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TOWARDS AN INCLUSIVE INNOVATIVE CANADA

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5.1 BIG IDEA 1 - CREATION OF A PARLIAMENTARY COHERENCE OFFICE AND OFFICER

5.1.1 WHAT IS THE IDEA?

One of the most common issues we heard in our roundtables was the lack of coherence in many areas of government policy, particularly in the area of funding programs. Policy coherence, as defined by the OECD is the “systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives.”² Policy incoherence can be the result of a lack of communication between departments or a result of conflicting priorities and objectives.³ It often results in well-meaning policies either conflicting or being unnecessarily confusing.

Recommendation: *The Government of Canada should create a Parliamentary Coherence Office and Officer. Similar to the Parliamentary Budget Officer, this position and office will be non-partisan and will provide independent and objective analysis to Parliament on the coherence of government policies.*

The Parliamentary Coherence Office and Officer will work to highlight regulatory failures in which different policies contradict each other. For example, policies that create agricultural subsidies on ingredients that are used to make junk food may be in conflict with health policies that encourage consumers to lower their intake of that same junk food. Not only do these contradictory policies confuse Canadians, they also have a long-term economic impact. The New York Times reported on a similar policy conflict in the United States and noted, “the subsidies damage our country’s health and increase the medical costs that will ultimately need to be paid to treat the effects of the obesity epidemic.”⁴ Similarly, in its report on policy and nutrition, the United Nations System Standing

² Institute for International Integration Studies, *What is policy coherence?* Trinity College Dublin (2010).

³ Ministry of Foreign Affairs of Denmark, *Coherent Policies for Global Development* (2014).

⁴ Anahad O’Connor, “How the Government Supports Your Junk Food Habit,” *The New York Times*, July 19, 2016.

Committee on Nutrition noted the need for coherence within policies to ensure trade policy is supportive of a country's nutritional objectives and stated:

"The degree of coherence and/or incoherence between trade policy and nutrition action depends on a wide range of factors, including the forms of malnutrition and the foods affected; the characteristics of sub-populations and food systems in countries; and the trade reforms and existing policy and institutions in place in countries and trading partners."⁵

Another example is the standardization of the way the date is recorded. Different Canadian governmental agencies write the date in different ways (dd/mm/yyyy; mm/dd/yyyy; yyyy/mm/dd), which increases the chances that individuals fill out forms incorrectly. This lack of standardization is also an issue outside of Canada. The National Post reported in 2011 that "a U.S. customs form requests the day first, and its military abides by the same but spells out the abbreviation for the month — but its civilian population has agreed to write the month first."⁶

A final example of this need for policy coherence is the policies that create subsidies for the fossil fuel industry. CBC News reported in 2015 that Canada has policies in place to both subsidize fossil fuel industries and to end the use of fossil fuels.⁷

By identifying these regulatory failures, this office can start the process of prioritizing, co-ordinating and implementing efforts in policy coherence.

Given that the "alphabet soup" of funding programs with "overlapping mandates" was frequently cited as an issue at the roundtable, we would recommend innovation policy coherence be among the first issues studied by the OPCO.

⁵ United Nations Standing Committee on Nutrition, *Enhancing Coherence between Trade Policy and Nutrition Action* (2015).

⁶ Kathryn Blaze Carlson, "Is 02/04/12 February 4, or April 2? Bill seeks to end date confusion," *National Post*, October 29, 2011.

⁷ Margo McDiarmid "G20 countries spend \$450B a year on fossil fuel subsidies, study says," CBC News, November 12, 2015.

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5.1.2 WHO WILL BE RESPONSIBLE FOR ADMINISTERING THE IDEA?

The position of Parliamentary Budget Officer was created by the federal government as part of the Federal Accountability Act (2006).⁸ The creation of an Office of the Parliamentary Coherence Officer would follow a similar process

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5.1.3 WHAT MECHANISMS FOR ACCOUNTABILITY OR MEASUREMENT CAN BE PUT IN PLACE FOR THE IDEA?

The accountability and measurement mechanisms put in place for the Parliamentary Budget Office can be reused in the creation of the Parliamentary Coherence Office

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5.1.4 WHAT FAILURES IS THE IDEA TRYING TO SOLVE?

Regulatory Failure: From an innovation perspective, the overarching goal of policy coherence is to ensure that policy objectives avoid negative consequences which would affect innovation.

Market Power: Unnecessarily complex regulatory environments create both barriers to entry for new firms as well as barriers to growth, as described by the Canadian Chamber of Commerce:¹⁰

“I deal with enough policy hassles overseas. Why does Canada’s policy environment have to be so complicated?”

⁸ Parliament of Canada, *Federal Accountability Act* (2006).

⁹ Government of Canada, *Parliament of Canada Act* (2016)

¹⁰ Canadian Chamber of Commerce, *Manufacturing Innovation: Driving Canada’s Biggest Sector through Disruptive Technologies* (2014).

SME¹¹ manufacturers in Canada often struggle to understand and comply with the underpinning details, incentives, steps and variances among the myriad of policy frameworks in which they operate. As a result, the cumulative impacts and costs of government policies can be barriers to innovation, just as thickening borders between countries — a common complaint of manufacturers — is a barrier to exporting.¹²

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5.1.5 WHAT ARE THE POTENTIAL BENEFITS OF THE IDEA AND WHAT ARE THE COSTS?

Benefits: There are two main ways that increasing coherence will help increase Canadian innovation. First, by identifying conflicting policy objectives we can start the process of addressing these conflicts and reducing the costs associated with the resulting confusion. Second, policy coherence can exploit the potential for positive spillovers and consequences by addressing potential policy synergies across all levels of government.¹³

Costs and Risks: This position and office are modelled on the PBO and OPBO. The operating budget for the PBO and OPBO was \$2.8 million for the 2014-15 fiscal year.¹⁴

There is a risk that the government ignores the work of the OPCO. The European Centre for Development Policy Management investigated the Policy Coherence for Development (PCD) work and found that there is a lack of political support for the work of PCD despite agreement on the importance of the initiatives. As a result, departments responsible for PCD throughout Europe are under-resourced and isolated.¹⁵

Another risk will be the potential for government interference in the work of the OPCO. Learning from the experiences of the OPBO, the OPCO will remain independent by not reporting to a cabinet minister. By ensuring the office is funded and by making the office non-partisan, these risks can be avoided as much as possible.

¹¹ Small and medium enterprises.

¹² Canadian Chamber of Commerce, *Manufacturing Innovation: Driving Canada's Biggest Sector through Disruptive Technologies* (2014).

¹³ Institute for International Integration Studies, *What is policy coherence?* Trinity College Dublin (2010).

¹⁴ Office of the Parliamentary Budget Officer website, *Office of the Parliamentary Budget Officer* (About Us) <http://www.pbo-dpb.gc.ca/en/about> (accessed 2016).

¹⁵ Florian Krätke, "Policy coherence: a sensible idea lost in translation?" *The Guardian*, November 11, 2013.

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5.1.6 WILL THE IDEA INCREASE ECONOMIC INCLUSION AND/OR ENHANCE AUTONOMY? IF SO, HOW?

Economic Inclusion: A lack of policy coherence often results in unnecessarily complicated systems that exclude people from participating. This lack of coherence harms small businesses that do not have the resources to navigate incoherent policy environments particularly. The federal government¹⁶ found that “regulatory costs and their impact fall disproportionately on small businesses, as these businesses have fewer resources to devote to compliance. Stated another way, the fixed costs of regulatory compliance for larger firms can be spread over a larger employee and revenue base.” It calculated in 2011 that the regulatory burden for firms of between one and four employees was \$1,029 per employee, whereas for firms with 100 to 499 employees the per-employee regulatory burden was \$149.

Autonomy: Confusing regulations due to a lack of policy coherence may deter individuals from starting businesses, though we are not aware of any studies that have examined this issue.

To ensure that economic inclusion and autonomy are priorities for government policy, we would recommend that within the OPCO mandate there be a requirement to consider both economic inclusion and autonomy when analyzing government policies.

¹⁶ Industry Canada, *Evaluation of the Paperwork Burden Reduction Initiative (2013)*.