

2004



Report of the
**Commissioner of the
Environment and
Sustainable Development**
to the House of Commons

Chapter 4
Assessing the Environmental Impact of Policies, Plans,
and Programs



Office of the Auditor General of Canada

The 2004 Report of the Commissioner of the Environment and Sustainable Development comprises six chapters, and The Commissioner's Perspective—2004. The main table of contents is found at the end of this publication.

This report is available on our Web site at www.oag-bvg.gc.ca.

For copies of this report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada
240 Sparks Street, Stop 10-1
Ottawa, Ontario
K1A 0G6

Telephone: (613) 952-0213, ext. 5000, or 1-888-761-5953
Fax: (613) 954-0696
E-mail: distribution@oag-bvg.gc.ca

Ce document est également disponible en français.

© Minister of Public Works and Government Services Canada 2004
Cat. No. FA1-2/2004-4E
ISBN 0-662-37989-6



Chapter

4

Assessing the Environmental Impact of
Policies, Plans, and Programs

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies, and practices of the Office of the Auditor General of Canada. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants.

Table of Contents

Main Points	1
Introduction	3
Importance of environmental assessment	3
Importance of the directive has been repeatedly emphasized	4
Environmental assessment and its place in the policy life cycle	4
Federal responsibilities in applying the directive	7
Past audit observations—slow and unsatisfactory progress	7
Focus of the audit	7
Observations and Recommendations	8
Directive’s application far from complete	8
Some departments are lacking basic management system elements	10
Implementation of necessary management systems is mixed	11
Gaps in coverage in applying the directive	14
Completeness of assessments varies	15
Good practices identified	15
Main factors contributing to the performance gap	16
Insufficient senior management commitment to the directive	17
Lack of central ownership and support	18
Limited integration into decision making and assessment of effects	20
Transparency generally absent in directive’s application	23
Directive guidance is incomplete	25
More training capacity is needed	26
Conclusion	28
About the Audit	30



Assessing the Environmental Impact of Policies, Plans, and Programs

Main Points

4.1 Overall, our audit found a low level of commitment in departments and agencies toward conducting strategic environmental assessments, despite the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, which was first issued 14 years ago. The results of our audit, taken together, suggest that most departments have not made serious efforts to apply the directive. In fact strategic environmental assessment is far from meeting its promise in guiding policy, plan, and program development.

4.2 We found major gaps in how the directive is being applied. A number of the 12 departments we examined have put in place few of the basic management systems needed to comply with the directive. The three departments we evaluated in detail have conducted few strategic environmental assessments in the years we examined (2000, 2001, and 2002), and their completeness varies. Tracking of assessments has been inadequate, so departments cannot show that they have conducted all of the strategic environmental assessments required.

4.3 The overall application of the directive does not provide assurance that environmental issues are assessed systematically, so ministers and the Cabinet can receive sufficient information to make informed decisions on proposed policies, programs, and plans. Knowing the potential environmental impacts in advance would provide an early opportunity to adjust or modify their approach to protect the environment and human health, and to reduce future economic costs.

4.4 A number of main factors are adversely affecting the performance of departments and agencies in implementing this directive. We found insufficient commitment by senior management in some departments, which impedes the development of necessary management systems to implement the directive. In addition, no central department or agency has been tasked with the responsibility and authority to monitor the departments' and agencies' compliance with the directive and to ensure that there is adequate quality control of the assessments that are undertaken. There is limited integration of assessments into decision making.

4.5 The 1999 Cabinet directive does not require assessments to be made public, but in January 2004 a public reporting requirement was introduced. Since 1999, few of the assessments completed have been made public.

4.6 Some departments have made progress in implementing the directive since 1999. We observed examples of senior management commitment and leadership in some departments (Transport Canada, Industry Canada,

Natural Resources Canada, and the Department of Foreign Affairs and International Trade). We also observed some examples of good practices that could be emulated by departments and agencies to improve their compliance with the directive.

Background and other observations

4.7 The federal government has indicated it is committed to environmental excellence in its own operations and to the goal of sustainable development. According to the Clerk of the Privy Council, “the Government of Canada is committed to integrating sustainable development in its plans, policies and programs.” He notes that “this requires that decision-makers have good information and advice on the potential environmental, social and economic impacts of proposed initiatives.”

4.8 In line with these commitments, the Cabinet directed federal departments and agencies, through a directive, to conduct the environmental assessment of new proposed policies, programs, and plans, so that informed decisions can be made about them.

4.9 Within the directive, ministers expect federal departments and agencies to assess the potential environmental impact of initiatives bound for Cabinet or ministerial approval. They “expect strategic environmental assessments to be conducted . . . when a proposal may result in important environmental effects, either positive or negative.”

The government has responded. The departments and agencies have generally agreed with our recommendations. Their responses, including the actions they are taking or intend to take to address the recommendations, are set out in the chapter.

Introduction

Importance of environmental assessment

4.10 An environmental assessment is an examination of projects, programs, policies, plans, or activities at the planning stage to ensure that before they are approved, the potential effects on the environment receive careful consideration. An environmental assessment is a critically important planning tool, given the potential for serious and irreversible damage to the environment that can result from some human activity. Failure to consider and reduce adverse environmental effects before carrying out an initiative or undertaking can lead to significant environmental degradation, damage to human health, and economic costs.



Vangorda Pit at the Faro Mine, Yukon

4.11 The consequences of inadequate environmental foresight were illustrated in one of our previous reports on the high clean-up costs and environmental damage at abandoned mines in the North. Aquaculture in Canada also may cause pollution and impacts on fish and wildlife that could result in future clean-up costs and economic effects.

4.12 Strategic environmental assessment—federal commitment to integrating the environment into decision making. The Government of Canada is committed to environmental excellence and sustainable development. It has also committed to integrated decision making, both domestically and internationally, for example, through Agenda 21—a comprehensive plan of action adopted at the United Nations Conference on Environment and Development (1992), and the Convention on Biological Diversity (1992). Essentially, integrated decision making involves taking environmental, social, and economic aspects into account when a decision is made.

4.13 The main tool the Government of Canada has to integrate environmental considerations into new policies, programs, and plans is the strategic environmental assessment. The requirement to conduct these assessments was put in place through a Cabinet directive in 1990, which was revised in both 1999 and 2004. The complete text of the 1999 directive, along with revisions instituted as of 1 January 2004 is contained on page 5. The assessment of physical projects that have or require federal involvement, such as road construction and waste facilities, is a separate process and is governed by the *Canadian Environmental Assessment Act*.

4.14 Assessment of proposed policies, programs, and plans is being applied internationally. A number of countries and organizations, such as the Netherlands, the United Kingdom, Norway, Denmark, and the World Bank, have made formal provisions for strategic environmental assessments of policies, plans, and programs and have carried out different types of assessments. For example, the Netherlands has required environmental assessments of specific plans and programs under its 1987 *Environmental Impact Assessment Act*. The European Union has issued a directive on the assessment of certain plans and programs, and member states have to comply with it by July 2004.

Importance of the directive has been repeatedly emphasized

4.15 When the revised Cabinet directive was issued in 1999, key departments and agencies within the federal government received a letter from the Clerk of the Privy Council, the most senior official in the federal civil service. The letter expressed dissatisfaction with action to date: “The Government [of Canada] will look for environmental implications to be more fully integrated into proposals prepared for Ministers and for Cabinet consideration. . . . There is a clear expectation that renewed, and more consistent efforts, will be made across all departments.”

4.16 In June 2003, the House of Commons Standing Committee on Environment and Sustainable Development tabled its report, *Sustainable Development and Environmental Assessment—Beyond Bill C-9*. Bill C-9 amended the *Canadian Environmental Assessment Act* in 2003. The report reaffirmed the importance of strategic environmental assessment but noted various problems with its implementation to date, including public reporting, and recommended that it be legislated.

4.17 The Government of Canada responded that it was modifying the Cabinet directive on strategic environmental assessment to include a requirement for the public reporting of environmental effects. This was to assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made. It also committed to consider the remaining Standing Committee comments and recommendations, in conjunction with the findings of the Commissioner on strategic environmental assessment reported in this chapter and the recommendations received by the Minister of the Environment from his Regulatory Advisory Committee.

4.18 In early 2004, the Clerk of the Privy Council stated in his foreword to the revised 1999 Cabinet directive (2004) that the Government of Canada was “committed to integrating sustainable development in its plans, policies and programs.” He noted that this would require that “decision-makers have good information and advice on the potential environmental, social and economic impacts of proposed initiatives.”

Environmental assessment and its place in the policy life cycle

4.19 Combined with social and economic analyses, an environmental assessment for a policy initiative is supposed to inform the decision-making process. The purpose of strategic environmental assessment is essentially to help us to avoid making environmentally costly mistakes before a particular course of action is decided. It is a tool that enables the policy-maker to analyze systematically the environmental impacts of a proposed policy, program, or plan. Applying this tool rigorously will increase the chance of anticipating, preventing, or mitigating negative environmental consequences, or enhancing any positive impacts. Just like a project environmental assessment allows the decision maker to reach better-informed decisions about the consequences of a specific project, the strategic environmental assessment provides the decision maker with environmental information that

could reduce the environmental costs that could follow from a particular policy, plan, or program.

4.20 For example, if the federal government develops a policy on offshore oil exploration and development, it needs to think about the social and economic ends that it wants to accomplish. The objective may be to increase

1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals (revised on 1 January 2004)

In 1990, the Cabinet issued a directive on the environmental assessment of policy and program proposals. In 1999, the directive was revised and expanded to include the environmental assessment of plans as well. In addition, a voluntary set of guidelines was produced and published. In January 2004, the 1999 Cabinet directive was modified to include a requirement for a public statement of environmental effects.

The following statement is the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. Revisions to the directive, which came into force on 1 January 2004, are highlighted in italics and those elements of the directive that were removed, have been shown as struck out in the text below.

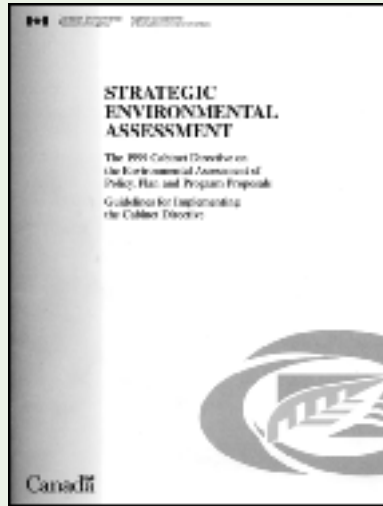
Directive:

Consistent with the Government's strong commitment to sustainable development, Ministers expect that policy, plan and program proposals of departments and agencies will consider, when appropriate, potential environmental effects.

More specifically, Ministers expect a strategic environmental assessment of a policy, plan or program proposal to be conducted when the following two conditions are met:

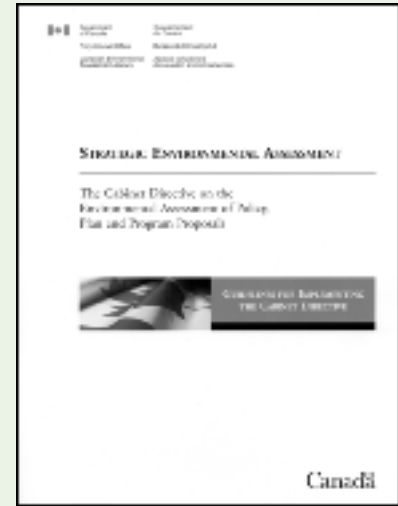
1. the proposal is submitted to an individual Minister or Cabinet for approval; and
2. implementation of the proposal may result in important environmental effects, either positive or negative.

Departments and agencies are also encouraged to conduct strategic



environmental assessments for other policy, plan or program proposals when circumstances warrant. An initiative may be selected for assessment to help implement departmental or agency goals in sustainable development, or if there are strong public concerns about possible environmental consequences.

Ministers expect the strategic environmental assessment to consider the scope and nature of the likely environmental effects, the need for mitigation to reduce or eliminate adverse effects, and the likely importance of any adverse environmental effects, taking mitigation into account. The strategic environmental assessment should contribute to the development of policies, plans and programs on an equal basis with economic or social analysis; the level of effort in conducting the analysis of potential environmental effects should be commensurate with the level of anticipated environmental effects. The environmental



considerations should be fully integrated into the analysis of each of the options developed for consideration, and the decision should incorporate the results of the strategic environmental assessment. Departments and agencies should use, to the fullest extent possible, existing mechanisms to involve the public, as appropriate. ~~(and document and report on the findings of the strategic environmental assessment.)~~ *Departments and agencies shall prepare a public statement of environmental effects when a detailed assessment of environmental effects has been conducted through a strategic environmental assessment. This will assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.*

The complete text of the directive's guidelines can be found on the Canadian Environmental Assessment Agency's Web site at: www.ceaa.gc.ca



Eirik Raude offshore drilling rig, Nova Scotia
Photo: Ocean Rig ASA

the gross domestic product, energy exports, and/or employment opportunities for instance. The government also needs to consider the social and economic factors that will affect the policy’s success. These could include, for example, compatibility with other economic activities such as fishing and tourism, downstream benefits to local and provincial economies, impacts on First Nations, and potential disruption of local communities. The government also needs to understand the environmental implications of the decisions it is making, for example, disturbance of marine life by seismic surveys, damage to marine habitat from drilling waste, and cumulative impacts on fish stocks and marine mammals. Ultimately, the government makes decisions based on the social, economic, and environmental information that is provided and its own priorities.

4.21 Once a policy is developed and the strategic environmental assessment completed, the results should be considered in the development of any related programs and plans. Ultimately, these assessments should provide the framework for the environmental assessments that may be conducted for individual projects under the *Canadian Environmental Assessment Act*. A strategic environmental assessment could identify overall mitigation measures or types of technology that would have to be incorporated into all project environmental assessments and put into practice when a project is implemented. Exhibit 4.1 compares the differences between a strategic environmental assessment of a policy, program, or plan and an environmental assessment of a project.

Exhibit 4.1 What is the difference? Environmental assessment of policies, programs, and plans versus projects

Policy, program, or plan		Project
Strategic environmental assessment (SEA)	Term	Environmental impact assessment (EIA)
Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals and accompanying guidelines	Mandate	<i>Canadian Environmental Assessment Act</i> and associated regulations (for example, Comprehensive Study List Regulations, Exclusion List Regulations, Inclusion List Regulations, Law List Regulations)
<ul style="list-style-type: none"> • a transport or infrastructure policy • an aquaculture policy • an energy policy or program • a tax policy for non-renewable and renewable energy 	Examples	<ul style="list-style-type: none"> • a highway construction project • an aquaculture operation • an oil sands facility • a wind farm

Federal responsibilities in applying the directive

4.22 The 1999 Cabinet directive applies to all departments and agencies. It states

Ministers expect a strategic environmental assessment of a policy, plan or program proposal to be conducted when . . . the proposal is submitted to an individual Minister or Cabinet for approval; and implementation of the proposal may result in important environmental effects, either positive or negative.

4.23 The accompanying guidelines indicate that departmental and agency officials “are responsible for ensuring that environmental considerations are properly integrated into the development of policy, plan and program proposals.” Roles are also assigned to Cabinet itself, all ministers individually, the Minister of the Environment, and specific roles for Environment Canada and the Canadian Environmental Assessment Agency.

4.24 The Canadian Environmental Assessment Agency, according to the directive’s guidelines, will “in support of the Minister of the Environment, . . . promote the application of strategic environmental assessment to policy, plan and program proposals of the federal Government.” In addition, the Agency “will provide guidance and training to improve the implementation of the strategic environmental assessment of policies, plans and programs.”

4.25 Environment Canada is responsible for consulting with “other departments and agencies and providing expert policy, technical and scientific analysis and advice on sustainable development and the potential environmental effects of policy, plan and program initiatives.”

Past audit observations—slow and unsatisfactory progress

4.26 In our 1998 Report, Chapter 6, Environmental Assessment—A Critical Tool for Sustainable Development, we concluded that departments and agencies had been slow to implement the 1990 Cabinet directive. We recommended they improve their compliance. In our 2000 follow-up report, we noted that the Canadian Environmental Assessment Agency, in collaboration with an interdepartmental team, had made efforts to strengthen and clarify the Cabinet directive. However, we found that improved compliance had yet to be demonstrated, and we evaluated the progress to date as unsatisfactory.

Focus of the audit

4.27 Application of the directive. The principal focus of this audit was to determine whether the federal government is applying the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. We assessed the following 12 departments and agencies against one or more of three sub-objectives (see **About the Audit** at the end of the chapter):

- Agriculture and Agri-Food Canada
- Canadian International Development Agency

- Citizenship and Immigration Canada
- Department of Foreign Affairs and International Trade (non-trade initiatives)
- Environment Canada
- Finance Canada
- Fisheries and Oceans Canada
- Health Canada
- Industry Canada
- Natural Resources Canada
- Public Works and Government Services Canada
- Transport Canada

4.28 We also looked at the roles and responsibilities of four federal organizations with cross-departmental roles: the Canadian Centre for Management Development (now the Canada School of Public Service), the Canadian Environmental Assessment Agency, the Privy Council Office, and the Treasury Board Secretariat.

4.29 We identified selected examples of good practices in strategic environmental assessment to highlight potential areas of practice improvement in departments and agencies.

4.30 Meeting commitments. The secondary focus of our audit was to assess progress made by federal departments toward specific commitments related to strategic environmental assessments made in their sustainable development strategies. A number of departments and agencies have made commitments related to strategic environmental assessments in their strategies. We focussed our attention on the commitments made by Agriculture and Agri-Food Canada, Industry Canada, and the Treasury Board Secretariat in their 2001–2003 strategies.

4.31 For more information on our objectives, scope, approach, and criteria, see **About the Audit** at the end of the chapter.

Observations and Recommendations

Directive's application far from complete

4.32 Our past audits have found that departments and agencies were slow to implement the directive and that progress over time was unsatisfactory. In this audit we found that since the directive was updated in 1999, the results have been mixed. We also observed mixed progress by the three departments in meeting specific commitments in their sustainable development strategies (Exhibit 4.2). In addition, we have some concerns with certain departmental responses to a petition on strategic environmental assessment (Exhibit 4.3).

Exhibit 4.2 Progress in meeting commitments on strategic environmental assessment

We assessed the progress Agriculture and Agri-Food Canada, Industry Canada, and the Treasury Board Secretariat have made in meeting their commitments on strategic environmental assessment in their second set of sustainable development strategies tabled in February 2001. We are satisfied with the progress that Industry Canada has made; however, we are not satisfied with the progress that Agriculture and Agri-Food Canada and Treasury Board Secretariat have made.

Commitment	Progress	Comments
Agriculture and Agri-Food Canada*		
On an ongoing basis, policy analysts and senior management will receive training about sustainable development.	○	The Department has indicated it plans to develop a training program for strategic environmental assessment, but this has not yet been developed. The Department's strategic environmental assessment co-ordinator offers to give advice to those drafting assessments.
By 31 March 2003, there will be a formal process in place to ensure the analysis of policies and programs from the perspective of sustainable development.	◐	The Department has strategic environmental assessment guidance in place. A basic structure for the management of strategic environmental assessments was approved by the Department (November 2003). Specifics are still being finalized.
By 31 March 2004, the Department will undertake reviews of existing and new policy, programs, and initiatives from the perspective of sustainable development.	◐	The Department conducted strategic environmental assessments for Agricultural Policy Framework components in 2002 and 2003. The Department considers the Agricultural Policy Framework its framework for sustainable development. Within its sustainable development strategy, it had committed to publishing reports on the results of sustainable development reviews and reviewing how the information was used to improve the outcomes of sustainable development activities. However, the Department did not publish most strategic environmental assessments or explicitly review whether they were used to make improvements.
Industry Canada		
It will improve and formally adopt a set of guidelines and a template for conducting strategic environmental assessments within the Department. The improvements will be based on an internal evaluation, as well as a review of best practices with the Canadian Environmental Assessment Agency and other federal departments.	●	The Department has implemented its commitments.
It will build up the capacity for effectively conducting improved strategic environmental assessments within the Department. More specifically, these include providing a Web site, training, and annual reports on assessment applications.	●	The Department has implemented its commitments.

● Satisfactory progress ◐ Some progress ○ Limited or no progress

*Agriculture and Agri-Food Canada's commitments were only evaluated from the perspective of strategic environmental assessment.

Exhibit 4.2 Progress in meeting commitments on strategic environmental assessment (Continued)

Commitment	Progress	Comments
Treasury Board Secretariat		
The Secretariat will develop and apply a framework for the application of strategic environmental assessment to its policies and programs.	○	The Department has incorporated the requirements for strategic environmental assessment into the Treasury Board Submission Drafter’s Guide, which applies to all federal organizations including the Secretariat. The Guide notes that departments should use appropriate frameworks and techniques in conducting strategic environmental assessments. The Department did not provide evidence that a framework exists to ensure that strategic environmental assessments, if required, are conducted during the early stages (as per the directive) of development for any new policies, programs, or plans.
<p>● Satisfactory progress ◐ Some progress ○ Limited or no progress</p>		

Source: Second set of sustainable development strategies tabled in February 2001

4.33 As we have indicated, this audit adopted a three-tier approach to assess whether the federal government is applying the directive.

- Twelve departments and agencies were audited on their preparedness to apply the directive in their organizations through the design and documentation of key management system elements relating to accountability, screening, tracking, guidance, and training.
- Six of these departments were assessed on whether they are taking steps to implement these systems.
- Finally, three of these departments were assessed to determine if they are conducting assessments when needed.

Additional details on this approach and how departments and agencies were selected are contained in the **About the Audit** at the end of the chapter.

Some departments are lacking basic management system elements

4.34 Management systems are key to ensuring that tasks are completed and that records for follow-up, monitoring, and evaluation are kept. As departments and agencies are expected to comply with the directive, deputy heads are ultimately accountable for ensuring that required systems are put into place. Key elements of a management system include accountabilities, screening, tracking, guidance, and training. Exhibit 4.4 provides the outline of a generic system for conducting strategic environmental assessments.

4.35 Of the 12 departments and agencies we audited, three do not have most of the basic management systems in place—Fisheries and Oceans Canada, the Canadian International Development Agency, and Health Canada. Three other departments stood out as having generally satisfactory

Exhibit 4.3 Evaluation of responses to petition No. 64: Strategic environmental assessment of federal policies, plans, and programs

During this audit, a petition on strategic environmental assessment of federal policies, plans, and programs was submitted to the Auditor General of Canada. Parliament established the petitions process, so Canadians could receive timely answers from federal ministers to questions and concerns related to environmental and sustainable development matters.

We compared the portion of the petition responses related to the scope of our audit work, to our audit results. We are generally satisfied with the responses submitted by the departments and agencies we audited. However, some departments had made some statements in their petition responses that they were unable to support:

- Fisheries and Oceans Canada in its petition response stated that the Department “determines whether environmental considerations are likely to arise from implementing the proposed policy, plan or program by conducting a preliminary scan. The scan enables the analyst to identify the potential for direct or indirect outcomes associated with implementing the proposal. If the scan determines that there are no potential outcomes, there is no further analysis required.” The Department did not provide evidence that preliminary scans and screening, with regard to the Cabinet directive, were being done.
- Health Canada indicated that strategic environmental assessment considerations are holistically integrated into its development of new proposals. However, the Department has limited processes in place that can ensure compliance with the directive.
- Finance Canada indicated that it had launched an “enhanced strategic environmental assessment process” in May 2003. Yet, the Department could not show that before then it had any process in place. The Department stated that two informal strategic environmental assessments were conducted prior to May 2003, but it was unable to provide evidence that these assessments had been undertaken.

systems in place when we started our examination—Transport Canada, Industry Canada, and the Department of Foreign Affairs and International Trade. The remaining departments fall somewhere in between. All 12 departments and agencies have room for improvement. Almost all departments and agencies revised their systems during the course of our audit, and two departments started putting systems in place after our audit began. The detailed results by department are contained in Exhibit 4.5.

Implementation of necessary management systems is mixed

4.36 Four of the six departments we assessed were able to provide evidence that they were satisfactorily implementing their management systems—Industry Canada, Natural Resources Canada, Department of Foreign Affairs and International Trade, and Transport Canada. Agriculture and Agri-Food Canada has only achieved some progress to date in implementing the management system elements we assessed. Fisheries and Oceans Canada has conducted a few strategic environmental assessments; however, it has done little in terms of implemented systems and has poorly documented systems. As of March 2004, Fisheries and Oceans Canada had prepared a draft strategic environmental assessment manual. The detailed results by department are contained in Exhibit 4.6.

Exhibit 4.4 Generic process and elements for conducting strategic environmental assessments

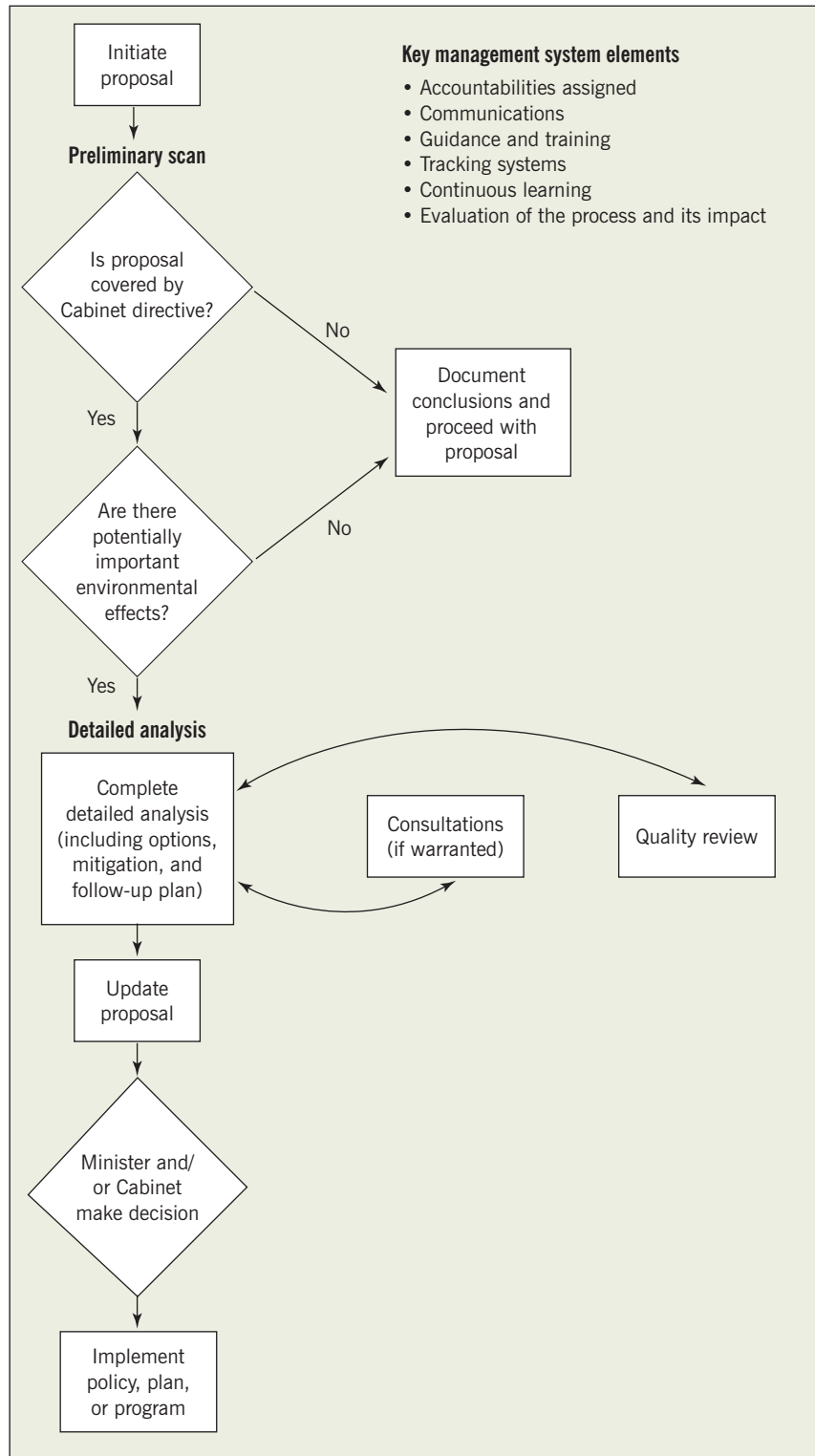


Exhibit 4.5 Departmental report card—Have Departments and Agencies designed management systems?

We assessed whether there was significant evidence of documented systems by the departments and agencies. It does not mean that the documented systems are implemented, that strategic environmental assessments are conducted when needed, or that the assessments are of good quality.

Department or agency	Accountabilities ¹	Tracking systems ²	Training and guidance ³	Comments
Agriculture and Agri-Food Canada	●	◐	◐	Most improvements were put in place only in November 2003 or later.
Canadian International Development Agency	○	○	○	Draft guidance has been under development for a number of years and has not been systematically distributed. The Agency has completed a number of strategic environmental assessments.
Citizenship and Immigration Canada	◐	◐	◐	System elements were only developed in spring 2003.
Department of Foreign Affairs and International Trade (non-trade initiatives)	◐	●	●	Requirements for filing strategic environmental assessment forms in a central location were put in place in March 2003.
Environment Canada	◐	◐	●	Environment Canada's Environmental Assessment Branch has maintained a database to track its involvement with memoranda to Cabinet (which sometimes includes strategic environmental assessment), with information going back to 1994. The Department finalized some system improvements, such as a new strategic environmental assessment guide, during the course of the audit. It has also developed an improved electronic tracking system and screening form which are not yet in place.
Finance Canada	◐	◐	◐	System elements were only put in place in May 2003.
Fisheries and Oceans Canada	○	○	○	Few system elements are in place. The Department's Policy Sector has been given the lead for strategic environmental assessment. However, specific accountabilities have not been developed, nor has a tracking system and related training. The Department has prepared a draft strategic environmental assessment manual (March 2004), but it is not yet in place.
Health Canada	○	○	○	Few system elements are in place.
Industry Canada	◐	●	●	Department conducted evaluation of pilot approach to implementing the directive.
Natural Resources Canada	●	◐	◐	Department has drafted an enhanced strategic environmental assessment manual.
Public Works and Government Services Canada	○	●	○	Department has drafted a strategic environmental assessment guideline, which includes accountabilities.
Transport Canada	●	●	●	Accountabilities could be clearer on sign-off requirements.

● Satisfactory progress ◐ Some progress ○ Limited or no progress

¹ Accountabilities—The accountability chain, within the department or agency, is documented and generally includes responsibilities for communicating requirements and providing guidance, conducting quality review, signing off on assessments, and filing documents produced.

² Tracking systems—Documented procedures are available for tracking and screening proposals subject to the directive, and tracking whether assessments have been completed.

³ Training and guidance—Tailored guidance on how to conduct an assessment and what needs to be in an assessment, and tailored training on how to conduct assessments are documented.

Exhibit 4.6 Departmental report card—Have departments made progress in implementing management systems?

We assessed whether departments are implementing their management systems at a basic level. This does not mean that strategic environmental assessments are conducted when needed, or that the assessments are of good quality.

Department	Accountabilities ¹	Tracking systems ²	Training and guidance ³	Comments
Agriculture and Agri-Food Canada				Department has limited evidence of management review and approval.
Department of Foreign Affairs and International Trade (non-trade initiatives)				Strategic environmental assessment is applied only to memoranda to Cabinet. Strategic environmental assessment forms have been filed in a central location since March 2003.
Fisheries and Oceans Canada				There is evidence that three assessments have been conducted.
Industry Canada				Rationale for not conducting some strategic environmental assessments are brief with little context and background.
Natural Resources Canada				The tracking system was implemented, starting in February 2002.
Transport Canada				A basic tracking system was developed in June 2001, but the current, more comprehensive tracking systems were put in place in February 2002.

Satisfactory progress Some progress Limited or no progress

¹ Accountabilities—Accountability chain within the department has been implemented and shows that they are communicating the requirement to conduct assessments and keep track of documents produced, and that they have started to conduct quality reviews and get assessments signed off by managers.

² Tracking systems—Tracking systems have been implemented and departments are following procedures for tracking and screening proposals subject to the directive and for tracking whether assessments are completed.

³ Training and guidance—Departments are providing guidance and training to those who require it.

Gaps in coverage in applying the directive

4.37 We assessed whether three departments (Industry Canada, Transport Canada, and Agriculture and Agri-Food Canada) were conducting strategic environmental assessments when required. These departments had identified over 500 proposals (including memoranda to Cabinet, Treasury Board submissions, and others) that they had submitted for approval by their minister or by the Cabinet in 2000, 2001, and 2002. There is some overlap as several proposals may relate to the same initiative.

4.38 None of the departments could show that they had screened (or conducted a preliminary assessment for) all proposals that had been put forward to ministers or the Cabinet to see if a strategic environmental assessment was required. In terms of detailed strategic environmental assessments, the three departments were able to provide us with evidence that a total of 12 assessments had been completed during those years.

4.39 Tracking systems were deficient until recently. Our audit found that Agriculture and Agri-Food Canada has limited data available for those years, as it only started developing a tracking system for strategic environmental assessments in 2004. Industry Canada and Transport Canada did not have fully functioning tracking systems during the period from 2000 to 2002; however, tracking had improved by 2002. Therefore, the three departments could not demonstrate that the 12 strategic environmental assessments conducted were the only ones needed during that period.

Completeness of assessments varies

4.40 We looked at the 12 completed strategic environmental assessments to see whether they met key elements identified in the directive's guidelines. These elements included identification and analysis of key environmental issues, identification and discussion of proposed options and mitigation measures, and need for consultation and follow-up.

4.41 Transport Canada's Strategic Highways Infrastructure Program is an example of a fairly complete assessment. However, all the assessments we reviewed were missing at least a few key elements which were identified in the directive's guidelines. Few of the assessments reported on the need for, or the results of the consultations relevant to the strategic environmental assessment. Other shortcomings included a lack of reference to follow-up requirements.

Good practices identified

4.42 Good practices exist in some federal departments. Some departments have developed processes to implement the 1999 Cabinet directive and have conducted strategic environmental assessments. Some departments developed separate stand-alone systems, while other departments like Industry Canada integrated the requirements into existing systems. We found good examples of accountability structures, documented guidance, on-line guidance, and strategic environmental assessment screening and tracking systems in the departments and agencies we assessed (Exhibit 4.7). Most of these practices have been developed in the past three years.

4.43 Overall, Transport Canada's documented strategic environmental assessment system has most of the elements that enable it to conduct strategic environmental assessments. The Department's Strategic Environmental Assessment Policy Statement was put in place in 2001. It affirms the Department's commitment to strategic environmental assessments, provides guidance, and describes relevant accountabilities. The Department has developed additional guidance and training materials, which it subsequently reviewed in March 2004 with the introduction of public reporting requirements into the directive on 1 January 2004. The Department has also developed a comprehensive tracking system to monitor activity on strategic environmental assessments.

Exhibit 4.7 Good practices in strategic environmental assessment**Accountabilities—Natural Resources Canada**

Natural Resources Canada's Departmental Environmental Policy provides clear and structured accountabilities from the deputy minister down to the employee. The Office of Environmental Affairs has to be satisfied with every strategic environmental assessment before it recommends that the assistant deputy minister sign off a proposal for which an assessment was completed.

Documented guidance—Environment Canada

Environment Canada has a guide with step-by-step instructions for conducting a strategic environmental assessment, as well as worksheets for key steps. Moreover, the guide provides case studies and contact names for assistance. The guide, which is included in the package provided to staff responsible for preparing proposals, has an interactive CD-ROM on strategic environmental assessment. The Department also has an intranet page on the strategic environmental assessment requirements.

Agriculture and Agri-Food Canada, Citizenship and Immigration Canada, the Department of Foreign Affairs and International Trade, and Transport Canada are other departments with examples of good practices in documenting guidance.

On-line guidance—Department of Foreign Affairs and International Trade

The Department provides on-line strategic environmental assessment training to staff via its Intranet. This site includes an executive message establishing ministerial commitment to strategic environmental assessment, its definitions and core concepts, an overview of the international and Canadian contexts for this type of assessment, how it is applied within the Department including elements of the assessment process, information on the benefits of this type of assessment, case studies, frequently asked questions, and self-tests.

Strategic environmental assessment tracking system—Transport Canada

Transport Canada's current system identifies each initiative, its status, the responsible group and office of primary interest, and whether a strategic environmental assessment is required. It also indicates whether a preliminary scan and/or a detailed assessment are required, whether these have been completed, and the completion dates. It tracks the date when the Environmental Affairs Directorate notified the proponent of the requirement for the strategic environmental assessment, when the proponent replied, whether Environmental Affairs reviewed the assessment, who the contact is at Environmental Affairs, and whether the final strategic environmental assessment is on file and a link to it.

Main factors contributing to the performance gap

4.44 Why is there still a performance gap? Fourteen years after the first directive was issued, we expected that all departments would have, at the very least, basic systems in place. Overall, there are varying degrees of commitment to the directive. Some departments have developed well-thought-out systems, while others were just developing system elements during the later stages of our audit. Some of the strategic environmental assessments we reviewed were fairly robust while others were quite limited. In some cases, there were no strategic environmental assessments for proposals that would potentially have environmental impacts, for example, Finance Canada's Bill C-48 (Exhibit 4.8). Based on our audit work, we believe that there are a number of main factors that have contributed to this performance gap.

Exhibit 4.8 No strategic environmental assessment for Bill C-48: An act to amend the *Income Tax Act*

Pursuant to the 2003 Budget announcement, Finance Canada developed Bill C-48—a proposal for a reduction in the corporate tax rate for the resources sector, similar to that provided previously to other industry sectors, to support growth in resources development. The Department also proposed a measure to eliminate some preferential treatment to the resource sector and promote efficiency. Finance Canada did not conduct a strategic environmental assessment on this bill. An assessment would have highlighted possible secondary environmental effects (negative and positive)—such as effects on habitat, sediment loading, and greenhouse gas emissions—and potential adjustments to address impacts that could result from this tax measure.

At a hearing on the proposed legislation, a member of the House of Commons Standing Committee on Finance put forward the question, “Do the proposed tax changes take into account the environmental cost of economic activity in the non-renewable resource sector?” Had Finance Canada prepared a strategic environmental assessment, it would have been in a better position to answer the question more fully. The Department’s answer provided information on the allocation of resources more consistent with underlying economic factors but did not take the next logical step to talk about what that meant for the environment.

We also comment on the lack of environmental analysis of Bill C-48 in Chapter 3 of this Report.

Insufficient senior management commitment to the directive

4.45 Varying commitment by senior management. We expected that senior management would convey their commitment by clearly communicating the importance of the issue to the organization. Commitment would also be conveyed by a clear articulation of the expected outcomes. The organization would also put sufficient resources and personnel in place to address the identified outcomes. Lastly, senior management would verify that the commitments and expected outcomes had been met.

4.46 In some departments, there is limited evidence that senior management have committed to fulfilling their obligations under the Cabinet directive. Departments that have shown clear senior management commitment, such as Industry Canada, Natural Resources Canada, Department of Foreign Affairs and International Trade, and Transport Canada, have made the most progress in applying the Cabinet directive. The Minister of Industry noted, in his response to a petition on strategic environmental assessment in 2003, that “strategic environmental assessments play a positive role in helping to integrate environmental considerations into decision-making.” Transport Canada’s Strategic Environmental Assessment Policy Statement notes that strategic environmental assessment is an essential component for an “integrated decision-making framework.” Departments that have made the least progress, for example, Fisheries and Oceans Canada, the Canadian International Development Agency, and Health Canada, show little evidence of senior management commitment.

4.47 Recommendation. Deputy heads, of all departments and agencies included in this audit, should ensure that their organization is fully implementing the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. They should ensure that their

organization has a management system in place for the proper application of the directive. This system should include the following steps:

- Identify and describe proposals that require approval by the departments' or agencies' minister or the Cabinet.
- Establish an organizational accountability structure.
- Develop and implement tracking systems to track all proposals subject to the directive, preliminary scans, and detailed assessments that are conducted.
- Provide internal guidance and training to managers and staff who are involved in the preparation of policy, program, and plan proposals.
- Establish quality control, consultation, communication, follow-up, and evaluation procedures.

Deputy heads of all departments and agencies not included in this audit should take into account this recommendation when considering how their organization applies the directive.

Government's response. Strategic environmental assessment is one of a number of tools, including sustainable development strategies, laws (such as the *Canadian Environmental Assessment Act*), and policy instruments (including international environmental agreements), that require federal officials to consider the environmental implications of their recommendations to decision makers.

As part of their ongoing commitments, deputy heads are required to ensure that the Cabinet directive is implemented within their organizations, and that appropriate management systems consistent with the Commissioner's recommendations are put in place by December 2005. In establishing such systems deputy heads must consider organizational requirements, efficiencies to be gained through interdepartmental co-operation, and value for money.

Timeline for completion of action(s):

- Management Systems—December 2005

Lack of central ownership and support

4.48 No central monitoring and quality control roles assigned. According to the directive's guidelines, departmental and agency officials are responsible for ensuring that environmental considerations are properly integrated into the development of policy, plan, and program proposals. To ensure compliance with the directive, departments and agencies need to implement appropriate management systems, ensure that assessments are conducted when required, and assess the quality of their assessments.

4.49 The directive and its guidelines do not assign overall responsibilities for monitoring compliance with the directive to ensure that deputy heads are held accountable. The responsibility for overall quality control to ensure that the assessments that are conducted are credible in the eyes of decision makers has not been similarly assigned. Nor has the responsibility been assigned for reviewing the application of the directive to allow for the continuous

improvement of the directive itself and its application. None of the four federal organizations with cross-departmental roles we assessed has systematically taken on these tasks.

4.50 In its 2003 report, the House of Commons Standing Committee on Environment and Sustainable Development noted that the “Privy Council Office has declined responsibility for implementing the 1990 and 1999 Cabinet directives, relying on the Canadian Environmental Assessment Agency, which has virtually no authority to ensure that federal departments (let alone ministers) comply.” It noted that the Privy Council Office, “which serves as the prime minister’s department as well as the secretariat for Cabinet, must take a leadership role if strategic environmental assessments are to be effective.”

4.51 To ensure that deputy heads are complying with the directive, central agencies have a number of options. Monitoring compliance could take the form of central agencies going into departments and agencies to assess compliance with the directive, or departments and agencies could prepare regular reports on their compliance, which a central agency would receive and review.

4.52 For quality control, the current system relies on departments to assess the quality of the proposals developed and on departments and ministers to raise outstanding issues during interdepartmental and Cabinet meetings. We found that in some cases departments provided quality feedback on their own specific assessments. In other cases, departments could not demonstrate that this quality feedback had been provided. This contrasts with the Netherlands, for example, where the Environmental Impact Assessment Commission is mandated to review the quality of environmental assessments that have been conducted and to issue an opinion on them. Quality control could take the form of a central agency reviewing the quality of all key assessments or setting specific standards and ensuring that adequate quality control has taken place within the organizations conducting the assessments.

4.53 Canadian Environmental Assessment Agency fulfilling assigned roles. Our audit work found that since the 1999 Cabinet directive was introduced, the Agency has made an effort to engage other departments in applying the directive and to promote and educate government officials about it. This has included the use of a variety of tools, including presentations and marketing materials. The Agency has chaired an interdepartmental committee on strategic environmental assessment and has led the preparation of additional guidance on the Cabinet directive. In addition, it organized a two-day workshop on strategic environmental assessment in March 2004 that was attended by over 125 participants from over 25 federal organizations.

4.54 The majority of the departments assessed during our audit stated that they believe the Agency is carrying out its roles and responsibilities with respect to the directive, and they are satisfied with the quality of the guidance and support the Agency has provided to them.

4.55 Recommendation. The Privy Council Office, as the central authority responsible for the machinery of government, should ensure that responsibilities and authorities have been assigned for

- central monitoring of compliance with the Cabinet directive on an ongoing basis,
- adequate quality control of the assessments undertaken, and
- continuous improvement of the assessment process.

The Privy Council Office should ensure that these responsibilities are being fulfilled and ensure the results are used to hold deputy heads accountable for implementing the directive.

Government's response. Consistent with the federal government's commitment to self-assessment, in line with recommendation 4.47, departments and agencies will continue to be accountable for the quality of their analysis and will establish appropriate management systems to ensure accountability and quality control. When proposals are submitted to Cabinet for decision, central agencies have an important challenge function to play. The Canadian Environmental Assessment Agency will support central agencies in this role and continue to provide support to departments and agencies with respect to implementation of the directive. Departments and agencies will continue to be accountable for the quality of assessments of proposals that are submitted to individual ministers for decision, and that are not subject to Cabinet process, and will report on them, as necessary.

With respect to quality of analyses, the expertise required to provide this function does not reside within just one federal organization. Rather, expertise in the areas of environmental management, environment and human health, and natural resources management is distributed among a number of federal organizations. These expert organizations should be consulted, as necessary, by departments and agencies conducting strategic environmental assessments.

The National Science Advisor will be consulted to assist in securing expertise within or outside of the government.

Timeline for completion of action(s): Immediately

Limited integration into decision making and assessment of effects

4.56 Departments sometimes treat a strategic environmental assessment as a separate, isolated track, or "silo," which is not integrated with other analyses. This may result in missed opportunities to use the assessment, in conjunction with other social and economic analyses, to influence the development of subsequent policies, programs, plans, and projects. The preparatory work for Transport Canada's initiative, Straight Ahead—A Vision for Transportation in Canada, included multiple lines of research work and consultations, but these were not incorporated into the strategic environmental assessment that was conducted.

4.57 Under the Cabinet directive guidelines, a strategic environmental assessment is required at only one stage of the government's consideration of a proposal or undertaking. A department can decide not to do another assessment (or not to update its assessment) if one has already been prepared, even though the initiative may have changed considerably over time.

4.58 We found that departments sometimes had trouble grappling with doing a one-time-only strategic environmental assessment, given the reality that there are many decision points for response to any issue. Ideally, a strategic environmental assessment would be integrated into decision making over the life cycle of the undertaking, which could include policies, plans, programs, and projects.



Farming in Canada

4.59 Doing an in-depth assessment when the specifics of a program have not yet been developed is sometimes not realistic. Departments sometimes wait to do the assessment at a later point. Agriculture and Agri-Food Canada did not conduct strategic environmental assessments on the Agricultural Policy Framework prior to the federal-provincial-territorial agreement-in-principle on an action plan in June 2001. Most of the strategic environmental assessments were not conducted before the Agricultural Policy Framework was submitted for Cabinet approval in 2002 but were completed before Treasury Board funding approval was sought in 2003. In other cases, departments are doing the high-level assessment earlier on, to help them set a program's direction but are not following this up, when they have specific directions (for example, the Program for Sustainable Aquaculture, see Exhibit 4.9).

4.60 We did find a few examples in which there was a follow-through of analysis from a high-level strategic environmental assessment to more specific decisions.



Salmon farm open net pens in marine coastal British Columbia

Exhibit 4.9 The Program for Sustainable Aquaculture: Lack of continuity and missed opportunities for strategic environmental assessment impact

In 2000, the Program for Sustainable Aquaculture was launched. A strategic environmental assessment had been conducted in 1999 for a broad aquaculture development program; however, Fisheries and Oceans Canada was unable to identify the final version of the assessment and could not provide evidence that a senior manager had signed off on the assessment. The Department could not determine whether the assessment was developed beyond the 1999 proposed program and was unable to show that the assessment was integrated and used in developing the Program for Sustainable Aquaculture.

In 2001, Fisheries and Oceans Canada developed the Aquaculture Policy Framework. The Department did not conduct a strategic environmental assessment on this high-level initiative. It explained that because the initiative was not submitted to a minister or Cabinet for approval, it was exempt from the directive. This key policy does however contain a forward that is signed by the Department's Minister. In not applying the directive to "other policy, plan or program proposals when circumstances warrant" the Department missed an opportunity to provide decision makers with an analysis of the potential positive or negative environmental effects of this initiative.



McBride Lake Wind Farm, Alberta
Photo: Natural Resources Canada

4.61 Natural Resources Canada completed a strategic environmental assessment of its Wind Power Production Incentive in spring 2002. The assessment found that some significant negative environmental effects could be reduced by siting turbines away from natural habitats, bird-migrating corridors, and human settlements.

4.62 The Department prepared a guide for conducting project assessments that covered the issues raised in the initial strategic environmental assessment. This highlighted important environmental issues, so that they would not be missed when decision makers reviewed project applications. The project environmental assessment for the Cypress Wind Power Project in Saskatchewan included measures to reduce negative effects, for example, locating wind turbines at least 1,000 metres from the nearest residence to minimize noise disturbance and limiting their construction during sensitive bird-breeding and nesting periods.



Construction of 5-Mile Yoho Bridge in Kicking Horse Canyon, British Columbia—Strategic Highway Infrastructure Program Project
Photo: Transport Canada

4.63 Transport Canada’s strategic environmental assessment for the Strategic Highway Infrastructure Program stated that environmental assessments should be conducted “at the regional level for those provinces with numerous projects in a given region.” To ensure environmental protection, it would also be necessary to conduct specific assessments at each site. The regional strategic environmental assessment for the British Columbia Lower Mainland Border Crossing Projects was undertaken in January 2003 to meet this requirement.

4.64 **Has the directive had an impact?** In 1996, the Canadian Environmental Assessment Agency conducted a review of the implementation of the 1990 Cabinet directive. Since the 1999 Cabinet directive was put in place, a few departments have assessed their systems. However, to date there has been no formal evaluation of the impacts or barriers and the success factors in the implementation of the directive.

4.65 Generally, departments and agencies do not know how the strategic environmental assessments they have done have affected the decisions made, and, in turn, what the ultimate impacts on the environment are. Information on the impacts of strategic environmental assessments and an assessment of the directive’s implementation should be required before the next review of the *Canadian Environmental Assessment Act* by 2010. This review is a mandated requirement under the Act.

4.66 **Recommendation.** The Privy Council Office, as the central authority responsible for the machinery of government, should ensure that an evaluation of the Cabinet directive is completed by the end of 2008 in time for the next review of the *Canadian Environmental Assessment Act*. The evaluation should report on the status of implementation by all departments and agencies and the main elements addressed in our chapter. In addition, the evaluation should report on the impacts that strategic environmental assessments have had on the policies, programs, and plans developed for ministers and the Cabinet. The results of this evaluation should be made public prior to the Act’s review. Based on the evaluation, the Privy Council

Office should examine the design of the Cabinet directive and consider whether legislation is warranted.

Government's response. The Privy Council Office, in collaboration with federal departments and agencies, will ensure that an evaluation is completed by 2008. The results of the review will be made public and will inform decisions about the form and structure of the Cabinet Directive.

Timeline for completion of action(s):

- Terms of Reference—January 2007
- Interim Report—October 2008
- Final Report and Public Release—December 2008

Transparency generally absent in directive's application

4.67 The process is not transparent—a double standard? The directive does not require that Canadians and parliamentarians be given access to strategic environmental assessments. There are three main reasons for enhancing the transparency of the strategic environmental assessments that are undertaken.

- First, the more transparent information is, the better its quality becomes. Greater scrutiny generated by public exposure can prompt greater care in the preparation of the information.
- Second, if the assessments are made available publicly, Parliament and the public have additional information for an informed debate on the potential impacts of policies, programs, and plans.
- Third, such disclosure provides assurance that the key options have been considered and potential impacts mitigated—essentially holding each department to account for the adequacy of the analysis undertaken.

4.68 To date, only a few strategic environmental assessments under the directive have been made public, and no public registry exists. These include the assessments that were prepared for the G8 Summit and the World Trade Organization's Doha Round of Negotiations (Exhibit 4.10). The Safety Net Review, which was prepared under the *Farm Income Protection Act*, has also been made public. The Standing Committee on Environment and Sustainable Development came to similar conclusions in its 2003 Report. It noted that it had "difficulty assessing the current level of compliance with the revised 1999 Cabinet directive given that virtually no information about strategic environmental assessments is publicly available."

4.69 This is in sharp contrast with the *Canadian Environmental Assessment Act* and its public registry of project-level environmental assessments, which have been carried out. It is also in contrast with the process for the Regulatory Impact Analysis Statement for new regulations, which gives parliamentarians and Canadians the opportunity to review the analysis and comment on it.

Exhibit 4.10 Making strategic environmental assessments public: The World Trade Organization's Doha Round of Negotiations

The World Trade Organization's Doha Round of multilateral trade negotiations was launched in 2001 and covers seven areas of negotiation, of which the agriculture negotiations are a central component. The Department of Foreign Affairs and International Trade completed the Initial Environmental Assessment of these negotiations in November 2002. The Initial Environmental Assessment applied the Government of Canada's Framework for Conducting Environmental Assessments of Trade Agreements, which identifies transparency and public consultations as key aspects of the assessment process. It did this, for example, by publishing a Notice of Intent to conduct a strategic environmental assessment in the Canada Gazette, and by posting the assessment on the Department's Web site.

Agriculture and Agri-Food Canada was responsible for analysis on the agricultural section of the environmental assessment. The team tasked with the analysis sought and received feedback from other experts within the Department at several points in the process. The Department then submitted its analysis to the Department of Foreign Affairs and International Trade, to be included with inputs from other departments. An interdepartmental committee then reviewed the strategic environmental assessment, seeking clarifications and challenging assumptions. The peer review approach gave the authors feedback on how to improve their analysis and how it was presented.

4.70 Effective 1 January 2004, the 1999 Cabinet directive was modified to include a requirement that “departments and agencies shall prepare a public statement of environmental effects when a detailed assessment of environmental effects has been conducted through a strategic environmental assessment.” The intent is to “assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.”

4.71 This modification reintroduces an element of the original 1990 Cabinet directive and associated guidelines, which was removed when the directive was revised in 1999. It is too early to tell how it will be implemented. However, the directive's guidelines do not provide any specifics as to what should be included in a public statement. As well, the public statement is not required for key policies, programs, and plans that did not require a strategic environmental assessment. There is no requirement for a rationale to be provided when no assessment is required. Lastly, it does not specify how these public statements will be made public.

4.72 Recommendation. The Canadian Environmental Assessment Agency should develop and implement an easily accessible public registry of public statements on strategic environmental assessments. Departments and agencies would retain responsibility for the quality, timeliness, and accuracy of posted information. This registry should provide the following information:

- A list of major approved government policies, programs, and plans where preliminary assessments determined that no strategic environmental assessment was required, along with the rationale for why no assessment was conducted.
- Key information on strategic environmental assessments for which consultations on an initiative are ongoing or which have been approved

by ministers or the Cabinet. This information would include key environmental impacts identified, a summary of the results of analyses undertaken, the results of any consultations, and whether any follow-up is required—elements which are identified in the directive's guidelines. In addition, the registry should include all strategic environmental assessments that are publicly released.

Government's response. As noted in the Commissioner's Report, the directive was amended in January 2004 to provide for improved transparency, focusing on improved transparency for those initiatives likely to be of greatest concern to the public.

Federal departments and agencies, under the leadership of the Canadian Environmental Assessment Agency, will work over the coming year to ensure that public statements of environmental effects are easily and centrally accessible. The effectiveness of the requirement for public statements will be assessed as part of the evaluation (Recommendation 4.66) to be completed by 2008.

Timeline for completion of action(s):

- Guidance on Public Statements (Canadian Environmental Assessment Agency)—November 2004
- Terms of Reference for Working Group to examine options for access to public statements—December 2004
- Draft report on options for access to public statements—March 2005
- Implementation of options for access—September 2005
- Evaluation of public statement requirement—December 2008

Directive guidance is incomplete

4.73 The current guidance is incomplete and leaves unclear a number of issues that need to be considered. We expect that these issues will be considered in the evaluation we recommended (see paragraph 4.66).

4.74 The directive's guidelines are advisory, and some departments are treating them as voluntary. When Cabinet authorized the directive it also authorized the accompanying guidelines.

4.75 While good practice requires that management systems be set up, the directive's guidelines do not have a specific requirement that departments and agencies set up the management systems needed to implement the directive. As noted earlier, only some departments have most of the basic systems in place.

4.76 During the course of the audit we heard from some departments that everything they do is sustainable development and that analysts are normally taking the environment into account when developing policy proposals. Unfortunately, some departments could not credibly demonstrate that they are prepared to and actually are applying the directive. Without a systematic approach, departments may be missing opportunities to identify and enhance positive impacts and options and to mitigate negative environmental impacts.

4.77 Directive’s application not defined by some departments. The directive indicates that it applies to policies, plans, and programs that may have important environmental effects. Some departments, like Industry Canada, have determined what types of initiatives could potentially require a strategic environmental assessment. Some departments have not clarified which of their initiatives normally would require a strategic environmental assessment.

4.78 A number of situations fall outside of the directive. In conducting the audit, we were struck by a number of situations that seemed to fall outside of the directive itself, but that could have environmental impacts, both positive and negative, depending on the circumstance.

4.79 Some initiatives can be years or even decades old, and have undergone significant modification. The directive leaves it unclear how such initiatives are assessed.

4.80 As indicated previously (paragraph 4.57), the directive’s guidelines require a strategic environmental assessment to be conducted at only one stage of the government’s consideration of the issue. A memorandum to Cabinet, that is, a proposal seeking Cabinet approval, may be followed by one or more submissions to the Treasury Board requesting funding. Between the two, a number of things might occur: changes to the proposal may have been made, updated information may be available to inform the analysis, or the funding allocation may have changed. The directive is unclear how these changes should be addressed within the proposals that are put forward and their accompanying strategic environmental assessments.

4.81 The case of the federal Budget—who assesses it? A federal Budget is a compendium of existing and new initiatives. Finance Canada indicated that the Budget does not need to be assessed under the directive because individual items are either continuing elements not subject to the directive or are new and should have been assessed by the departments and agencies responsible for those items. With the limited number of strategic environmental assessments conducted and the performance gap in implementing the directive, it is doubtful whether the potential environmental impacts are fully assessed when a federal Budget is constructed.

More training capacity is needed

4.82 At a technical level, some departments have developed good guidance and training to support their strategic environmental assessment efforts (for example, Industry Canada, Department of Foreign Affairs and International Trade, Environment Canada, and Transport Canada). Other departments and agencies have a more limited approach (for example, Finance Canada, Health Canada, Canadian International Development Agency, and Fisheries and Oceans Canada).

4.83 Training and guidance are needed to make managers and policy analysts aware of their responsibilities under the directive and to give them

the knowledge and skills necessary to conduct strategic environmental assessments.

4.84 Since strategic environmental assessment is a key federal component of the policy development process, we would expect that the Canadian Centre for Management Development (the federal government's key training organization for senior managers and now incorporated into the Canada School of Public Service), would have reflected the directive in its policy courses. To date, the strategic environmental assessment is not reflected in the policy courses offered at the Centre, nor has the Centre assessed how the Cabinet directive could impact its curriculum.

4.85 Recommendation. The Canada School of Public Service should assess how the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals could be referenced in the courses it offers to senior managers in the federal public service. At the very least, all policy courses should refer to the directive.

Government's response. The Canada School of Public Service (which includes the former Canadian Centre for Management Development) has completed a preliminary assessment, which shows that the directive may be referenced in about 11 courses—including 6 policy courses—in the curricula of the School's Leadership, Public Administration and Professional Development Centres.

The courses are the following: From Modern Comptrollership to the Management Accountability Framework, Integrated Risk Management, Challenges of Public Policy Development: An Overview, Leading Policy, Orientation to Public Policy Development, Orientation to Public Policy Implementation, Public Policy Development—Intermediate Level, Public Policy Implementation—Intermediate Level, Green Procurement: A Sustainable Development Approach, Disposal of Surplus Moveable Crown Assets and Investment Recovery, and Procurement and Material Policy Framework.

Following a final assessment to be done this autumn of how the directive can be referenced or otherwise dealt with in the candidate courses, changes will be made to either content and/or materials to ensure the directive is referenced or dealt with in the fiscal year 2004–05 in up to 11 candidate courses. In some courses such changes, though thought to be relatively low cost, may be subject to the availability of funds.

The adequacy of this approach will be assessed.

Timeline for completion of action(s): March 2005

Conclusion

4.86 It has been 14 years since the first directive was issued by the Cabinet. The results of our audit, taken together, suggest that most departments have not made serious efforts to apply the directive. There are still significant gaps in its application, and some departments just began to implement elements of a management system during the course of our audit. Only one of the three departments we assessed has achieved satisfactory progress in meeting its sustainable development strategy commitments concerning strategic environmental assessment.

4.87 A limited number of strategic environmental assessments have been conducted in three departments we examined in detail (Agriculture and Agri-Food Canada, Industry Canada, and Transport Canada), and none has covered all of the key elements we had expected to see in an assessment. In addition, none of these departments could show that they had screened all proposals that had been put forward to ministers or the Cabinet to see whether they warranted a strategic environmental assessment.

4.88 Currently the directive's application does not provide assurance that environmental issues are assessed systematically. Ministers and the Cabinet may not receive sufficient information to make informed decisions on proposed policies, programs, and plans. If there are potential important environmental effects, the directive is quite clear that departments and agencies are expected to apply it to initiatives that are bound for the Cabinet or that require ministerial approval.

4.89 The main reasons for this uneven application are insufficient senior management commitment to the directive, lack of central ownership and support, limited integration into decision making and assessment of impact, lack of transparency in the directive's application, incomplete guidance, and mixed availability of training.

4.90 No department or agency in particular has been tasked with the responsibility and authority for the overall monitoring of compliance with the Cabinet directive. Nor has a department or agency been tasked with the responsibility and authority for quality assessment and continuous improvement of the assessment process.

4.91 However, we observed that senior management in some departments (Transport Canada, Industry Canada, Natural Resources Canada, and the Department of Foreign Affairs and International Trade) have made firm commitments to implement the directive. Some departments have made clear progress in implementing the directive since the 1999 edition. We observed some examples of good practices that other departments and agencies could use to improve their practices and implement required systems.

4.92 Deputy heads of all departments and agencies need to ensure that their organizations are implementing the Cabinet directive. They also need to ensure that their departments and agencies have a management system in

place for the proper application of the directive. In addition, the current system needs to be strengthened so a department or agency has the responsibility and authority for monitoring compliance with the directive and for ensuring that adequate quality control of the assessments is undertaken.

4.93 These and other concerns reported in this chapter need to be dealt with before ministers and the Cabinet can be assured that they are receiving sufficient information to make informed decisions. If improvements cannot be demonstrated within several years, a statutory requirement for strategic environmental assessment, as is the case with the environmental assessments of projects, may need to be considered by the Government of Canada.

About the Audit

Objectives

1. To determine whether the federal government is applying the 1999 Cabinet Directive on the Environmental Assessment of Policies, Plans and Programs (that is, strategic environmental assessment)

Sub-objectives:

- 1.1 To assess whether selected federal departments and agencies are prepared to address the requirements for a strategic environmental assessment within their organizations.
 - 1.2 To assess whether selected federal departments and agencies are managing key aspects of the strategic environmental assessment process.
 - 1.3 To assess whether selected federal departments and agencies are conducting strategic environmental assessments when required.
 - 1.4 To assess whether government-wide strategic environmental assessment roles and responsibilities are defined and followed by four central organizations of the federal government.
2. To assess the progress made by selected federal government departments and agencies towards specific sustainable development commitments on strategic environmental assessment related to, and in the context of, their sustainable development strategies.

Scope and approach

While the 1999 Cabinet directive applies to all departments and agencies, the audit focussed on 12 entities with a variety of mandates within the economic, social, and environmental spheres. We also looked at the roles and responsibilities of four central federal organizations. The results of our preliminary audit work informed the selection of departments and agencies to be audited. They were also selected to provide the audit with breadth and depth in its overall assessment of the federal government's application of the directive.

We assessed 12 departments and agencies to see if they were prepared to address the directive in their organizations through the design of key management system elements relating to accountability, tracking, guidance, and training. Subsequently, six of these departments were chosen to be evaluated as to whether they are making progress in implementing the necessary systems required to manage their assessment work. Lastly, three departments were assessed to determine if they were undertaking assessments when required. These departments were chosen based on our preliminary audit work, which indicated that their management systems were sufficiently developed for this audit work to take place.

The 12 departments and agencies and corresponding audit objectives they were assessed against are identified in Table 1. Each of the audit objectives also had a series of criteria against which performance was evaluated, and these are identified in Table 2.

During the course of the audit, we identified selected examples of good practices of strategic environmental assessment to highlight potential areas of practice improvement among departments and agencies.

In December 2003, the government announced a major reorganization of some departments and agencies.

- The international trade services operations of the Department of Foreign Affairs and International Trade were transferred to the newly created International Trade Canada. The remaining organization operates as Foreign Affairs Canada. The results of the audit are reported against the Department of Foreign Affairs and International Trade and not against the two new departments.
- The Canadian Centre for Management Development was incorporated, along with Training and Development Canada and Language Training Canada, into the Canada School of Public Service on 1 April 2004.

- The 1999 Cabinet directive was revised on 1 January 2004. Performance against the new requirement for preparing a public statement of environmental effects was not evaluated in this audit.

Some quantitative information in this chapter is based on data drawn from various federal and other sources. We are satisfied with the reasonableness of the data, given their use in our chapter. However, the data have not been audited, unless otherwise indicated in the chapter.

Table 1—Departmental and agency coverage by audit objectives

Federal department or agency	Audit objectives				
	1.1	1.2	1.3	1.4	2
Agriculture and Agri-Food Canada	■	■	■	□	■
Canadian International Development Agency	■	□	□	□	□
Citizenship and Immigration Canada	■	□	□	□	□
Department of Foreign Affairs and International Trade*	■	■	□	□	□
Environment Canada	■	□	□	□	□
Finance Canada	■	□	□	□	□
Fisheries and Oceans Canada	■	■	□	□	□
Health Canada	■	□	□	□	□
Industry Canada	■	■	■	□	■
Natural Resources Canada	■	■	□	□	□
Public Works and Government Services Canada	■	□	□	□	□
Transport Canada	■	■	■	□	□
Central organizations					
Canadian Centre for Management Development	□	□	□	■	□
Canadian Environmental Assessment Agency	□	□	□	■	□
Privy Council Office	□	□	□	■	□
Treasury Board Secretariat	□	□	□	■	■

■ Assessed against objective □ Not assessed against objective

*The Department of Foreign Affairs and International Trade has two processes in place for conducting strategic environmental assessments—one for trade negotiations and one for policies, programs, and plans unrelated to trade negotiations. This audit focussed its assessment on the Department of Foreign Affairs and International Trade's non-trade processes. However, best practices from the trade negotiations process are used to illustrate the audit.

Table 2—Criteria we audited

Audit objective	Criteria
1.1	<ul style="list-style-type: none"> We expect federal departments and agencies to demonstrate: documented internal accountabilities; documented internal procedures to identify and track initiatives potentially requiring a strategic environmental assessment; and documentation on their training, guidance, and tools used for this type of assessment.
1.2	<ul style="list-style-type: none"> We expect federal departments and agencies to implement a clear internal accountability (roles and responsibilities) structure for the strategic environmental assessment process. We expect federal departments and agencies to implement an internal procedure to identify and track initiatives potentially requiring an strategic environmental assessment. We expect federal departments and agencies to implement customized training, guidance, and tools for strategic environmental assessments. We expect federal departments and agencies to have verified (i) the effectiveness of their internal management system for implementing the strategic environmental assessment process and (ii) the impact of this process.
1.3	<ul style="list-style-type: none"> We expect federal departments and agencies to conduct and document a strategic environmental assessment for each initiative requiring one. We expect federal departments and agencies to conduct and document consultations related to strategic environmental assessments, as appropriate. We expect federal departments and agencies to conduct and document follow-up work related to strategic environmental assessments, as appropriate. We expect federal departments and agencies to verify the quality of the strategic environmental assessments they conduct.
1.4	<ul style="list-style-type: none"> We expect the respective roles and responsibilities of the Privy Council Office and Treasury Board Secretariat, if any, in implementing the requirements for strategic environmental assessments to be clear, documented, and followed. We expect the Canadian Centre for Management Development to have incorporated the requirements for strategic environmental assessments into its policy development curriculum. We expect the Canadian Environmental Assessment Agency to have promoted the application of strategic environmental assessments within the federal government. We expect the Canadian Environmental Assessment Agency to have provided guidance and training, in consultation with other departments and agencies, to improve the implementation of strategic environmental assessments.
2	<ul style="list-style-type: none"> We expect departments are meeting their performance expectations on their sustainable development strategy commitments related to strategic environmental assessment.

Audit team

Principal: Neil Maxwell
 Director: Richard Arseneault
 Chapter Author: George Stuetz

Véronique Dupuis
 Mathieu St-Onge
 Erin Windatt

For information, please contact Communications at (613) 995-3708 or 1-888-761-5953 (toll-free).