients who request a same- or next-day appointment can get one". Québec has the greatest number of physicians who report having patients who waited four hours or more before receiving treatment the last time they went to a hospital emergency department.

According to the same survey, Québec physicians report that their patients often have difficulty obtaining specialized diagnostic tests. Québec physicians are also the fewest to declare that they routinely receive the specialist’s report, with all the relevant information on their patient’s condition.

□ Three avenues possible

The challenges to be met in the health and social services sector are thus well known: for three decades, the Québec system has had to face the growing share of health spending within Québec's economy and budget, while confronting still unresolved problems of access to care and services.

The efforts required to meet these challenges have also been known for several years.

Several avenues could be explored, three of which have been identified by the Commission and should be given priority. In the framework of the current reforms, the Commission asks that the government strengthen its action to drive these projects forward.

■ Consider the relevance of health care in a rigorous and systematic manner

Questions are frequently raised concerning the nature of health spending. The Association médicale du Québec (Québec medical association) states that between 10% and 40% of health spending could be considered “lacking in quality”, defined as: [TRANSLATION] “implementing or having implemented something inefficient or useless, poorly done and obtaining results of poor quality, even harmful.”¹⁰

By improving the relevance of health care and services, they would be more efficient and accessible. Most reports and recommendations directed to the government in the last 30 years have reached the same conclusions.

In order to take into account the relevance of health care in a rigorous and systematic manner, the Commission recommended that the government follow up on several requests made by organizations and commissions to that effect and that it set up an action plan to do so.

Therefore, the Commission agrees with the recommendations made:

— in the Thomson¹¹ report, regarding the establishment of patient-based funding;

— in the Castonguay report on the setting up of the Institut national d'excellence en santé et en services sociaux (INESSS)¹², regarding INESSS' functions relative to the reevaluation of existing technologies and the mentoring of practice guides.

10. Association médicale du Québec, *Optimisation de la pratique clinique – Mieux choisir*, April 8, 2013, p. 5.

11. *Money Follows the Patient – The Implementation of Patient-Based Funding in the health sector*, Report of the Expert Panel for Patient-Based Funding, February 2014.

12. *Institut national d'excellence en santé et en services sociaux (INESSS) – Rapport du Comité d'implantation de l'Institut national d'excellence en santé et en services sociaux (INESSS)*, December 2008, p. 83.

The Commission explicitly agrees with the following recommendations from the Association québécoise d'établissements de santé et de services sociaux:¹³

- confer an executory status on INESSS' recommendations in order to promote better practices;
- make the public aware of the clinical relevance of health care and services;
- give INESSS the authority to review the process of registering medications on the List of Medications reimbursed by the public health insurance plan;
- eliminate the pressure exerted by different interest groups to have medications registered on the List of Medications reimbursable by the public health insurance plan by granting INESSS the authority to incorporate them into the list as long as their cost-efficiency and cost-effectiveness are proven.

Observing the strategic role played by INESSS in its efforts to have the relevance of health care taken into account, and acknowledging that its role must be reinforced, the Commission recommended that the resources allocated to INESSS be re-evaluated according to the new mandates it would receive.

■ **Allocate the resources dedicated to health and social services in accordance with patient-based funding rules**

Currently, nearly all the budgets of the establishments in the health and social services network are allocated on an historical and global basis. This method of resource allocation is based on the production of services rather than on the needs and characteristics of the population. It was neither very strategic nor an incentive to improve methods.

In the 2015-2016 budget, the government announced its intention to move ahead with the implementation of patient-based funding.

The Commission took note of Québec's intentions in matters of patient-based funding. In order to allocate the resources in the health sector for patient-based funding, the Commission recommends that the Thomson report proposals be put into place. The government would be compelled to provide reports at regular intervals of the initiatives set up to that end.

■ **Promote interdisciplinary settings for primary care**

Already in 2000, the Clair report emphasized that improved access to health care required working in an interdisciplinary context, bringing together professionals from various disciplines to work as a team delivering care and services to patients.¹⁴

The Commission recommends that the government use the interdisciplinary setting to solve the problems of access to primary care. The Commission recommends specifically that the idea of interdisciplinary work be developed while reflecting on the remuneration of physicians, so that the method of remuneration does not become an obstacle to the delegation of care.

13. Association québécoise d'établissements de santé et de services sociaux, *Révision des programmes : une occasion de moderniser notre système public de santé – Mémoire présenté à la Commission de révision permanente des programmes*, September 2014, p. 12, 13, 29 and 41.

14. See Commission d'étude sur les services de santé et les services sociaux, *Emerging Solutions – Report and Recommendations*, [Clair Report], 2000, Recommendation 16, and proposals 14, 30 and 42 to 44.

3.6 Interdepartmental approach: Round table on financial assistance for economic development and the other horizontal round tables

The Commission's interdepartmental approach was aimed at setting up horizontal round tables to examine the spheres of activity shared by different departments and bodies, with a view to reinforcing coherence and effectiveness in actions directed at their clienteles.

Five round tables were created:

- the round table on financial assistance for economic development;
- the round table on Québec's international presence;
- the round table on culture;
- the round table on assistance to municipalities;
- the round table on employment and education.

The round tables were composed of representatives from different departments and bodies rallied by the stakes involved within this undertaking.

Each round table falls under the responsibility of one or more government departments. Several work groups and committees were set up to explore avenues of optimization in specific fields of activity. The round tables make it possible to examine the coherence of government actions and to identify eventual overlapping when several departments and bodies are involved in different ways with the same clientele.

General observations

In Québec's public administration, there is no mechanism affording an overall view of the government system. The five round tables provided the opportunity of having an overall view of the five spheres mentioned.

The Commission recommended ensuring the sustainability of the mechanism of the round tables. The principle of the horizontal round tables should be extended to other spheres of government action.

In order for the round tables to function effectively, the Commission proposed that a formal letter outlining the mission of the round table be addressed by the Premier and the Secretary General and Clerk of the Conseil exécutif to the Minister and Deputy Minister of the department in charge in each field. The letter would clearly indicate the mandate of the horizontal round table. Moreover, it would give the department in charge the required legitimacy to ensure the coordination of the round table's work

The Commission emphasized the considerable interest in the horizontal round tables and recommended therefore that their work be systematically disseminated and regularly updated and published.

□ The round table on financial assistance for economic development

The round table on financial assistance for economic development had the mandate of analyzing the organization and nature of actions in matters of economic development. In its report, the Commission presented its observations and recommendations resulting from the work of the round table on financial assistance for economic development, supported by the study the round table entrusted to Deloitte.¹⁵

■ Total financial assistance: \$3.4 billion in 2013-2014

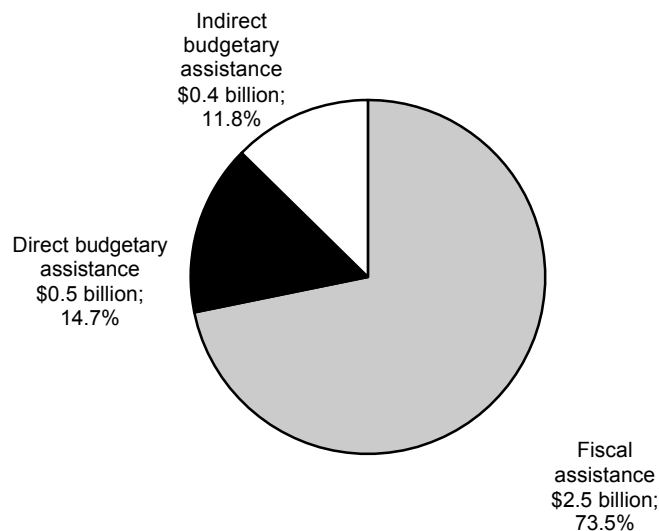
According to Deloitte's evaluations, the total financial assistance of the government for economic development amounted to \$3.4 billion in 2013-2014, and was divided into three categories, depending on the nature of the assistance.

- Fiscal assistance amounted to \$2.5 billion,¹⁶ or 73.5% of the total assistance for economic development.
- Direct budgetary assistance represented \$0.5 billion, or 14.7% of the total assistance for economic development. A share of the assistance, \$134 million, corresponded to loans and loan guarantees, which have much more leverage effect than the budgetary impact alone.
- Indirect budgetary assistance—or support for bodies mandated to support economic development—amounted to \$0.4 billion, or 11.8% of the total assistance for economic development.

CHART 5

Québec's assistance for economic development – Breakdown by type of assistance, 2013-2014

(in billion dollars and in percentage)



Source: Deloitte.

15. Deloitte's study is reproduced in Volume 4 of the report.

16. The fiscal assistance chosen by the round table differs somewhat from the amount given by the Ministère des Finances, which explains the difference between the \$2.5 billion shown here and the 2.4 billion shown from page 53 onward.

■ **Sectors of activity**

According to Deloitte’s evaluations, in 2013-2014, \$1.6 billion, or 49% of the total financial assistance, focused on support for research and development (R&D), innovation and investment.

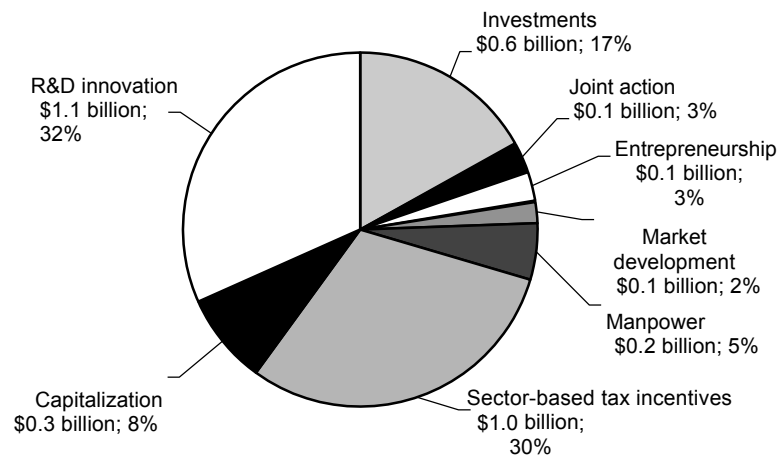
More specifically:

- \$1.1 billion, or 32% of the total financial assistance, was set aside for R&D innovation;
- \$0.6 billion, or 17% of the total financial assistance, consisted in investment assistance;
- \$1.0 billion, or 30% of the total financial assistance, was sector-based tax incentives;
- \$0.8 billion, or 21% of financial assistance was divided into support for capitalization, manpower, joint action, entrepreneurship and market development.

CHART 6

Québec government assistance for economic development – Distribution by field of activity, 2013-2014

(in billion dollars and in percentage)



Source: Deloitte.

■ **Direct budgetary assistance: 12 government departments and bodies and 84 programs**

With respect to direct budgetary assistance, Deloitte's evaluations made it possible to underscore three characteristics.

- In 2013-2014, 75% of the direct budgetary assistance was provided in the form of subsidies. The government departments mainly resort to subsidies even for projects with a very short payback period. Only 25% of the direct budgetary assistance was made in the form of loans or loan guarantees.
- Approximately 65% of the direct budgetary assistance was aimed at supporting enterprises' investments.
- In 2013-2014, direct budgetary assistance was distributed through 12 departments and bodies, in connection with 84 different programs.

■ **Indirect budgetary assistance: through 503 bodies**

In 2013-2014, indirect budgetary assistance was chiefly aimed at supporting R&D innovation. For the year analyzed, R&D innovation represented 38% of the indirect budgetary assistance. However, a considerable amount was earmarked for entrepreneurship and joint action, at respectively 21% and 22% of the indirect budgetary assistance.

Also in 2013-2014, indirect budgetary assistance was distributed through 503 bodies. Approximately 60% of these bodies were involved in the fields of entrepreneurship and joint action.

■ Evolution of financial support for enterprises

According to the enterprise assistance information from the Secrétariat du Conseil du trésor, used by the Ministère des Finances, the tax and budgetary assistance for enterprises reached a peak of more than \$3.2 billion in 2011-2012, and then started to fall in 2012-2013. In 2013-2014, it was almost \$3 billion.

The information covers fewer activities, which explains the gap between the data shown previously for the year 2013-2014.¹⁷

■ A notable decrease in total financial assistance since 2013-2014

Since 2013-2014, financial support for enterprises from the Québec government has noticeably dropped because of the budgetary and tax measures announced in the 2014-2015 budget and in December 2014—measures that were modified in part in the 2015-2016 budget.

According to the data provided to the Commission by the Ministère des Finances, financial support from the government will be set at \$2.4 billion in 2015-2016, a decrease of around 25% in comparison with the \$3.2 billion provided annually from 2009-2010 to 2011-2012.

— The reduction is due chiefly to the shrinking of the tax assistance to enterprises, which dropped from \$2416 billion to \$1847 billion between 2013-2014 and 2015-2016.

Support to bodies mandated to support economic development has also been notably reduced since 2013-2014, due to the decisions made by the government in the 2014-2015 and 2015-2016 budgets.

- The financial assistance that the government allocated to RCMs for the funding of the Centres locaux de développement (local development centres) was reduced from \$72 billion to \$32 billion.
- The funding of regional conferences of elected officers (\$22 billion per year) was abolished.
- However, since 2013-2014, total budgetary assistance remained practically constant, going from \$565 billion in 2013-2014 to \$552 billion in 2015-2016.

17. For example, Deloitte's evaluation took into account the assistance for tourism and scientific culture bodies, which was not the case for the Ministère des Finances. For 2013-2014, total budgetary assistance was estimated at \$968 million by Deloitte (direct assistance of \$534 million; indirect assistance of \$434 million), whereas the Ministère des Finances evaluated the total budgetary assistance at \$565 million.

■ Comparison with other jurisdictions

In its study, Deloitte made a comparison of the tax assistance and direct budgetary assistance to enterprises given by the Québec government and by the Government of Ontario. Deloitte's evaluations have been supplemented by the data provided by the Ministère des Finances.

In 2013-2014, with a GDP half of that of Ontario, Québec had a direct budgetary assistance almost as high as Ontario's and its tax assistance was higher than Ontario's tax assistance.

- In 2013-2014, direct budgetary assistance represented for Québec costs of \$534 million (about 0.2% of the GDP), compared to \$672 million in Ontario (about 0.1% of the GDP). Québec offered nearly twice the number of programs than in Ontario, for smaller budgetary envelopes per program. The budgetary envelope per program was nearly 2.5 times higher in Ontario (\$15 million per program) than in Québec (\$6.4 million per program).
- Tax assistance for enterprises was set at \$1.4 billion in 2013-2014 in Ontario, compared to \$2.4 billion in Québec. Tax assistance for enterprises thus represented 0.20% of the GDP in Ontario, compared to 0.67% of the GDP in Québec.

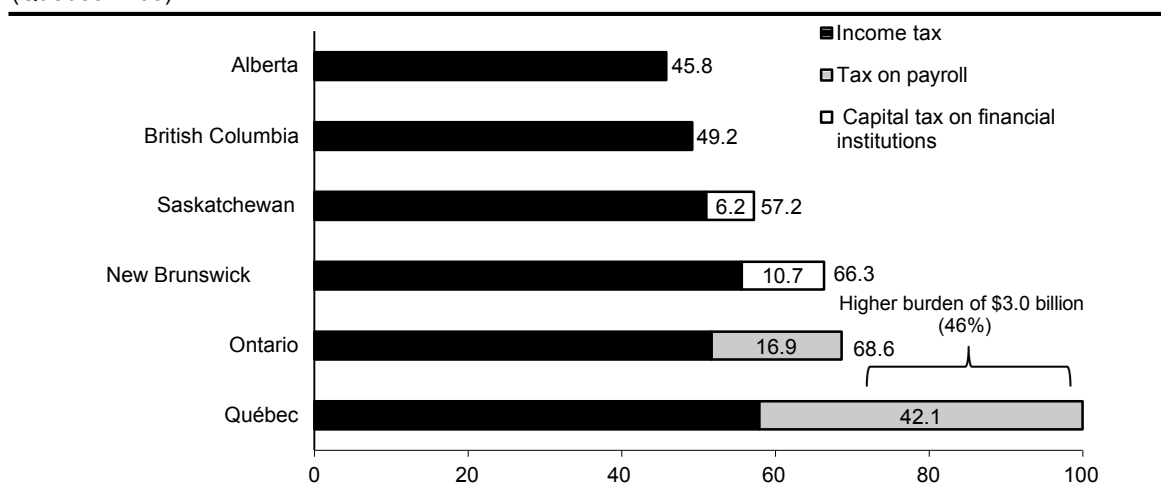
In 2016-2017, the cost of tax assistance in Québec should be reduced to a level of \$1.7 billion, due to the tightening measures announced since the 2014-2015 budget.

■ The fiscal environment

The comparison of tax assistance for enterprises must be linked with the fiscal environment the enterprises are subject to. Québec's tax system imposes a notably higher taxation burden on enterprises than do the systems of the other provinces. If the Ontario tax system were to be applied in Québec, the tax burden would be \$3.0 billion lower. The difference stems essentially from the payroll tax.

CHART 7

Tax burden differential – Total for enterprises, 2014 (Québec = 100)



Source: Ministère des Finances du Québec.

■ **The Commission's observations: substantial assistance without strategic overall view, raising several questions**

Drawing from the round table's work on financial assistance for economic development and Deloitte's study, the Commission made several observations.

- The assistance from Québec for economic development is substantial. It exists in a fiscal environment where corporate taxation is also substantial.
- Government offers in matters of assistance for economic development are not guided by a strategic overall view. The lack of a policy on economic development and clear guidelines leads to a multitude of tools and scattered efforts.
- The Commission noted deficiencies in the evaluation of programs and in the regular, systematic review of government support.
- Support for enterprises is scattered, with the risk of overlapping and duplication.
- Approximately 75% of the direct budgetary assistance is provided in the form of non-reimbursable contributions, or subsidies, without regard for the risk incurred by the enterprise.
- Only the assistance for university research is allocated by competition. Universities submit research projects to juries of peers. Only the best projects receive government assistance.
- Assistance secured through intermediary bodies is of particular importance for R&D innovation. Possible overlapping between the bodies should be examined, as well as their level of self-financing.
- The services provided by bodies specializing in entrepreneurship and business succession include, for instance, research on financing, accompaniment, developing business plans, expert advice, and strategic planning. Many of these services are also provided by the private sector, which constitutes a duplication of offers for these services and competition that is difficult to justify to the private sector.
- Québec differs from other jurisdictions in its support of concerted action. The assistance is provided through intermediary bodies whose funding is determined on an historical basis.

■ **The Commission's recommendations**

On the basis of these observations, and within the framework of its recommendations, the Commission identified several avenues to improve the financial assistance for enterprises provided by Québec, making the assistance more relevant and more effective.

■ **Overall strategies in matters of tax assistance and budgetary assistance**

The overall strategies selected in matters of tax assistance and budgetary assistance must be examined.

With respect to tax assistance, the Commission d'examen sur la fiscalité québécoise (Québec Taxation Review Committee)—drawing from the analyses of the working group on the investments of enterprises—emphasizes that it would be preferable to apply an overall reduction to corporate income tax and to the payroll tax rate rather than to apply targeted measures that benefit only a small number of spheres of activity.

With respect to budgetary assistance, there are questions concerning the setting up of a heavy administrative structure to support enterprises, in order to counterbalance the significant fiscal pressure, the results of which are rarely evaluated.

■ **A policy accompanied with objectives and desired outcomes**

Financial assistance to enterprises should be determined within a global policy, clearly stating the objectives the government is pursuing and the strategies it has adopted.

The global policy should contain a description of the desired outcomes and an estimate of the cost of the means selected to achieve those results. For example, several assistance measures consist of objectives such as the integration of new technologies in SME activities or the development of certain manufacturing activities in the context of globalization.

The government's global policy should clarify the objectives, determine the necessary results and give an estimate of the cost of the measures put in place to reach the established goals.

■ **The balance between fiscal measures and budgetary measures**

The government should examine the balance required between fiscal measures and budgetary measures and ensure that they do not overlap.

Currently, certain innovation or investment projects could benefit simultaneously from tax assistance and budgetary assistance. It would be important to determine what type of measures (fiscal or budgetary) would make it possible to reach the objectives more effectively and to eliminate the measures that perform least well. The analysis initiated by the Québec Taxation Review Committee should be carried forward.

- **Improvements to be made to direct budgetary assistance**

Many improvements could be made to direct budgetary assistance.

- The government should harmonize the program standards and promote the setting up of interdepartmental programs. Harmonizing standards and integrating programs that have the same objectives would greatly reduce the number of programs.

There could be, for example, only one investment assistance program and only one innovation assistance program. The same program would be available to the clientele of all the Québec government departments.

- The government should generalize reimbursable contributions (loans, loan guarantees) and set aside subsidies (non-reimbursable) for high-risk projects for businesses (research, product development, demonstrations).

Loans and loan guarantees should be made available to all the departments with an economic role.

- In order to promote the best projects, all subsidies (non-reimbursable contributions) should be allocated by competition. No non-reimbursable contribution should be allocated according to the method of “first come, first served”.

- **Several avenues of action for indirect budgetary assistance**

The Commission put forth several avenues of action with respect to indirect budgetary assistance.

- Assistance for entrepreneurship

The government should withdraw from the funding of bodies that provide entrepreneurship assistance and services similar to those offered in the private sector, and reassign the sums thus released in a new direct assistance program for enterprises.

- Assistance for joint action

If the government wishes to maintain its assistance to joint-action bodies, it should eliminate automatic or historical funding and allocate assistance only by competition to growth-generating projects.

- R&D innovation

The government should reevaluate the relevance of all the bodies providing assistance for innovation. The relevance of each of these bodies should be re-evaluated by examining:

- possible overlapping with other bodies or universities;
- the level of self-financing of the bodies.

□ **The observations of the other horizontal round tables**

The Commission presents the findings of the four horizontal round tables, other than the Table sur l'aide financière au développement économique (round table on economic development financial assistance).

■ **The round table on Québec's international presence)**

After having developed a picture of the areas of government action and the resources dedicated to international action, the round table proceeded with an important expenditure rationalization exercise. The round table subsequently began to examine ways of optimizing youth programs.

The Commission is making two recommendations:

- First, the Commission wishes to encourage the inter-departmental round table to broaden the scope of its work to cover all sectors of activity addressed by the Québec government's international action. The Commission considers that the examination of the different spheres of activity should be founded on an evaluation of tangible spinoff generated by the government action and whether the strategic objectives were attained.
- Second, the Commission urges the round table to prioritize the matter of government action in the export sector and investment prospecting, while considering the level of resources dedicated to the sector and its wealth creation potential.

■ **The round table on culture**

The round table's work primarily examined government support of festivals and events, which represents an amount of only \$63 million out of total spending of over \$1 billion.

The allocation of government financial assistance to festivals and events is fragmented. A lack of leadership in government action in this sector can also be observed. There are many governmental stakeholders in the culture sector. Overlapping is primarily found between the Ministère de la Culture et des Communications, the Ministère du Tourisme and the government corporations.

The Commission recommends that the round table's scope be redefined to include all support given culture, including tax assistance.

As regards support of culture, the Commission limited its recommendations to the sector analyzed by the round table on culture, that is, the support of festivals and events. This support represents but a small fraction of the public funds allocated to culture.

- First, changes need to be made so that the assistance given to develop the sector of festivals and events is more effective and more consistent. The aspects to address are identified by the Commission.
- Second, the Commission recommends that the government corporations be required to be active participants in the work related to development assistance for the festival and events sector.

■ The round table on assistance to municipalities

The round table's work consisted in drawing a portrait of government action, which resulted in the Commission making recommendations in its report of November 2014.

Beneficial both for sustaining reflection and enhancing public debate, the round table's work must be continued and given a broader scope.

Municipalities affirm that the growth in municipal spending would, in part, be explained by the transfer of responsibilities from the Québec government to the municipalities and new regulatory requirements, in particular, in environmental matters. To ensure an informed discussion, an overview of these transfers and requirements needs to be prepared and made public.

The Commission recommends that the government prepare and make public an annual update of the summary of the transfers from the Québec government to the municipalities.

The Commission also recommends that the above summary be supplemented by a summary of the transfer of responsibilities and regulatory requirements made to the municipal sector.

■ The round table on employment and education

The Commission presents a number of observations, based on the round table's work:

- The time that lapses between the identification of a need and the response to it seems long. According to certain employers' groups representatives, the time from the identification of a labour market need to the graduation of a young person qualified to meet the need is nine years.
- As regards immigration, the Ministère du Travail, de l'Emploi et de la Solidarité sociale is counting on future immigrants to fill 16% of the positions that will become vacant between now and 2017. The round table should integrate into its work the review and development of immigration mechanisms to promote a better response to labour market needs.
- The information transmitted to date to the round table, while it examines the operation of mechanisms put in place for each department, is not sufficient to enable the Commission to understand how all the various mechanisms interact.
- Given the extent of the manpower requirements and the urgency of the situation, Québec must quickly acquire an efficient mechanism to translate manpower requirements into education programs.
- The Ministère du Travail, de l'Emploi et de la Solidarité sociale and the Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche each has its own philosophy about the role of education. A balance needs to be found incorporating the correspondence between these two philosophies.

The Commission makes two recommendations.

- The Commission considers that the round table's work must cover all government actions set up to match all potential pools of manpower with employment offerings.
- The Commission questions the many stakeholders in the education networks and in the labour market with regards to education and employment. The decision-making levels and levels of concerted action need to be clarified. The Commission asks the round table on employment and education to re-examine the mechanisms for matching education and jobs established by the Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche and by the Ministère de l'Immigration, de la Diversité et de l'Inclusion.

The Commission also asks that the round table describe the mechanisms for interaction between these different authorities and present a decision-making process that would pave the way for arbitration leading to a better match between education and employment.

CONCLUSION

Québec is facing formidable challenges. To take up these challenges, changes need to be made to the government, to its management method and organization and to the way it delivers programs.

All of these changes have but one goal: to ensure that Quebecers benefit from an efficient, well-functioning government, at the service of the public good and well-being.

Bring together the conditions needed to make the required changes

In the first phase, the Commission identified the conditions needed for the government to make the required changes.

Québec must be able to continuously and systematically call things into question and lay the groundwork for an ongoing program review process. It must adopt and implement a performance-oriented management method. As well, the government needs to be transparent, strategist and innovative if it is to have the levers needed to effectuate the desired change. Lastly, the organization of the government should be simplified and more coherent and, in that regard, many improvements could be made to the way it is currently organized.

Institutionalize the ongoing program review mechanism

In the second phase, the Commission carefully examined and reviewed one of these conditions, namely, the establishment of an ongoing program review mechanism.

The Commission is proposing an ongoing program review mechanism designed to ensure that the review process is effectively institutionalized within the government.

Pave the way for program review

Lastly, in the third phase, the Commission identified avenues for the review of certain government programs. A number of these programs are large-scale while others have smaller resource bases. All of the programs illustrate the need to periodically question the relevance of government action, initial objectives, actual outcomes and the degree of efficiency involved in obtaining the outcomes.

Convinced of the merit of the avenues it is proposing, the Commission has made recommendations founded on irrefutable observations. In all cases, the Commission made certain observations that enabled it to formulate promising recommendations respecting avenues to follow as Québec goes forward. All that remains is for Québec to take the lead and pursue the review initiated.

The recommendations made are actually starting points and tools for challenging the status quo, which the Commission hopes will lead to a true calling into question from which Quebecers should collectively come out as winners.



*Commission
de révision
permanente
des programmes*

Québec

