



Department of Finance Canada

Performance Report

For the period ending
March 31, 2000

Canada

Improved Reporting to Parliament Pilot Document

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis the *Part III of the Estimates* document for each department or agency into two separate documents: a *Report on Plans and Priorities* tabled in the spring and a *Departmental Performance Report* tabled in the fall.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

The Fall Performance Package is comprised of 83 Departmental Performance Reports and the President's annual report, *Managing for Results 2000*.

This *Departmental Performance Report*, covering the period ending March 31, 2000 provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Report on Plans and Priorities* for 1999-00 tabled in Parliament in the spring of 1999.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government.

The government continues to refine its management systems and performance framework. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site: <http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp>

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Department of Finance Canada

Departmental Performance Report

**For the period ending
March 31, 2000**

Paul Martin
Minister of Finance

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Executive Summary

The department's activities addressed the priorities the government set for itself in the 1999 Speech from the Throne: developing our children and youth, building a dynamic economy, strengthening health and quality care, ensuring the quality of our environment, building stronger communities, improving the relationship with Canada's aboriginal peoples and advancing Canada's place in the world. It did so through actions in the six important areas described below.

Sound Financial Management

For 1999–2000 the government recorded its third consecutive budget surplus, and the 2000 budget included a commitment to balanced budgets or better in 2000–2001 and 2001–2002. This would be the first time in fifty years that the budget has been balanced or there has been a surplus for five consecutive years. In fact, since Confederation, on only two other occasions has the government had balanced budgets or better for five or more consecutive years.

Balanced budgets or better have allowed for a \$18.7 billion reduction in the amount of net outstanding public debt since 1997–98. Combined with strong economic growth, they have also permitted a significant reduction in the ratio of net public debt to Gross Domestic Product (GDP) from a peak of 71.2 percent in 1995–1996 to 58.9 per cent at the end of 1999–2000.

Reduced Tax Burden

Building on previous actions, the 2000 budget proposed a five-year tax reduction plan that includes the most important changes to the tax system in more than a decade.

The plan will restore full indexation; reduce the middle tax rate to 23 per cent from 26 per cent; eliminate the surtax; increase the amount that Canadians can earn tax-free to at least \$8,000; increase the amounts at which the middle and top tax rates apply, to at least \$35,000 and \$70,000; enrich the Canada Child Tax Benefit by \$2.5 billion a year by 2004 to more than \$9 billion annually; increase the partial exemption for scholarship, bursary and fellowship income to \$3,000; and lower the capital gains inclusion rate to two thirds from three quarters.

The plan also lowers the burden on the most highly taxed sectors of the economy and addresses deficiencies in the tax structure. By 2004 the tax rate on the most highly taxed sectors will go to 21 per cent from 28 per cent. The tax rate on income between \$200,000 and \$300,000 earned by a small business will be reduced from 28 per cent to 21 per cent on January 1, 2001.

The department prepared the legislation implementing the 1999 budget income tax measures; negotiated and concluded income tax treaties with a number of countries; and developed legislative proposals to improve the fairness and efficiency of the sales and excise tax systems.

Secure Social Programs

The 2000 budget announced an additional \$2.5 billion in Canada Health and Social Transfer (CHST) payments for post-secondary education and health, following an investment over five years of \$11.5 billion for health in the previous budget.

Subsequent to the 1999–2000 fiscal year, Canada's first ministers concluded agreements on health care renewal and early childhood development. The federal government will contribute increased funding of \$23.4 billion over five years in support of these agreements.

Major transfers to provinces and territories were put on a common five-year track for the first time, making them more predictable for planning purposes. Changes were also enacted so that provinces will receive identical CHST entitlements in 2001–2002, providing equal support for health, post-secondary education, and social assistance and services to all Canadians. The new Equalization regulations for 1999–2000 to 2003–2004 were approved in March 2000, and consultations have begun on issues for the next program renewal in 2004.

The Canada Pension Plan Investment Board (CPPIB) regulations were put in place in April 1999, and by April 2000 the Board had received about \$2.9 billion. By the end of the review period, the CPPIB reported a return on investment of 40.1 per cent. Regulations are now being amended to allow the CPPIB full discretion on investment of up to 50 per cent of funds allocated for domestic equities.

A Secure Global Financial Future

In its role as member of the G–7, Chair of the G–20 and Co-Chair of the Western Hemisphere Finance Ministers' Process, Canada has worked to develop an international consensus on appropriate ways to promote a stronger, more stable, international financial system. Canada will host the second meeting of the G–20 in Montreal in October 2000.

In collaboration with other federal departments, Finance plays an active role in advancing international trade objectives. The department helped develop priorities and positions for import policy and trade in services, and participated in negotiations to establish a free trade agreement with the European Free Trade Association. It participated in the management of international trade and investment disputes.

A number of specific trade actions were also undertaken during the review period, and in January 2000 Canada and Chile acted to accelerate the elimination of tariffs on over two hundred items under the Canada-Chile Free Trade Agreement.

The department participated in the Tradeable Permits Working Group (TPWG) and the Analysis and Modeling Group, whose reports were released during the review period and will be used to develop national strategies regarding greenhouse gas emissions.

A Competitive and Secure Financial Services Sector

In June 1999 the government released *Reforming Canada's Financial Services Sector: A Framework for the Future*. The enabling legislation, Bill C-38, was introduced in the House in June 2000 and key policy statements not requiring legislation and Merger Review Guidelines were released. These initiatives are crucial to maintaining the strength

of Canada's financial institutions, while safeguarding the interests of Canadians and contributing to economic growth.

Legislation and draft regulations put in place in February 1999 mean that the new foreign bank branch regime is now in place. Two foreign branches have been approved, and more are expected in the future.

Demutualization legislation came into force in March 1999. By March 2000 Canada's four largest mutual life insurance companies converted to stock companies.

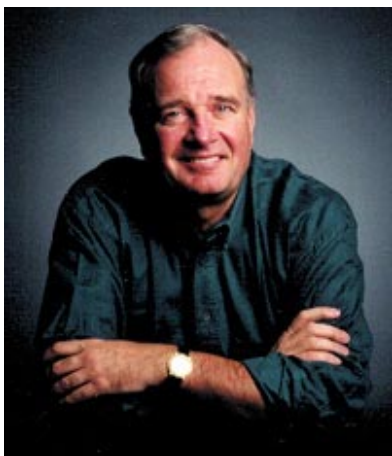
In April 1999 the department assumed responsibility for developing an effective anti-money laundering regime. Canada's new proceeds-of-crime legislation received Royal Assent in June 2000, bringing Canada in line with international anti-money laundering standards. The Financial Transactions and Reports Analysis Centre of Canada was established July 5, 2000. During the review period, regulatory amendments were put into effect to withdraw the \$1000 bill from circulation in May 2000.

Contributions to “Getting Government Right”

The department has contributed in a variety of ways to enhanced federal-provincial tax co-ordination, including the provinces' move to tax-on-income regimes and the renewal of Reciprocal Taxation Agreements. In April 1999 the department also released a draft legislative framework to replace archaic excise legislation, with proposed final legislation now being prepared for tabling.

The department improved its communication with Canadians through better use of electronic communications, for example, in its on-line publication of the 2000 budget. Furthermore, the budget itself provided funding for the initiation of the federal Government On-Line program. The department also contributed to the government's smooth transition to the Year 2000.

Section I: Minister's Message



The Honourable Paul Martin, P.C., M.P.

The government recorded its third consecutive budget surplus in 1999–2000. Thanks to continued sound economic and fiscal management, we are now firmly in an era of budget surpluses.

This is not just a bookkeeping matter. It means very real benefits for Canadians. Indeed, in the 2000 budget we announced significant additional investments in post-secondary education and health care and a five-year tax reduction plan that will cut personal income taxes by an average of 15 per cent. We also stated that we would present more than \$4 billion in initiatives to build a more innovative economy and to invest in skills and knowledge that Canadians will need to take full advantage of opportunities in the new economy, now and in the future.

Good public awareness and understanding of the facts were vital in the government's successful battle against the deficit. They will continue to be just as important as the government manages issues in an era of surpluses. That is why I am pleased to submit the *1999–2000 Departmental Performance Report*. By providing a detailed account of the activities and accomplishments of the Department of Finance over the past year, this report places Canadians in a better position to judge how well it is fulfilling its mandate.

I also want to take this opportunity to thank officials of the department for their extraordinary efforts in support of a prosperous and secure future for all Canadians.

Section II: Departmental Overview

1. Mandate and Mission

The department's fundamental purpose is to assist the government in developing and implementing economic, social and financial policies and programs that foster growth, create jobs and promote a secure society. The department serves as the government's primary source of analysis and advice on the broad economic and financial affairs of Canada. In addition to preparing the budget, the department provides analysis, advice and recommendations on tax and trade policy, and prepares tax and trade legislation; it provides analysis, advice and recommendations relating to the management of federal financial assets and liabilities, including the management of federal Crown corporation borrowing on financial markets; it manages transfers to the provinces and territories and fiscal relations with them; it provides analysis and advice on the setting of the annual Employment Insurance premium rate, where joint approval by the Minister of Finance and the Minister of Human Resources Development is required by law; it represents Canada within international financial institutions and international economic and trade forums; and it provides advice on the financial sector and financial markets and develops policies regarding them.

This requires monitoring and researching the performance of the Canadian economy in the all-important aspects of output and growth; employment and income; inflation and interest rates; and long-term structural changes. The department is also vitally concerned with financial market developments, and with trade and other international economic matters that bear on Canada's domestic economic performance; and competitiveness.

In its central agency role, the department advises on the economic, fiscal, social and tax implications of key priorities. These priorities include jobs and growth; productivity; education and training; science, technology and innovation policies; environment initiatives; privatization and commercialization initiatives; defence and international assistance expenditures; efforts to advance Canada's social policies and programs; and federal-provincial transfer programs.

Finance operates two statutory spending programs: the Public Debt Program and the Federal-Provincial Transfers Program. The department is responsible for the delivery of payments to major international financial institutions, such as the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development. It is also responsible for the Domestic Coinage program. While all Domestic Coinage payments are statutory in nature, transactions with international financial institutions include payments made under both statutory and voted authorities.

The department interacts with other government departments, agencies and Crown corporations, as well as private-sector stakeholders, to encourage co-ordination and harmony among all federal initiatives, particularly those affecting the economy and financial markets. Furthermore, the department constantly works towards improved

co-operation – especially on fiscal, trade, taxation and financial sector issues – between the federal and provincial governments and internationally.

Mission

The mission of the Department of Finance Canada is to support the Minister of Finance and the Secretary of State (International Financial Institutions) in carrying out their core functions and statutory responsibilities by:

- providing the best possible analysis and policy advice on economic, social and financial issues and options, and their implications;
- implementing government decisions in a timely and efficient manner;
- communicating the economic, social and financial issues, as well as possible government options and decisions, in the clearest way possible within and outside government;
- acting as an effective conduit for the views of participants in the economy from all parts of Canada; and
- maintaining high-quality support systems and development programs to carry out these functions.

The department provides services to the following client groups:

- **The Government, Cabinet and the Treasury Board** – by providing analysis, advice and recommendations on the economic, social and financial affairs of Canada as well as on tax matters. The department also has legislative responsibilities in these areas.
- **Parliament and the public** – by supporting an expanded program of public information and consultation, with emphasis on the provision of basic facts to Canadians on key economic and fiscal issues, to facilitate wide participation in a more open, broad-based consultation process. This supplements ongoing and wide-ranging consultation with the public on such other key departmental responsibilities as the formation of tax policy and financial sector policy.
- **Departments and agencies** – by playing an active role in encouraging co-ordination and harmony among all federal initiatives which have an effect on the economy, the financial sector and financial markets.
- **International economic and finance community** – by being responsible for the development of Canada's policy with respect to the Bretton Woods Institutions – the World Bank and the International Monetary Fund (IMF) – and the European Bank for Reconstruction and Development; by negotiating double taxation treaties with our treaty partners; and by representing Canada in a broad range of official international forums, including the financial elements of the G–7, the G–20, the Organization for Economic Co-operation and Development (OECD), the Asia-Pacific Economic

Co-operation (APEC) Forum and the Western Hemisphere Finance Ministers' Process, among others.

- **Financial market participants** – by working with market participants to improve debt management practices and to promote the maintenance of a well-functioning market for Government of Canada securities and well-functioning Canadian capital markets in general; and by ensuring that investors in Canadian government debt are well-informed of financial and economic developments.
- **International trade community** – by being responsible for Canada's economic-import policy, including the *Customs Tariff* and trade remedy legislation; by participating in international trade forums such as the World Trade Organization and the OECD; and by engaging in related negotiations as they concern trade, import policy, services and investment issues.
- **Provincial and territorial governments** – by constantly working towards improved co-operation on fiscal and taxation issues; and by working with provinces as the joint stewards of the Canada Pension Plan (CPP) to ensure that it remains sustainable.
- **House of Commons and Senate committees** – by being the primary source of bills on taxation, import policy and financial matters and steering them through the parliamentary process.
- **Canadian interest groups** – by consulting widely with representatives of business, labour, social, volunteer and other groups in the Canadian economy on potential budget measures and a wide range of other policies and initiatives.

2. Departmental Organization

The department oversees three programs that account for all Public Debt expenditures, for Federal-Provincial Fiscal Arrangements expenditures, and for a portion of expenditures out of the international assistance envelope. These programs and associated business lines – depicted in the chart on a following page – are delivered by six policy branches with the support of the Consultations and Communications Branch, the Law Branch and the Corporate Services Branch.

A. Departmental Organization: Lines of Business

The business lines and their objectives are presented below for each of the three departmental programs.

Economic, Social and Financial Policies Program

- **Policies and Advice** – Appropriate policies and sound advice with respect to economic, social and financial conditions and the government's agenda.
- **International Financial Organizations** – Responsible administration of international financial obligations and subscriptions.

- **Domestic Coinage** – Payment of the production and distribution costs for domestic circulating coinage.
- **Corporate Administration** – Effective and efficient corporate administration.

Public Debt Program

- **Interest and Other Costs** – The funding of interest and of service costs of the public debt and of the issuing costs of non-retail debt, if required; the provision of stable, low-cost funding for the government; and the maintenance of a well-functioning market in Government of Canada securities.
- **Canada Investment and Savings** – The provision of funding for the government consistent with its fiscal plan, and balancing cost, risk and market considerations; maintenance of a reasonable and sustainable retail share of the total federal debt, thereby ensuring a broad investor base for government debt; and the offer of a family of attractive products, including new ones in key market segments, that benefit all Canadians.

Federal-Provincial Transfers Program

- **Transfer Payments** – To make transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer (CHST), Equalization and other transfers, and pursuant to agreements with respect to Territorial Formula Financing.

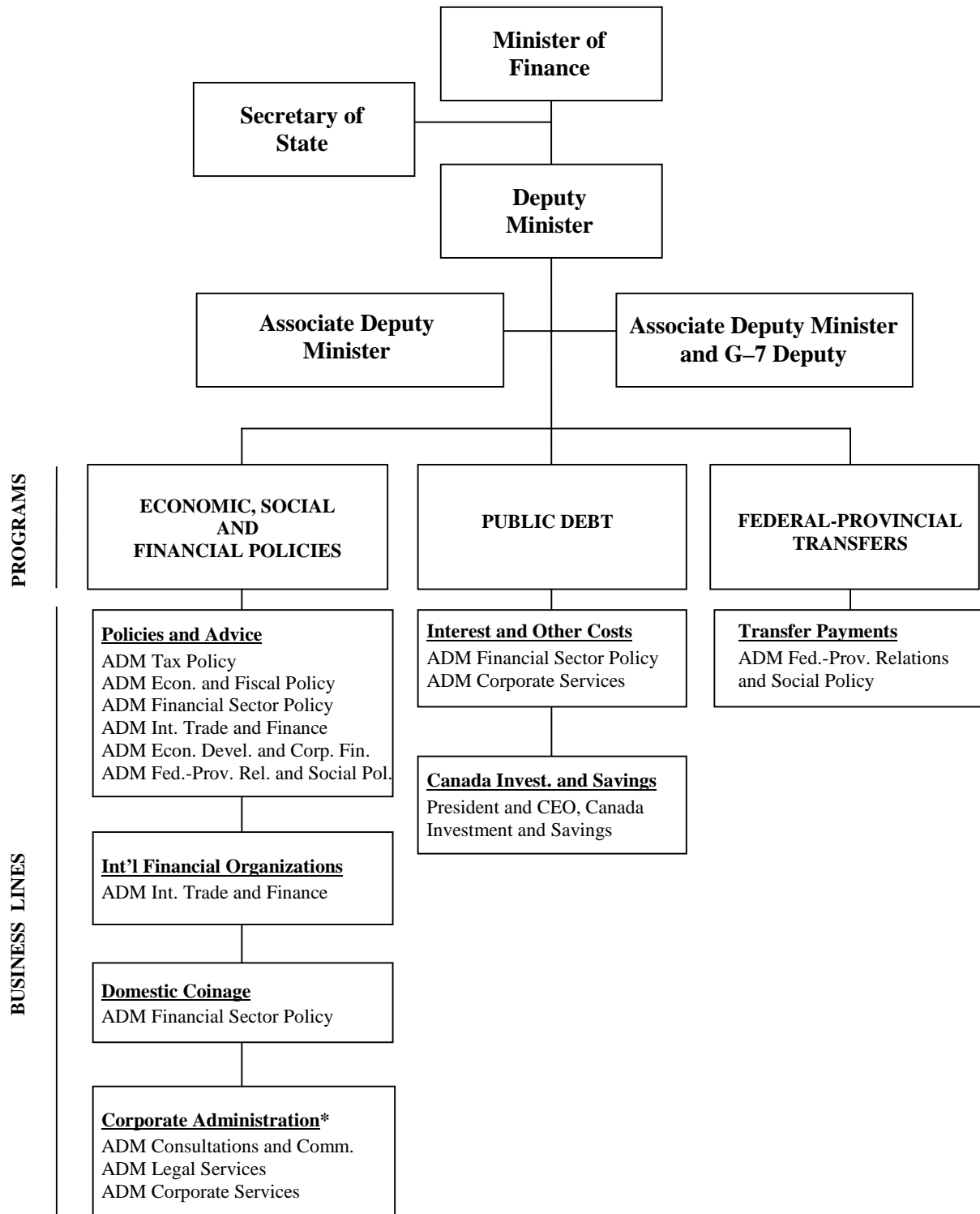
B. Departmental Organization: Branch Structure

Specific branch responsibilities are described below.

- **Economic and Fiscal Policy** – develops appropriate policies and provides sound advice on the domestic and international economic and financial outlook; on the government's overall fiscal framework, expenditure plan and resource allocation; and on the government's overall economic policy framework.
- **International Trade and Finance** – develops appropriate policies and international negotiating strategies and provides sound advice on international trade and finance with specific reference to import tariffs and trade remedies; foreign direct investment and economic co-operation; defence policies and expenditures; international development assistance; and international financial relations.
- **Tax Policy** – develops and evaluates federal taxation policies and legislation with respect to income, sales and excise taxes.

- **Financial Sector Policy** – develops appropriate policies and provides sound advice on the management of the government’s financial assets and liabilities, including government debt management; on legislation governing federally regulated financial institutions; on financial, investment and borrowing issues relating to Crown corporations, departments and agencies; and on government pension plans investment policies.
- **Federal-Provincial Relations and Social Policy** – develops appropriate polices and provides sound advice on federal-provincial fiscal arrangements and on Canadian social policies and programs, including Old Age Security programs and the Canada Pension Plan.
- **Economic Development and Corporate Finance** – develops appropriate policies and provides sound advice on the economic, fiscal and financial implications of the government’s microeconomic policies and programs, including loans, investments and guarantees of the Crown; on proposals for assistance to major projects or corporate restructuring initiatives advanced by the private sector; and on the management and, as appropriate, the privatization of Crown corporations and other corporate holdings; and on the commercialization/privatization of government services.
- **Consultations and Communications** – provides strategic communications advice and suitable public affairs support.
- **Law Branch** – provides sound legal advice and processes applications under the *Access to Information Act* and the *Privacy Act* in an accurate and timely manner.
- **Corporate Services** – provides effective and efficient financial, human resources, information technology, security and administrative systems and expertise.

Program, Business Line and Organization Chart



* This business line also includes departmental management.

Section III: Departmental Performance

This section of the report consists of three subsections: Context, Performance Results Expected and Chart of Key Results Commitments, and Performance Accomplishments. The subsection on Performance Results Expected presents department-wide key outcomes, since they apply uniformly to all three departmental programs. Performance Accomplishments – being somewhat more specific – are reported on a program/business line basis.

1. Context

Strategic Priorities/Social and Economic Factors

The key strategic priority for the Department is to help the government make the decisions that will contribute the most to strong and sustainable economic growth. Such growth will allow both individuals to enjoy sustained increases in living standards and governments to have the resources required to provide high-quality public services.

The recent economic performance of the country has been very strong, reflecting the enormous progress made in recent years in rebuilding the foundations of our economy. Looking ahead, we need to address the following key factors to maintain that momentum. These notably include the need for governments to remain fiscally prudent as they reinvest in public programs and the need for the country to seize the opportunities presented by the global technological revolution.

2. Performance Results Expected and Chart of Key Results Commitments

The *1999–2000 Report on Plans and Priorities* (RPP) presented results expected for the 1999–2000 fiscal year according to four key outcomes identified in its Chart of Key Results Commitments (see page 9 of the RPP). The department's Chart of Key Results Commitments was subsequently refined in the *2000–2001 Report on Plans and Priorities* to ensure that the department conveyed in a more meaningful way what it intended to accomplish on behalf of Canadians. The four key outcomes were recast as six more sharply focused outcomes. Hence the 1999–2000 results expectations described in this performance report have been linked to one of these six restated Key Results Commitments, which can be found in the Chart below.

The Chart of Key Results Commitments is immediately followed by the Performance Accomplishments subsection. This subsection reports the Performance Measures and Accomplishments achieved against the Results Expectations of the Key Plans specified in the *1999–2000 Report on Plans and Priorities*, on a program/business line basis.

Chart of Key Results Commitments*

To provide Canadians with . . .

SOUND FINANCIAL MANAGEMENT

To be demonstrated by:

- budgets that implement the government's fiscal goals
- implementation of strategic investment to promote a strong economy and secure society
- a debt management strategy to provide stable, low debt-service costs and maintain a well-functioning market in Government of Canada securities
- effective management of Canada's official international reserves

1999–2000 Results Expected

- balanced budgets or better (p. 13)
- prudent debt structure (p. 40)
- retention and diversification of the retail debt portfolio (p. 42)

A REDUCED TAX BURDEN

To be demonstrated by:

- appropriate tax changes

1999–2000 Results Expected

- personal income tax (p. 14)
- business income tax (p. 15)
- income tax legislation (p. 16)
- sales taxes (p. 17)

* The six Key Results Commitments found in the banner headings of this chart encompass all areas of the department's work and thus transcend program/business line boundaries. The Results Expectations in the right-hand column are reported in the following Performance Accomplishments subsections according to the program/business line structure, and not in the order of their appearance in this chart. Page numbers are therefore included here to make it easier to find details of specific Results Expectations.

To provide Canadians with . . .**SECURE SOCIAL PROGRAMS****To be demonstrated by:**

- implementation of new programs
- improvements to existing social programs

1999–2000 Results Expected

- employment insurance (p. 18)
- health care, post-secondary education, social assistance and services (p. 19)
- Canada Pension Plan (p. 20)
- Canada Child Tax Benefit (p. 21)
- Equalization renewal (p. 46)
- Canada Health and Social Transfer (p. 47)
- Territorial Formula Financing (p. 47)

A SECURE GLOBAL FINANCIAL FUTURE**To be demonstrated by:**

- development and implementation of appropriate import policy measures
- effective management of international financial relations

1999–2000 Results Expected

- international trade negotiations (p. 22)
- climate change/emissions trading (p. 23)
- international banking – the emerging market financial crisis (p. 32)

A COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR**To be demonstrated by:**

- ensuring that Canadians are well-served by a safe, sound, efficient and competitive financial services sector

1999–2000 Results Expected

- review of the Canadian financial services sector (p. 24)
- foreign bank branching (p. 25)
- demutualization (p. 26)
- combating financial crime and money-laundering (p. 26)
- International Monetary Fund assessment of financial sector stability (p. 27)

To provide Canadians with . . .

CONTRIBUTIONS TO “GETTING “GOVERNMENT RIGHT”

To be demonstrated by:

- advancement of announced changes to agency status, privatizations and commercializations
- appropriate transfer arrangements with other jurisdictions

1999–2000 Results Expected

- enhanced federal-provincial tax co-ordination (p. 28)
- First Nations taxation (p. 30)
- excise taxes and duties (p. 30)
- privatization agenda (p. 31)
- reduced coinage costs (p. 34)
- Government On-Line (p. 35)
- enhanced capacity to deliver information to Canadians (p. 35)
- improved use of electronic communications (p. 36)
- more systematic organization of media relations (p. 37)
- Year 2000 (p. 37)
- Universal Classification Standard (UCS) implementation (p. 38)
- La Relève (p. 38)
- Financial Information Strategy (FIS) implementation (p. 39)
- research and evaluation of new technologies (p. 39)

3. Performance Accomplishments

As noted on page 9, expected results are reported below on a program/business line basis. Each result expectation is linked to one of the six key results found in the Chart of Key Results Commitments: Sound Financial Management, Reduced Tax Burden, Secure Social Programs, A Secure Global Financial Future, A Competitive and Secure Financial Services Sector, or Contributions to “Getting Government Right.”

A. Economic, Social and Financial Policies Program

A.1 Policies and Advice Business Line

Summary Financial Information

Planned Spending	\$45,700,000
Total Authorities	\$47,108,266
Actuals	\$46,813,953

SOUND FINANCIAL MANAGEMENT

- Balanced Budgets/Reducing the Debt Burden

Performance Measures

- Size of the annual surplus
- Amount of debt outstanding
- Ratio of debt to GDP

Accomplishments

- The government has exceeded its target of a balanced budget or better in 1999–2000. Final financial results for 1999–2000, which are available at <http://www.fin.gc.ca>, indicate that the government recorded a \$12.3 billion surplus that year.
- The surplus for 1999–2000 follows surpluses of \$3.5 and \$2.9 billion in 1997–1998 and 1998–1999. These results have allowed for a \$18.7 billion reduction in the amount of net outstanding public debt since 1997–98.

- Combined with strong economic growth, these surpluses have also permitted a significant reduction in the ratio of net public debt to Gross Domestic Product (GDP) from a peak of 71.2 per cent in 1995–1996 to 58.9 per cent at the end of 1999–2000.

Financial results so far for 2000–2001 can be found at <http://www.fin.gc.ca/serialse/2000/fiscmon-e.html>

Such sustained reduction in the debt burden is having immediate benefits for all Canadians in freeing more resources so that they can be invested in key programs and in allowing sustainable reductions to the tax burden. A lower debt burden will also give future generations more flexibility to deal with the impact of an aging population. This good fiscal record reflects Canada's strong economic performance, which is translating into more jobs and rising disposable incomes for Canadians.

REDUCED TAX BURDEN

- Personal Income Tax

Performance Measures

- A fair and efficient reduction in personal income taxes to achieve stated economic goals, based on sound analysis of statistical, financial and administrative data

Accomplishments

The federal government's priority in tax policy is to provide general relief in personal income taxation at a rate that is affordable and sustainable. Lower marginal tax rates will encourage savings, investment, work effort and entrepreneurship which, in turn, will boost economic growth, thus increasing personal incomes and living standards.

- Proposed by means of the 2000 budget a five-year tax reduction plan that includes the most important structural changes to the Canadian federal tax system in more than a decade.

As a result of the measures in this plan, personal income taxes will be reduced by an average of 15 per cent annually by 2004–2005.

- Proposed tax relief initiatives that were announced in the February 2000 budget, including:
 - restoring full indexation of the personal income tax system to benefit every Canadian;

- reducing the middle income tax rate to 23 per cent from 26 per cent, starting with a two-point reduction to 24 per cent in July 2000, to cut taxes for nine million Canadians;
- eliminating the surtax for all Canadians over a five-year period to benefit two million Canadians;
- over five years, increasing the amount that Canadians can earn tax-free to at least \$8,000, and the amounts at which the middle and top tax rates apply to at least \$35,000 and \$70,000 respectively, to benefit all taxpayers;
- enriching the Canada Child Tax Benefit program by \$2.5 billion a year by 2004 to more than \$9 billion annually (see additional details of this tax relief measure under Secure Social Programs – Canada Child Tax Benefit, on page 21);
- increasing the partial exemption for scholarship, bursary and fellowship income to \$3,000, so that needy students can keep more of the financial assistance they receive to allow them to pursue their education; and
- lowering capital gains taxes by reducing the amount included in income for tax purposes from three quarters to two thirds to encourage investment and risk-taking.

Visit our Budget 2000 Web site for further details on tax relief initiatives:

<http://www.fin.gc.ca/budget00/toce/2000/bud2000e.htm>.

REDUCED TAX BURDEN

- Business Income Tax

Performance Measures

- Efficient, internationally competitive business income tax system, based on sound analysis of statistical, financial and administrative data
- A level domestic playing field promoted by reducing the differences in tax rates borne by different sectors of the economy

Accomplishments

The focus has been on reducing the tax burden on the most highly taxed sectors of the economy, addressing deficiencies in the existing tax structures, and ensuring that businesses bear their fair share of the tax burden while promoting growth in the economy. Initiatives proposed in the 2000 budget included:

- Providing tax relief to the most highly taxed sectors of the Canadian economy.

The statutory income tax rate will drop one percentage point from 28 to 27 per cent on January 1, 2001, and a further six percentage points to 21 per cent by 2004.
- Reducing the corporate tax rate on income between \$200,000 and \$300,000 earned by a small business from 28 to 21 per cent on January 1, 2001.
- Improving the capital cost allowance (CCA) regime to bring CCA rates more in line with the useful life of the assets in question, ensuring that the tax system does not send signals that distort the marketplace.
- Extending, on a phased-in basis, the manufacturing and processing tax credit to corporations that produce steam for sale to ensure that district energy activities are taxed equitably.
- Clarifying foreign tax credit rules applicable to income derived from oil and gas production-sharing agreements in foreign countries and decreasing the write-off rate for foreign exploration and development expenses.
- Tightening the business tax system to limit tax-planning opportunities by amending rules with respect to thin capitalization, weak currency borrowings and non-resident owned corporations.

REDUCED TAX BURDEN

- ☐ Income Tax Legislation

Performance Measures

- Legislation for income tax measures that accurately reflects the government's tax policy

Accomplishments

- Prepared the main legislative projects, that is, the bills to enact the income tax measures announced in the 1999 budget, as well as income tax treaties with Algeria, Bulgaria, Jordan, Kyrgyzstan, Lebanon, Luxembourg, Portugal and Uzbekistan, and the protocol to the income tax treaty with Japan.

(For more information, visit our Budget 1999 Web site at <http://www.fin.gc.ca/toce/1999/buddoclist99-e.html>.)

- Prepared for major policy initiatives during the period, including work on income tax rules related to:
 - demutualizations of insurance corporations
 - foreign bank branching
 - foreign investment entities and non-resident trusts
 - income-splitting tax
 - taxpayer migration
 - third-party civil penalty rules
 - trusts

There was also a package of technical amendments.

- Negotiated or renegotiated tax treaties with the following countries during the period: Armenia, Barbados, Belgium, Colombia, the Czech Republic, Ecuador, Gabon, Greece, Ireland, Italy, Romania, Senegal, the Slovak Republic, Turkey, the United Kingdom, the United States and Venezuela.

The Tax Policy Branch continues to work with Canada Customs and Revenue Agency and taxpayers in monitoring the operation of the income tax system, and with the Department of Justice Canada in reviewing legislative changes to the *Income Tax Act*.

REDUCED TAX BURDEN

- ❑ Sales Taxes

Performance Measures

- Fair, efficient and impartial sales tax system, based on sound analysis of statistical, financial and administrative data
- Improved operation of the tax system in specific sectors

Accomplishments

- Improved the fairness and efficiency of the sales tax system by proposing a GST rebate, equal to 2.5 percentage points of tax, for newly constructed, substantially renovated or converted residential rental accommodation not eligible for an existing rebate.
- Improved the operation of the tax system in specific sectors, including easing compliance and streamlining administration by proposing changes to the treatment of export distribution centres to relieve the GST/HST cash-flow burden.

- Undertook major policy initiatives during the period, including work on GST/HST rules and regulations related to:
 - non-residents, cross-border transactions and transportation
 - promotional allowances and patronage dividends
 - real property
 - games of chance
 - health and medical devices
 - charities and public service bodies

The federal government continues to work with the business community, other levels of government and the OECD to approach the application of sales taxes to cross-border transactions in a way that is coherent internationally.

SECURE SOCIAL PROGRAMS

- Employment Insurance

Performance Measures

- Financially prudent operation of the Employment Insurance (EI) program in a manner that safeguards the interests of all stakeholders

Accomplishments

The Minister of Finance is jointly responsible with the Minister of Human Resources Development for recommending the annual EI premium rate, as set by the Employment Insurance Commission, to the Governor in Council and for fixing the annual Employment Benefits budget under Part II of the *Employment Insurance Act*.

- The Employment Insurance program continues to play a strong insurance role for the unemployed; facilitates re-integration into the labour market; promotes sustainable economic growth; and safeguards the interests of stakeholders while continuing to operate in a financially prudent manner.
- The Employment Insurance premium rate was set unanimously by the Employment Insurance Commission, and accepted by the government, at \$2.40 for each \$100 of insurable earnings – a reduction of 15 cents relative to the 1999 rate of \$2.55. This was the sixth consecutive premium reduction since 1994, when the rate was \$3.07, resulting in a total reduction of 67 cents. The savings for the average worker in 2000 will be \$260 compared to what he or she would have paid under the 1994 rate.

Employers and employees together will save about \$5.2 billion over what they would have paid under the 1994 rate.

SECURE SOCIAL PROGRAMS

- ❑ Health Care, Post-secondary Education, Social Assistance and Services

Performance Measures

- Additional resources provided for health care, post-secondary education, social assistance and services
- Stable, predictable funding allocated fairly

Accomplishments

- Following the investment in the 1999 budget of \$11.5 billion over five years through the Canada Health and Social Transfer (CHST), increased CHST payments by an additional \$2.5 billion over four years in the 2000 budget to help the provinces and territories fund post-secondary education and health care. This recent increase is the fourth consecutive annual federal enhancement of the CHST.
- For the first time, placed the major transfers to provinces and territories on common five-year tracks, as set out in the 1999 budget and enacted in Bill C-71, thus providing provinces and territories with greatly improved predictability needed for long-term planning.
- Gave effect by means of Bill C-71 to the 1999 budget commitment to provide identical per capita CHST entitlements to all provinces by 2001–2002.

This measure ensures equal support for health, post-secondary education, social assistance and services to all Canadians, eliminating disparities that had existed since the introduction of the CHST in 1995. The \$2.5 billion CHST supplement announced in the 2000 budget has been allocated to the provinces and territories on an equal per capita basis.

Note: Subsequent to the 1999–2000 fiscal year, Canada's first ministers concluded agreements on health care renewal and early childhood development. In support of these agreements, the federal government will extend CHST legislation by a further two years to provide a stable, predictable funding framework, and will increase funding by \$23.4 billion over the next five years.

SECURE SOCIAL PROGRAMS

- Canada Pension Plan

Performance Measures

- Triennial review of the Canada Pension Plan (CPP) and assessment of those issues identified in the 1997 federal-provincial agreement which require further examination
- Annual report on the operation of the Canada Pension Plan
- Establishment of the CPP Investment Board

Accomplishments

- Assisted the Minister of Finance in the first formal review by federal and provincial/territorial finance ministers of the financial state of the CPP since reforms were implemented in 1998, a review that was concluded in December 1999.

Taking into consideration the results of the 17th actuarial report on the CPP by the Chief Actuary, and a report from a panel of independent actuaries, ministers decided not to change the schedule of contribution rates. Both reports confirmed that the scheduled steady-state contribution rate of 9.9 per cent should be sufficient to sustain the CPP over future decades.

- Completed an assessment of a number of issues which had been identified in the 1997 federal-provincial agreement as requiring further examination.

Reports were prepared for consideration by federal and provincial ministers. Further work on some issues will be required in the context of the next triennial review.

- Prepared the CPP Annual Report for 1998–99, tabled in Parliament, jointly with Human Resources Development Canada.
- Put in place the Canada Pension Plan Investment Board (CPPIB) Regulations in April 1999. The Regulations:
 - enable the Board to manage and invest in the best interests of CPP plan members the CPP funds that are transferred to it;
 - subject the Board broadly to the same rules as other pension funds in Canada;
 - require the Board to replicate substantially broad market indices in Canada when investing in domestic equities;

- provide for provincial access to a portion of the funds that the Board invests in bonds;
- establish requirements for the disclosure of information (for example, the contents of the Board’s annual report).
- The Board started receiving CPP funds in 1999 for investment and had received about \$1.9 billion during the year ending March 31, 2000.

<http://www.cpp-rpc.gc.ca/indexe.html>



The Board invested these assets in Canadian and foreign stock index funds. The Canadian fund mirrored the TSE300 stock exchange index. For the year ended March 31, 2000, the CPPIB reported a return on investment of 40.1 percent.

- Commenced work during 1999–2000 on amending the Regulations to implement the federal and provincial finance ministers’ decision emanating from the CPP triennial review to relax the domestic equities restriction.

This would allow the CPPIB full discretion on its investment policy for up to 50 per cent of the funds that it allocates to domestic equities.

SECURE SOCIAL PROGRAMS

- Canada Child Tax Benefit

Performance Measures

- Integrated system of federal/provincial/territorial assistance to families with children

Accomplishments

- Announced a tax relief initiative in the February 2000 budget to increase funding to the Canada Child Tax Benefit program (CCTB) by \$2.5 billion a year by 2004, bringing the total allocated to more than \$9 billion annually.

This will maximize benefits for low-income families, providing benefits of up to \$2,400 for a first child and \$2,200 for a second child. This initiative will also reduce the financial disincentives to participating in the labour force.

A SECURE GLOBAL FINANCIAL FUTURE

International Trade Negotiations

Performance Measures

- The extent to which Canada advances its trade interests and objectives, which are established in close consultation with all stakeholders, and effectively implements consequent trade measures

Accomplishments

- Worked closely with the Department of Foreign Affairs and International Trade (DFAIT), Industry Canada, Agriculture and Agri-Food Canada (AAFC) and other interested departments and agencies in seeking the views of Canadians on the scope, content and process for the negotiations to establish the Free Trade Area of the Americas (FTAA) and for the anticipated launch, at the December 1999 World Trade Organization (WTO) Ministerial Meeting in Seattle, of a new round of multilateral trade negotiations.

The papers that served as the basis for the consultation can be found at http://www.fin.gc.ca/toce/1999/wto_e.html.

The department played a key role in developing Canadian priorities and positions for multilateral trade negotiation initiatives (WTO), as well as regional (FTAA) and bilateral ones (Costa Rica). The department was particularly involved in the areas of import policy (tariffs and trade remedies) and trade in services (notably financial services), for which it bears lead responsibility, and worked closely with other departments and agencies and participated directly in the negotiations themselves.

- Continued to work closely with DFAIT, AAFC and other concerned departments and stakeholders (following the failure of the WTO Ministerial Meeting to undertake a multi-faceted round of global trade negotiations) in preparing for the initiation of previously mandated WTO negotiations on agricultural trade reform and further liberalization of international trade in services.

As well, the department participated in consultations and interdepartmental discussions with respect both to Canada's "post-Seattle" trade agenda – including the nature of possible confidence-building measures to facilitate the eventual initiation of a WTO round of global trade negotiations and to the management of an increasing number of sensitive international trade and investment disputes, including the WTO cases concerning the Canada-U.S. Auto Pact and Canadian and Brazilian aircraft subsidies.

With respect to specific trade actions

- Sought requests in May 1999 from the private sector for the accelerated elimination of tariffs under the NAFTA on products imported from Mexico, and under the Canada-Chile Free Trade Agreement (CCFTA) on products imported from Chile.
In January 2000, Canada and Chile implemented measures to accelerate the elimination of tariffs under the Canada-Chile Free Trade Agreement on over two hundred tariff lines.
- Implemented measures in July 1999 to remove tariffs on an additional 640 pharmaceutical products as a result of the third stage of the WTO negotiations to end the customs duties on pharmaceutical products and their components.
- Implemented in conjunction with DFAIT in August 1999 an Order in Council to levy a 100 per cent tariff on imports of certain meat and agricultural products from the European Union (EU) in response to the EU prohibition of imports of beef containing growth hormones. This action was taken after broad-based consultations to enforce Canada's rights under the WTO.

A SECURE GLOBAL FINANCIAL FUTURE

- Climate Change/Emissions Trading

Performance Measures

- Progress in assessing options for a potential trading system for greenhouse gas emissions through the Tradeable Permits Working Group of the National Climate Change Process (NCCP)
- Progress in assessing the economic impacts of alternative approaches to emissions reductions in Canada through the Analysis and Modeling Group (AMG) of the NCCP

Accomplishments

- Contributed to the final reports of the Issue Tables at which the department participated as part of the NCCP. In particular, the department made a senior officer available to chair the Tradeable Permits Working Group (TPWG), whose mandate was to explore the potential contribution of a mandatory domestic emissions trading system towards a substantial reduction in greenhouse gas (GHG) emissions in Canada.
- Completed work in the TPWG in March 2000 and contributed to a summary report at the end of March 2000 and to a final and complete report over the following four months.

- Contributed to the fall 2000 report of the Analysis and Modeling Group (AMG) and to the work of the Group by carrying out simulation analyses using one of the economic models it maintains.

COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR

- Review of the Canadian Financial Services Sector

Performance Measures

- Release of a government policy paper responding to recommendations set forth by the Task Force on the Future of the Canadian Financial Services Sector, the House of Commons Standing Committee on Finance, and the Standing Senate Committee on Banking, Trade and Commerce
- Preparation of necessary legislation, plus any non-legislative measures, required to implement the new policy framework
- Release of new merger review guidelines to assess potential merger proposals among major banks

Accomplishments

- Prepared and released on June 25, 1999, a government policy paper titled, *Reforming Canada's Financial Services Sector: A Framework for the Future*, which articulates a clear direction and rationale for change.

This policy paper contained 57 measures to promote efficiency and growth of Canada's financial institutions, to foster competition in the domestic market for financial services, to empower and protect consumers of financial services and to improve the regulatory environment. This new policy framework was well received and reflected the broadest possible consensus.

- Prepared one of the most complex pieces of legislation in order to implement the new framework.

Bill C-38 was introduced in the House on June 13, 2000.

- Prepared key statements of government policy not requiring legislation as well as Merger Review Guidelines released simultaneously with the introduction of Bill C-38.

These initiatives are crucial to maintaining the strength of Canada's financial institutions, while safeguarding the interests of Canadians and contributing to economic growth. A wide range of stakeholders across the country, including both industry representatives and consumer groups, have called for speedy passage and implementation of the measures in the new framework.

- Concurrent with the work on the new framework, the department continues to provide advice with respect to transactions requiring ministerial approval to ensure that decisions are consistent with established policies and that the sector is able to adapt to a rapidly changing global environment.

COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR

- Foreign Bank Branching

Performance Measures

- The extent to which foreign banks establish branch operations in Canada

Accomplishments

- Prepared legislation and regulations, which came into force June 28, 1999, to permit foreign banks to establish specialized, commercially focused branches in Canada.

Canada thus met its commitment as part of the WTO Agreement on Financial Services concluded in December 1997 to implement a foreign bank branching regime by June 30, 1999.

The legislation removes unnecessary regulatory barriers to foreign entry and provides foreign banks with more flexibility in structuring their operations in Canada. This will help maintain a viable foreign bank presence in Canada and a broad range of financing options for Canadians, including small and medium-sized enterprises.

- Prepared a ways and means motion for introduction by the government on February 11, 1999, that applied special time-limited tax rules to offset the tax liabilities that might otherwise have been faced by foreign banks with Canadian subsidiaries that elected to convert them to branches.

A number of foreign banks have applied to operate a foreign bank branch in Canada, and two have been approved. These numbers are expected to increase in the future, since other foreign banks were waiting only to see the details of the proposed tax changes, released August 8, 2000, before proceeding with their own applications.

COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR

Demutualization

Performance Measures

- The extent to which Canada's large and medium-sized mutual life insurance companies, with the approval of their policyholders, opt to convert to stock companies under the new regime

Demutualization is the conversion of a life insurance company from a mutual company, owned by its voting policy-holders, into a stock company, owned by shareholders. The objective of the demutualization policy is to give the converted company greater flexibility to access capital while protecting the interests of its policyholders. This, in turn, should foster international competitiveness in the face of a rapidly changing and highly competitive marketplace.

Accomplishments

- The demutualization legislation and related regulations, which provide converted companies with access to more sources of capital, came into force March 12, 1999.

By means of this legislation, Clarica (formerly known as Mutual Life), ManuLife, Canada Life, and SunLife (the four largest Canadian mutual life insurance companies) converted to stock companies between July 1999 and March 2000.

COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR

Combating Financial Crime and Money-Laundering

Performance Measures

- Proposals for legislation and regulations, including the establishment of an independent anti-money laundering agency
- Introduction in Parliament of new anti-money laundering legislation that is consistent with federal policy against organized crime and with the Canadian Constitution, as well as with recognized international anti-money laundering standards
- Canada's participation in regional and international anti-money laundering forums to encourage adoption of international anti-money laundering standards worldwide

- Withdrawal of the \$1000 note from circulation

Accomplishments

- Established an internal transition team to work towards the founding of the new Financial Transactions and Reports Analysis Centre of Canada, which was created July 5, 2000
- This followed the passage of Canada's new proceeds-of-crime legislation, which received Royal Assent on June 29, 2000.

The new legislation brings Canada in line with international anti-money laundering standards.

- Held extensive consultations on the legislation and regulations with other departments and stakeholders, and with domestic and international anti-money laundering experts, and released a consultation paper on the regulations in December 1999.

Consultations on the regulations are ongoing and the new regulations are expected to come into effect in the new year.

- Prepared the necessary regulatory amendments that were put into effect for the withdrawal of the \$1000 bill from circulation in May 2000.

These accomplishments stem from the fact that the Department of Finance assumed both domestic and international responsibilities from the Department of the Solicitor General in April 1999 for the development of an effective anti-money laundering regime, and from the Minister's responsibilities for currency under the *Bank of Canada Act* and regulations.

This role in addressing money-laundering is a key part of the federal government's strategy to combat organized crime and complements the department's responsibilities for financial sector regulation and the promotion of global financial stability.

COMPETITIVE AND SECURE FINANCIAL SERVICES SECTOR

- International Monetary Fund Financial Sector Stability Assessment

Performance Measures

- Successfully complete the International Monetary Fund's Financial Sector Stability Assessment (FSSA) review, and assist the IMF in ensuring the factual accuracy of the final report

The purpose of the FSSA is to assess a country's regulatory structure and its compliance with the international standards and guidelines of standard-setting bodies, such as the Bank for International Settlements, the International Association of

Insurance Supervisors, and the International Organization of Securities Commissions. The process involves other federal agencies (the Office of the Superintendent of Financial Institutions, or OSFI; the Canada Deposit Insurance Corporation, or CDIC; the Bank of Canada), certain provincial regulators and departments of finance, as well as industry.

Under Minister Martin’s chairmanship, each G–20 member agreed to submit to both a FSSA review and the Report on Observance of Standards and Codes (ROSC) program.

- Co-ordinate the gathering of background materials for use by the International Monetary Fund (IMF) and co-ordinate meetings between the IMF, federal agencies (OSFI, Bank of Canada and CDIC), provinces, associations and the private sector

Accomplishments

- Successfully completed the assessment of Canada’s financial sector under the FSSA.

The findings of the IMF were reported as part of its Article IV annual review in November 1999 and as part of the ROSC program in July 2000. The IMF reported that “Canada has a highly developed, well diversified, and sound financial system which plays an important role in the economy.”

- Led the co-ordination of the review – responding to IMF questions, organizing meetings and reviewing IMF documents.
- Provided the IMF with suggestions on ways to improve and streamline the FSSA pilot program for future reviews of other countries.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- Enhanced Federal-Provincial Tax Co-ordination

Performance Measures

- Fair, effective and responsive tax policy co-ordination
- Development of federal-provincial tax policies, facilitated by sound analysis of various issues of tax co-ordination and administration

Accomplishments

- Worked with provinces and territories to identify ways of improving and enhancing tax policy and administration arrangements in taxation matters to ensure a balance

between the federal objective of a co-ordinated tax system nationally and the provincial/territorial objective of policy flexibility.

- Made major developments under this new balanced approach to provide more flexibility to provinces and territories, including:
 - the transformation of Revenue Canada into the Canada Customs and Revenue Agency (CCRA).

The creation of the CCRA makes possible further progress in the federal collection of provincial taxes because economies of scale reduce the costs of collecting these taxes.

- the new guidelines for federal administration of provincial taxes.

The department released a comprehensive document outlining the new developments in the area of federal-provincial tax policy in January 2000. Entitled *Federal Administration of Provincial Taxes: New Directions*, this text outlines recent measures that will give provinces and territories greater tax policy flexibility. It is available on our Web site at <http://www.fin.gc.ca/toce/2000/fapte.html>.

- the new tax-on-income option.

The department undertook an update of all tax collection agreements with the provinces and territories so that they reflect the implementation of tax-on-income and the new costing methods contained in the new guidelines for federal administration of provincial taxes. It also worked closely with CCRA and provincial officials to help provinces draft their new legislation to implement the tax-on-income regime.

- the work of the Federal-Provincial Committee on Taxation.

The department facilitated the exchange of information between itself and the provinces and territories through the release of a Federal-Provincial Tax Matters Newsletter every second month and through the Federal-Provincial Tax Committee meetings that take place three times per year. The Tax Committee meetings, which bring together tax policy assistant deputy ministers of both levels of government, provide the opportunity to discuss and debate several federal-provincial tax policy issues.

- Initiated the process of renewing the Reciprocal Taxation Agreements (RTAs). The agreements, which were scheduled to end in July 2000, simplify the process by which vendors supply the government as well as the administration of taxes for both levels of government. The RTAs have all been renewed.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

First Nations Taxation

Performance Measures

- Enhanced integrity and co-ordination of the national tax system
- Effective, responsive federal policy on First Nations taxation, through discussions with aboriginal leaders and private-sector players

Accomplishments

- Helped prepare measures enacted under Part 4 of the *Budget Implementation Act 2000* to enable interested First Nations to levy a sales tax on tobacco, alcohol and fuel products within their reserves.
- In response to interest expressed by First Nations, developed an approach to the introduction of a broad-based, GST-type First Nations sales tax.
- Efficiently administered Sales Tax Collection Agreements with the Cowichan Tribes, Kamloops Indian Band, Westbank First Nation, Sliammon First Nation, Chemainus First Nation, and Income Tax Collection Agreements with seven self-governing Yukon First Nations.
- Undertook discussions on tax collection agreements with several other First Nations.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

Excise Taxes and Duties

Performance Measures

- An effective, responsive tax structure for alcohol, tobacco, gasoline and other products
- A revised framework that streamlines administration and compliance functions to replace archaic legislation and complex administration
- An efficient excise tax system, based on sound analysis of statistical, financial and administrative data

Accomplishments

- Undertook extensive consultations with affected parties following the February 1997 release of a discussion paper on a comprehensive review of the *Excise Act* by the departments of Finance and of Revenue.

Consultations for the purpose of generating new excise legislation included affected industry sectors, provincial liquor jurisdictions, other federal departments and the RCMP.

- In response to the concerns raised, made a number of changes to the excise proposals to accommodate current industry practices.

These changes were reflected in the draft of proposed excise legislation released in April 1999. (See the press release at <http://www.fin.gc.ca/newse99/99-036e.html>.)

- Partially completed consultations on the draft legislation and began preparation of final legislation for tabling in Parliament.
- Contributed to the government's objective of reducing tobacco consumption by increasing the tax on cigarettes and tobacco sticks to an appropriate level while controlling contraband activity, and by proposing to reduce the annual exemption from excise tax on tobacco exports from 2.5 per cent to 1.5 per cent of production.

This step complements the government's efforts to date to combat smuggling through its National Action Plan, which comprised increased enforcement, imposition of an export tax and lower tobacco taxes. The Plan has proven effective in reducing the level of contraband activity and restoring the market to legitimate merchants. The government continues to work with the provinces and enforcement agencies on the system of tobacco taxation.

CONTRIBUTIONS TO "GETTING GOVERNMENT RIGHT"

- Privatization Agenda

Performance Measures

- Sale of the government's two remaining major assets in a timely fashion so as to maximize value to the government, while taking into consideration market risks and conditions

Accomplishments

- Joined representatives of Canada Development Investment Corporation (CDIC), Canada Hibernia Holding Corporation (a wholly-owned subsidiary of CDIC), and

Natural Resources Canada in an advisory group formed for the disposal of the government's 8.5 per cent interest in the Hibernia Oil Project.

In December 1999, CDIC retained the alliance of Waterous & Co. and Salomon Smith Barney as financial advisors and sales agents. In February 2000, the Waterous/Salomon – Smith Barney alliance presented its Phase I report to CDIC.

- Monitored market conditions as they pertain to the sale of the government's 49 million Petro-Canada shares and kept in close touch with representatives of the major Canadian and international investment banking firms.

These firms provide their outlook on commodity, market and company-specific outlooks and risks.

A.2 International Financial Organizations Business Line

Summary Financial Information

Planned Spending	\$935,400,000
Total Authorities	\$1,822,486,670
Actuals	\$1,093,012,818

A SECURE GLOBAL FINANCIAL FUTURE

□ International Banking – The Emerging Market Financial Crisis

Performance Measures

- The return of calm to financial markets and the renewed ability of emerging market economies to access world financial markets, as evidenced by growth in those countries most affected by the crisis and continued growth in the rest of the world economy
- Stronger and more stable international financial system, as evidenced by reduced risk of future crises and solid crisis-resolution policies
- Training provided to the senior executives of regulatory and supervisory bodies in developing countries

Accomplishments

Since the Asian crisis, relative calm has returned to world financial markets. Interest rate spreads for emerging market bonds narrowed from 1600 basis points in the wake of the Russian default in August-September 1998 to 725 basis points by March 31, 2000. Capital flows to crisis-affected economies have been resuming.

- Canada pledged US\$ 1 billion to Korea as part of a second line of defence.

Korea did not draw on this assistance, but the climate of confidence created by the international assistance package has helped the Korean economy recover strongly, growing 10.7 per cent in 1999 and expected (by the IMF) to grow 7.0 per cent in 2000.

- Canada lent Brazil funds as part of the international assistance package created in the fall of 1998.

The maximum amount owing to Canada was US\$ 326 million in April-June 1999. As a result of this assistance, confidence in the Brazilian economy has improved. The Brazilian economy grew 0.5 per cent in 1999, significantly better than was forecast when the assistance package was assembled. The IMF forecasts growth of 4.0 per cent in the Brazilian economy in 2000. As a result of the economic improvement, Brazil undertook early repayment of its emergency assistance loans. By March 31, 2000, the amount outstanding owed to Canada was US\$ 118.6 million. (Brazil subsequently repaid this on April 12, 2000.) Canada earned US\$ 14 million in interest on this loan.

- Canada provided assistance to Thailand as part of the international assistance package and has US\$ 431 million outstanding.

The economic situation in Thailand has improved to the extent that Thailand no longer requires assistance. Growth in 1999 was 4.2 per cent and is expected to be 4.5 per cent in 2000. As of March 31, 2000, Canada had earned US\$ 33.4 million in interest on this loan.

- Worked to develop, in its role as member of the G–7, Chair of the G–20 and Co-Chair of the Western Hemisphere Finance Ministers’ process, an international consensus on appropriate ways to promote a stronger, more stable international financial system.
- Worked to produce agreement among members of the first G–20 ministerial meeting in December 1999 to undertake Reports on Observance of Standards and Codes (“Transparency Reports”) and Financial Sector Assessments, within the context of continuing efforts by the IMF and World Bank to improve these mechanisms.

This commitment will help mobilize support for measures to strengthen domestic capacity, policies and institutions. More information on the G–20 can be found at <http://www.G20.org>.

- Helped to develop, in conjunction with Canada’s partners in the G–7 and the International Monetary and Financial Committee, a framework for the appropriate involvement of the private sector in crisis-prevention and resolution.

Canada has strongly supported measures such as the creation of the Financial Stability Forum.

- Supported the Toronto International Leadership Centre for Financial Sector Supervision, established jointly with the World Bank in late 1997, as the Centre provided seven *Banking Supervision* courses to more than 120 senior public service executives from over 70 countries up to March 31, 2000.

The participants' feedback on the experience-based training for senior financial supervisors and regulators in emerging markets has been very positive. The Centre began to extend its repertoire to areas of insurance, securities, and conglomerates. More information about the Toronto Centre may be found at <http://torontocentre.com>.

A.3 Domestic Coinage Business Line

Summary Financial Information

Planned Spending	\$49,000,000
Total Authorities	\$105,886,502
Actuals	\$105,886,502*

* Actual spending on domestic coinage was greater than planned because of higher-than-forecast demand for coinage, and in particular, for millennium coins. Costs for domestic coinage are more than offset by revenue earned by the Crown.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- Reduced Coinage Costs

Performance Measures

- Dependable and efficient supply and distribution of coins to meet the needs of the Canadian economy

Accomplishments

- Encouraged the successful introduction of plated coins at the Royal Canadian Mint, thus reducing production costs for domestic coinage.

To replace nickel, the Mint began producing nickel-plated steel coins in July at its Winnipeg facilities. The department is continuing discussions with the Mint regarding a new contract for the purchase of domestic circulating coinage. The objective is to establish a commercially based cost structure that promotes improvements that lead to increased productivity and assures the continued dependability of the coin supply.

A.4 Corporate Administration Business Line

Summary Financial Information

Planned Spending	\$31,200,000
Total Authorities	\$35,599,805
Actuals	\$33,648,455

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

Government On-Line

Performance Measures

- Implementing the Government On-Line (GOL) initiative

Accomplishments

- Met the GOL initiative’s Tier One requirements to have information on-line on all key programs and services, forms, and automatic e-mail acknowledgements available by December 31, 2000, through its Web site.
- Remained on schedule to meet Tier Two requirements to deliver its programs and services securely on-line, and to participate in promoting client-centric clustering and integration.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

Enhanced Capacity to Deliver Information to Canadians

Performance Measures

- Greater public understanding of and support for departmental measures

Accomplishments

- Provided training in media relations for 75 per cent of senior officers to enable them to explain policy initiatives better.
- Conducted focus groups after the 1999 budget to determine whether documents provide the information Canadians want and need in the best format and style.

As a result of the focus group findings, adjustments were made to the writing style and format of materials for the 2000 budget.

- Included a user survey with the 1998–99 Annual Financial Report (released September 1999) to determine whether it meets clients’ needs.
- Used cost-effective advertising in community newspapers to inform Canadians about 2000 budget measures of interest to them and direct them to the Finance budget Web site.

This was particularly important because paper documents that must be paid for are now available free of charge on our Web site.

- Devoted specific resources to ensure more timely response to the increasing number of ministerial and departmental e-mails.
- Updated the *Structure and Role* document to provide Canadians with a clearer explanation of the department’s roles and responsibilities.
- Co-ordinated Y2K communications among the Office of the Superintendent of Financial Institutions, the Canada Development Investment Corporation and the Bank of Canada to update Web sites regularly and provide up-to-date information on Y2K and financial services.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- Improved Use of Electronic Communications

Performance Measures

- Increased use of departmental Web site

Accomplishments

- Widely publicized the fact that extensive information on the 2000 budget was available on the Finance Web site, and included a clear reference to the Web site in all Finance publications.
- Improved Canadians’ access to the 2000 budget Web site by purchasing some 100,000 Internet banners leading to the site.

There were about 1.9 million successful “hits” to the Finance Web site on budget day 2000 (February 28) and more than 6 million from budget day to March 15, compared to 1.1 million between last year’s budget day February 16, 1999 and February 28.

- Many improvements were made to the Finance Web site, such as improving the tax calculator on the 2000 budget site; posting a Web version of the 2000 budget speech PowerPoint presentation; increasing international accessibility of the video presentation of the 2000 budget speech.

Readers on every continent but Antarctica viewed the site, and its format made it easier for Canadians to access the material without requiring sophisticated computer software.

- Broadcast the October 1999 Economic and Fiscal Update speech on the Finance Web site, a first for the department.
- Added a new and improved glossary of economic terms and definitions to the Web site.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- More Systematic Organization of Media Relations

Performance Measures

- More accurate and balanced reporting of departmental policies and initiatives

Accomplishments

- Established a Media Relations Unit to provide timely and consistent responses to media requests.
- Organized technical media briefings prior to events.
- Responded to more than 2,000 media requests.
- Organized numerous press conferences and opportunities for the media to speak with the Minister of Finance.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- Year 2000

Performance Measures

- Departmental systems are Y2K compliant and the disruption to the conduct of business is minimized

Accomplishments

- Participated in the government-wide Y2K preparations, developed a Y2K contingency plan and a business resumption plan, and upgraded all non-compliant software.

These efforts ensured the department’s smooth transition to the Year 2000 – departmental business was not disrupted.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- Universal Classification System Implementation

Performance Measures

- A more efficient classification system

Accomplishments

- Evaluated and wrote 95 per cent of job descriptions under the Universal Classification System.

The remaining 5 per cent of job descriptions, which includes those for new or modified positions, will be completed in fiscal 2000–2001.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- La Relève

Performance Measures

- A rejuvenated, skilled workforce

Accomplishments

- Developed a new Human Resource Plan that builds on the considerable progress already made on several fronts and responds with specific actions to concerns and priorities identified by employees over the last year.

The objective of the plan is to make the Department of Finance *the* workplace of choice in the Public Service. The plan, launched in September 2000, will help the department attract and retain the best and the brightest employees. The actions outlined in the plan are intended to develop a workplace that provides employees with challenging and fulfilling careers, promotes a healthy balance between professional and personal priorities, and focused on outcomes while giving employees the flexibility to determine how best to achieve them.

The Plan outlines a comprehensive approach to human resource management and is a permanent, key priority of all managers in the organization.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- ❑ Financial Information Strategy Implementation

Performance Measures

- Private-sector model of accounting implemented in the Government of Canada

Accomplishments

- Implemented a departmental Integrated Financial Management System compliant with the Financial Information Strategy (FIS) on April 1, 2000, as part of a multi-year strategy to implement the public sector accrual accounting model.
- Developed a FIS plan for 2000–2001 to complete a review of accounting policies, to improve internal financial reporting and to provide training to financial and non-financial staff.

CONTRIBUTIONS TO “GETTING GOVERNMENT RIGHT”

- ❑ Research and Evaluation of New Technologies

Performance Measures

- The business requirements of an electronic environment are met

Accomplishments

- Created a departmental Information Resource Management (IRM) strategy which established the vision and overall technology architecture for an integrated knowledge-based work environment.

The department began implementing the strategy and deployed within Corporate Services Branch a software tool called the Records, Information, Document and Information Management System (RDIMS) that facilitates better management of electronic information. A detailed strategy to roll out RDIMS across the department in 2001 was developed.

B. Public Debt Program

B.1. Interest and Other Costs Business Line

Summary Financial Information

Planned Spending	\$42,335,500,000
Total Authorities	\$41,506,115,531*
Actuals	\$41,506,115,531**

* Total Authorities of \$45,169,441,953 presented in Volume II(I) of the Public Accounts have been adjusted for comparative purposes to take into account the provision for valuation and other items.

** Actuals reported in this table are total departmental actual expenditures minus the provision for valuation and other items. See Table 3.9 in Volume I of the Public Accounts for more details.

SOUND FINANCIAL MANAGEMENT

Prudent Debt Structure

Performance Measures

- To meet the objectives set out in the 1999–2000 Debt Management Strategy:
 - Two thirds of the government’s outstanding market debt in fixed-rate instruments (that is, those that do not mature in a time period greater than one year); the other third in floating market debt.
 - A well-functioning, liquid and efficient securities market.
 - An indicator of market efficiency is the trading spread for instruments (that is, the difference between the yields at which instruments are offered for sale and bids are made for purchase); an indicator of market liquidity is the total volume of transactions relative to outstanding stock; both as compared to other sovereign borrowers’ markets.
 - Successful auctions of domestic debt instruments (as measured by auction statistics) and successful issuance of foreign currency denominated debt (as measured by level of subscription, length of time to distribute, and the breath of distribution)
 - Effective management of Canada’s official international reserves.

Accomplishments

- Met the objectives set out in the Debt Management Strategy:
 - Maintained target of two thirds of debt stock in fixed-rate instruments, a target also achieved in 1998–99, thus ensuring the stability of debt service costs.
 - Contributed to lower borrowing costs for the government by holding regular successful domestic debt auctions, with strong participation leading to good auction coverage ratios and tight bidding ranges, and with positive feedback on operations from market participants.
 - Further contributed to keeping borrowing costs low by working to maintain a well-functioning Government of Canada securities market.

This was achieved by maintaining the principles of liquidity, transparency, and regularity in debt operations – borrowing on a regular, pre-announced basis and maintaining large benchmark bond issues. A well-functioning market was also shown by the fact that trading spreads for Government of Canada Treasury Bills and benchmark bonds compared favourably to those of other major sovereign markets, as did the trading volumes for Government of Canada debt instruments.

Information on primary and secondary market activity for Government of Canada fixed-income securities can be found in the quarterly *Government of Canada Securities* publication, which is available on the Department of Finance Canada Web site at www.fin.gc.ca. A comprehensive accounting of federal debt operations can be found in the annual publication, the *Debt Management Report*. The report for 1999–2000 will be released in the fall of 2000.

- Managed Canada’s foreign exchange reserves well by using a range of cost-effective funding sources and by maintaining a prudent level of liquid international reserves, in line with comparable countries.

In 1999 a foreign currency-denominated bond of US\$ 2.0 billion was launched that was over-subscribed and rapidly distributed around the world.

- Completed a review of the Treasury Bill program in light of declining tender sizes and, based on extensive consultations with market participants, determined that no changes to the program structure were needed or desired in order to maintain the reasonable functioning of the market.
- Reviewed the bond buy-back program and decided to implement it on an ongoing basis to support the maintenance of a liquid primary market for Government of Canada bonds.

- Completed a review of the potential impact of the Year 2000 (Y2K) issue on debt operations and ensured that the debt management systems of the Department of Finance and the Bank of Canada (in its role as the federal government’s fiscal agent) were fully Y2K ready.

B.2 Canada Investment and Savings Business Line

Summary Financial Information

Planned Spending	\$164,500,000
Total Authorities	\$140,884,469
Actuals	\$140,884,469

SOUND FINANCIAL MANAGEMENT

- Retention and Diversification of the Retail Debt Portfolio

Performance Measures

- Total retail debt as a significant proportion of total Government of Canada market debt
- Gross sales of non-marketable retail debt
- Management within budget
- The percentage of the non-marketable retail debt portfolio (Canada Premium Bonds, or CPBs) sold in form other than non-registered, fully liquid Canadian Savings Bonds (CSBs)

Accomplishments

- Maintained the share of retail debt holdings as a percentage of total government retail debt at 21 per cent, as at March 31, 2000, while remaining within budget.

Gross sales of CSBs and CPBs for the six-month sales period from October 1999 to April 2000 were about \$3.0 billion, consistent with the government’s financing needs in the current environment of declining debt. Sales of Canada Premium Bonds – the less cashable instrument offering a higher rate of interest – accounted for 33 per cent of total sales. The non-marketable retail debt portfolio held in forms other than non-registered, fully liquid CSBs increased from 9 per cent at March 31, 1999 to 12 per cent at March 31, 2000. Overall, the registered retail debt portfolio, including bonds held in RRSPs and RRIFs, increased by 9 per cent to \$400 million.

- Converted an additional 1,450 sponsoring employers and 165,000 employees to the New Canada Savings Bonds Payroll Program during the 1999–2000 payroll campaign year.

A total of some 4,600 companies and 460,000 employees representing 65 per cent of gross sales from the payroll channel have now been converted to the New CSB Payroll Program.

Recognizing that smaller employers were converting to the new Program at lower rates than others because of their cost structures, Canada Investment and Savings (CI and S) in collaboration with the Bank of Canada piloted an alternative Internet transmission method which was well-received.

Mr. Guy St-Pierre, Chairman of the Board of SNC-Lavalin Group Inc. was appointed as the 1999 National Campaign Chair for the New CSB Payroll Program to assist CI and S in building awareness in the business community. In fall 1999, CI and S and the Bank of Canada received an award of excellence from the Canadian Information Productivity Awards (CIPA) in recognition of the complete re-engineering of the Payroll Savings Program. More information on this program can be found on the CI and S Web site at www.campaign2000.csb.gc.ca.

- Reorganized the payroll sales force, made technical advances in sales and administration, and raised the Program profile in the business community.

The payroll sales force was restructured in 1999–2000 to provide more cost-effective service delivery to participating employers. This included a consolidation of field territories, thereby reducing the total number of field sales representatives by 20 per cent.

- Launched the National Youth Savings Initiative entitled “Start Early and Save,” the main marketing effort of the fall 1999 CSB/CPB campaign.

This new program initiative was aimed at making young people aware of the importance of saving. To ensure that its message reaches as wide an audience as possible, CI and S organized a series of promotional efforts in collaboration with the Canadian Library Association, *l'Association pour l'avancement des sciences et des techniques de la documentation*, YTV Canada Inc. and Groupe TVA. This new initiative was widely covered in the media and received very positive reviews across Canada. A new user-friendly Web site was specially created for this initiative; see <http://www.kidscansave.gc.ca>.

- Made CSBs more relevant and appealing to Canadians through effective advertising.

Efforts to foster brand recognition continue to show progress, and TV ad campaigns have won international awards. Tracking of key measures indicate that Canadians increasingly see CSBs as more relevant and “for people like them”: 40 per cent agree with the latter statement, for example, as compared to 33 per cent a year ago. More information on CSB/CPB advertising can be found at the CI and S Web site <http://www.csb.gc.ca>.

- Issued special edition millennium certificates for the CSB and CPB for all bonds issued between January 1 to December 1, 2000.

This New Millennium Bond Program was part of the millennium year commemorative efforts and also reflected the tradition accompanying the Canada Savings Bonds.

- Continued the Extended Sales Period Pilot.

The department made CSBs and CPBs available concurrently over a six-month period (from October to April) as part of a continued pilot. This year a growing number of Canadians purchased their bonds outside the traditional month of October, with 22 per cent of the sales occurring between December and April, up from 12 per cent last year.

- Posted a request for a proposal (with the assistance of PWGSC) to distribute non-marketable and marketable securities (CSBs, CPBs, Treasury Bills and marketable bonds) through the telephone and Internet as part of the Bills-Bonds Direct/E-Commerce Pilot.
- Expanded the review of the Bank of Canada CSB/CPB Call Centre to include a consideration of options to deliver the back-office systems and operations support services to the retail debt program, including the call centre, in a more cost-effective manner.

The results of this review, initiated by the Bank of Canada, will be included in next year's performance report.

C. Federal-Provincial Transfers Program

C.1 Transfer Payments Business Line

Summary Financial Information

Planned Spending	\$20,368,000,000
<i>Total Authorities</i>	<i>\$24,264,108,761</i>
Actuals	\$24,264,016,120*

* Note: Amounts presented in the above table include the cash contributions authorized by Part V of the *Federal-Provincial Fiscal Arrangements Act* in respect of the Canada Health and Social Transfer (CHST). The following shows the total federal contribution in respect of CHST, including the tax portion of the transfer.

Federal Contributions to the Canada Health and Social Transfer

Total Cash Transfer Payments	\$12,391,537,000
Budget 1999 Supplement Trust for Health Care	\$ 3,500,000,000
Plus Tax Transfers	<u>\$14,952,490,000</u>
Total	\$30,844,027,000

The objective of this program is to provide accurate and timely transfer payments pursuant to statutes and agreements with respect to the Canada Health and Social Transfer, Fiscal Equalization, Territorial Formula Financing and other transfers.

The Canada Health and Social Transfer (CHST)

This is the largest federal transfer to provinces and territories, providing them with cash payments and tax transfers in support of health care, post-secondary education, and social assistance and services.

The CHST gives provinces and territories the flexibility to allocate payments among social programs according to their priorities, while upholding the principles of the *Canada Health Act* and the condition that there be no period of minimum residency with respect to social assistance. The 2000 budget provided an additional \$2.5 billion CHST cash funding for post-secondary education and health care.

Fiscal Equalization

This program provides transfer payments to enable less prosperous provincial governments to provide their residents with reasonably comparable levels of public services at reasonably comparable levels of taxation.

New regulations governing the program were passed in March 2000.

Territorial Formula Financing

This is an annual unconditional transfer from the federal government to territorial governments.

It is governed by agreements between the federal and territorial finance ministers, and enables the territories to provide a range of public services comparable to those offered by provincial governments.

Other Transfers

Statutory Subsidies are unconditional payments, established by the Terms of Confederation and under subsequent arrangements as new provinces entered Confederation, payable in perpetuity.

The Youth Allowances Recovery represents the recovery from Quebec of that portion of the special tax abatement to the province in respect of the now-defunct Youth Allowances program.

Alternative Payments for Standing Programs is an arrangement whereby, in lieu of direct cash transfers for standing programs, the federal government reduces federal personal income tax rates in Quebec. This special tax abatement is subtracted from cash entitlements otherwise payable under the *Fiscal Arrangements Act*.

SECURE SOCIAL PROGRAMS

Equalization Renewal

Performance Measures

- New, detailed Equalization regulations for the 1999 legislation, submitted to Cabinet and approved
- Program administered and reports prepared as expected
- Provinces consulted and research planned

Accomplishments

- Prepared regulations governing the program for 1999–2000 through 2003–2004 and presented them to Cabinet for approval.

Cabinet approved new regulations in March 2000.

- Oversaw Equalization payments of nearly \$9.8 billion in 1999–2000.
- Presented forecasts of payments for 2000–2001 in the fall 1999 Update and the February 2000 budget.

As a direct result of the Equalization transfers, in 2000–2001 all provinces are projected to have access to at least \$5,679 per resident with which to fund public services (if taxing at national average tax rates). (See the chart “The Equalization Formula” on page 49.)

Met provincial colleagues in the federal-provincial sub-committee of officials in 1999–2000 to identify Equalization Program issues requiring research for the next program renewal in 2004, and met with members of the Fiscal Arrangements Committee (FAC) of senior federal and provincial finance officials, at its annual meeting.

The federal-provincial sub-committee meets regularly and reports on progress to the FAC. The FAC discussed the sub-committee’s work plan and other issues related to transfers and gave officials a mandate to proceed with their work.

SECURE SOCIAL PROGRAMS

Canada Health and Social Transfer

Performance Measures

- Accurate and timely CHST payments, estimates, forecasts and reports
- Preparation of legislation and regulations for consideration by Parliament

Accomplishments

- Accurately administered the CHST and prepared all estimates, forecasts and reports.
- Prepared legislation to implement the 1999 budget which provided an additional \$11.5 billion cash over five years in support of health care.
- Prepared for the provision of an additional \$2.5 billion in CHST cash funding for post-secondary education and health care as part of the 2000 budget.

Royal Assent was granted on June 29, 2000 to an *Act to Implement Certain Provisions of the Budget Tabled in Parliament on February 28, 2000*.

Note: The agreements reached by first ministers, subsequent to the 1999–2000 fiscal year, on health care renewal and early childhood development included increased funding of \$23.4 billion over five years, \$21.1 billion of which will be transferred to provinces through the CHST.

CHST payments to provinces and territories are forecast to be \$30.8 billion in 2000–2001, increasing to \$39.8 billion by 2005–2006. (See chart on page 49.)

SECURE SOCIAL PROGRAMS

Territorial Formula Financing

Performance Measures

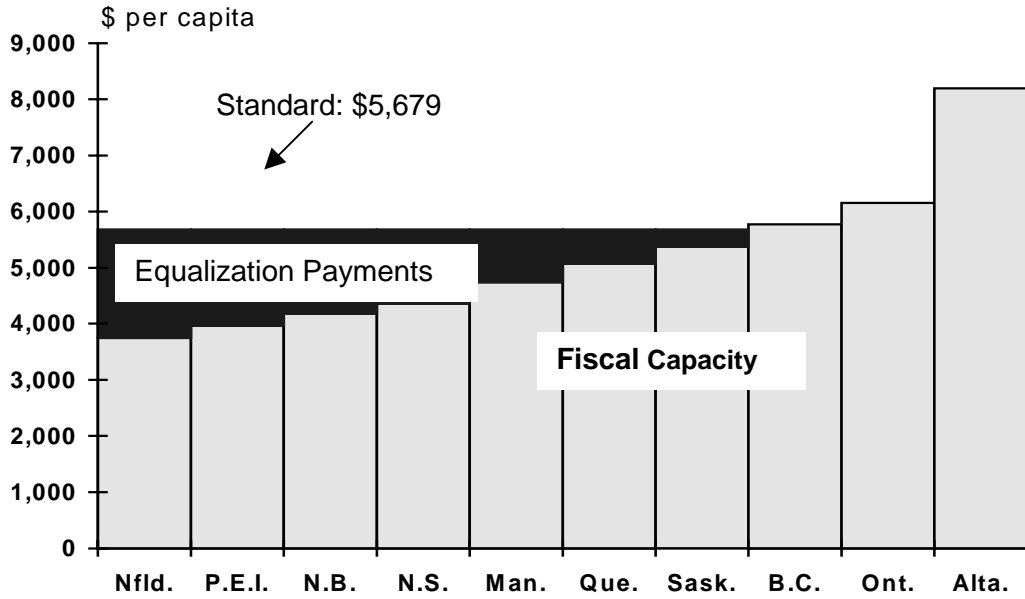
- Payments made in accordance with formula financing agreements
- Regular consultations with officials in the governments of the territories, ensuring ongoing funding stability and predictability for the North
- Extension of the financing arrangement with the Government of Nunavut to cover the 2001–2002 to 2003–2004 period

Accomplishments

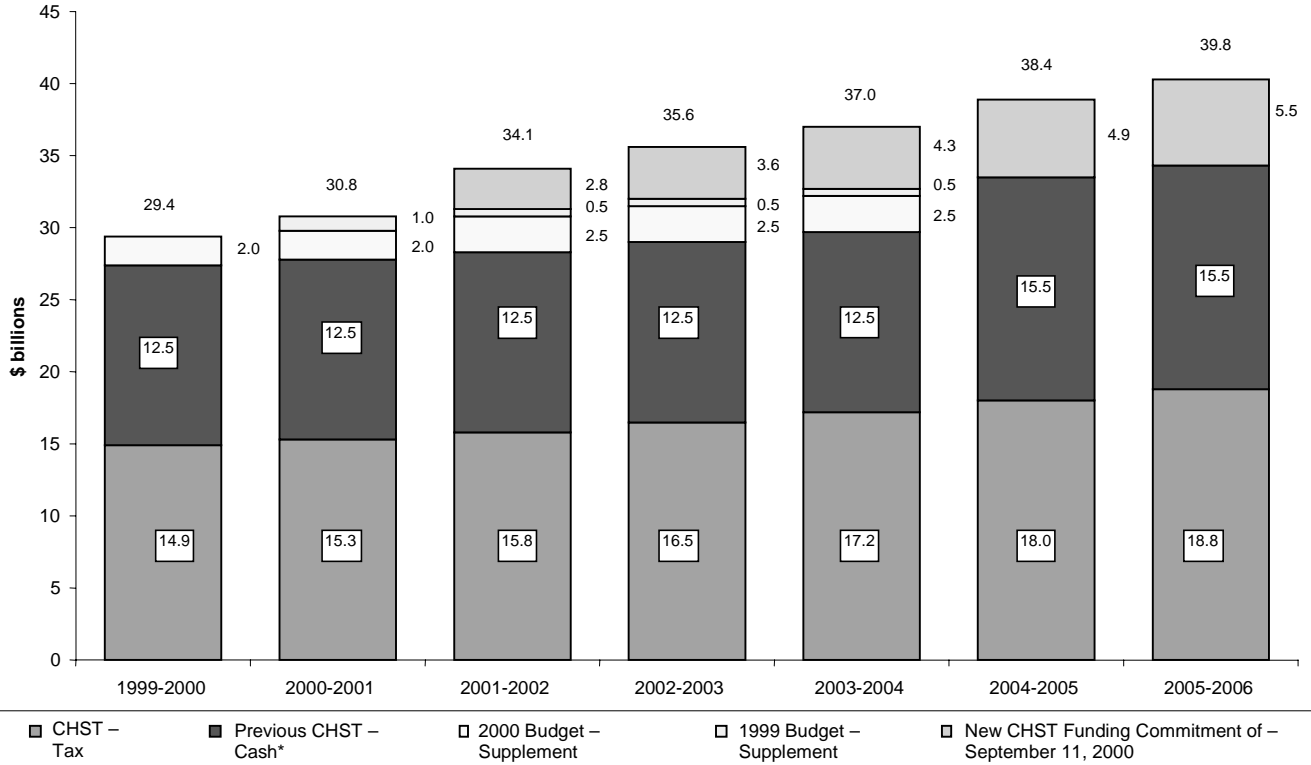
- Administered program in full accordance with the agreements.
- Administered transfers of about \$1.4 billion for fiscal year 2000–2001 to the territories, with an anticipated increase by 2003–2004 to over \$1.6 billion.
- Consulted with officials from the Government of Nunavut on an extension of the financing arrangement.

For more information on federal transfers to other governments, see the Web site www.fin.gc.ca/toce/2000/fedprov-e.html.

The Equalization Formula



Canada Health and Social Transfer (CHST)



*Existing legislation extends to 2003–2004. \$15.5 billion is base cash for subsequent years.

Section IV: Consolidated Reporting

Transfer Payments

1. The Economic, Social and Financial Policies Program makes the following Transfer Payments.

Grants, which are unconditional transfer payments, are made to meet Canada's commitments under multilateral *debt reduction* agreements. They reflect Canada's Paris Club obligations to reduce a country's eligible debt payments coming due over a pre-determined period by an agreed percentage.

Contributions, which are conditional transfer payments, are made to meet Canada's commitments under multilateral *debt service reduction* agreements. They reflect Canada's Paris Club agreement to accept reductions in a country's planned interest payments on its debts with Canada.

Other Transfer Payments, payments based on legislation or an arrangement that includes a formula or schedule of payments, reflect the encashment of demand notes in accordance with the *Bretton Woods and Related Agreements Act*.

2. The Federal-Provincial Transfers Program makes **Other Transfer Payments** (payments based on legislation or an arrangement which includes a formula) to the provinces and territories under the *Constitution Acts*, the *Federal-Provincial Fiscal Arrangements Act*, and the *Federal-Provincial Fiscal Revision Act*.

Sustainable Development Strategy

The department submitted its first Sustainable Development Strategy to Parliament in December 1997. This three-year strategy committed the department to a number of activities related to the following four key issues of sustainable development identified by the department at that time:

1. integrating the environment and the economy;
2. building the future;
3. participating in the global economy; and
4. greening internal operations.

Under the *Auditor General Act*, the Department of Finance Canada, like all departments, is required to update its first Sustainable Development Strategy by December 2000. This *Departmental Performance Report* provides a summary of the department's implementation of its 1997 strategy. It also highlights areas of progress and the challenges that are relevant to the setting of new sustainable development objectives and commitments for the period 2000–2003.

To address each of the key issues given above, the 1997 strategy established broad objectives that, in turn, were broken down into specific action items or commitments. The identification of these commitments was guided mainly by the mandate of the department, which is to manage the economy and the government's financial resources. It is also guided by the department's definition of sustainable development, adopted from the *Auditor General Act*: "Development that meets the needs of today without compromising the ability of future generations to meet their own needs."

Most of the commitments in the 1997 strategy concerned the first key issue, "Integrating the Economy and the Environment." These entailed analytical work, undertaken either within the department or in co-operation with other departments and stakeholders. For instance, the department has carried out studies on the influence of the tax system on the choices between renewable and non-renewable energy, and between different modes of transportation.

The department has also chaired the multi-stakeholder Tradeable Permits Working Group, which released a report in June 2000 examining the potential use of a system of tradeable emissions permits for reducing greenhouse gas emissions in Canada. The department has also compiled a catalogue of available information on the structure and level of existing federal and provincial taxes on energy consumption and taxes on transportation in Canada. The catalogue will be circulated to provinces for review, and is expected to be released by the end of 2000. In addition, where changes to the existing tax system were identified (for example, to promote energy efficiency), tax measures were included in federal budgets.

Regarding the second key issue, "Building the Future," the department has focused on activities related to maintaining a healthy fiscal climate, providing funding for health and social programs and restoring confidence in the retirement income system. When the department's first sustainable development strategy was developed in 1997, the elimination of the federal deficit was targeted for fiscal year 1998–99. One of the primary sustainable development goals for the department at that time was to balance the budget and set out a course for reducing the debt-to-GDP ratio. These objectives remain crucial to ensuring intergeneration equity (that is, ensuring that younger Canadians are not left with an unduly large debt burden) and economic sustainability.

Since 1997–98 the federal government has balanced the budget and followed a path of debt and tax reduction, activities which reduce the share of government revenues that need to be devoted to interest payments on the debt and in turn provide greater fiscal flexibility to deal with the priorities of Canadians in the future. In the 1997 Sustainable Development Strategy, the department indicated its interest in learning about others' views on the government's sustainable development goals. Increased attention has been drawn in particular to the needs of Canadians with respect to environmental protection and quality, leading to the inclusion of related initiatives in federal budgets. These include the establishment of a Climate Change Action Fund; funding to support federal environmental legislation; funding for restoration of degraded areas in the Great Lakes; an initiative to develop environmental and sustainable development indicators; a Green Municipal Investment Fund; and a Sustainable Development Technology Fund.

Concerning the third key issue, “Participating in a Global Economy,” the department has focussed on understanding and pressing sustainable development issues that arise in international venues. For example, the department has worked with the Department of Foreign Affairs and International Trade on an environmental review of World Trade Organization negotiations and has supported environment-related provisions in recent free trade agreements. In particular, the department has gained a better understanding of links between trade and the environment, and their continuing importance.

In the international sphere, the department has also actively supported the development of multilateral environmental assessment guidelines for export credit agencies at the OECD to achieve the best balance between protecting the environment and protecting the competitive interests of Canadian exporters. Canada also continues to press sustainable development issues in international financial institutions. For instance, it has been a vocal advocate of the need for the World Bank to integrate better environmental considerations into its decision making.

Finally, in terms of the key issue, “Greening Internal Operations,” the department was able to undertake a number of activities related to procurement, diversion and reduction of wastes, and improved energy use. The department has also made substantial progress in identifying further areas where performance and performance measurement can be improved in its internal operations.

Notwithstanding these accomplishments, the department will seek to improve upon the 1997 strategy as it prepares its second sustainable development strategy, to be tabled in Parliament in December 2000. This will include responses to observations made by the Commissioner of the Environment and Sustainable Development in a 1998 audit of all departments’ strategies. The Commissioner commented upon the extent of stakeholder involvement and feedback during the preparation of strategies; the relationship between departments’ commitments and targets, and the status quo; and the ability of departments to measure and report on progress. New expectations of the Commissioner, announced in 1999, will also help guide the development of the department’s 2000 strategy and the implementation of its commitments.

Legislative and Regulatory Initiatives

For an explanation of the purposes of the legislative and regulatory initiatives reported in the table below, refer to the *1999–2000 Report on Plans and Priorities (RPP)* at http://www.fin.gc.ca/toce/1999/estimates_e.html. The page numbers provided in the table here refer to the RPP. Performance is indicated by successful passage of the legislation or regulation, and through feedback and consultations with interested private and public sector parties.

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Special Import Measures Act, Canadian International Trade Tribunal Act</i> and related rules and regulations (p. 40).	Will increase the transparency and systemic efficiency of the Canadian trade remedies system, while ensuring that it effectively balances the needs of Canadian industry with Canada's international rights and obligations.	Bill C-35 received royal assent on March 25, 1999, and the corresponding changes to the related rules and regulations were completed during the reporting period, coming into force on April 15, 2000. The changes rationalize the functions of the administrative agencies, clarify public interest provisions and enhance the rules governing the treatment of confidential information. These changes improve the efficiency, fairness and transparency of the Canadian anti-dumping and countervailing duties system, while maintaining a system that is an effective remedy against the injurious effects of dumped and subsidized imports.
<i>Customs Tariff</i> (p. 40).	Through the use of orders and other regulations as required, will respond to the competitive needs of Canadian industry and implement Canada's rights and obligations under international agreements and arrangements.	Consistent with tariff policy, the department reviewed requests for duty relief (including duties assessed under the <i>Special Import Measures Act</i>) and provided advice to ministers. During the reporting period, 19 Orders in Council were implemented by the government to help improve the competitiveness of Canadian business.

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Canada Pension Plan Investment Board Act Regulations</i> (p. 40).	<p>Will subject the newly created Canada Pension Plan Investment Board to broadly the same investment regulations as other public and private pension funds that are subject to the <i>Pension Benefits Standards Act</i>.</p> <p>Will specify additional information and policies that the Board must include in its annual report.</p> <p>Will provide for limited provincial access to the Board's funds at market rates and ensure that the Board's domestic equity investments are selected passively to mirror broad market indexes.</p>	The regulations came into effect in April 1999. They ensure that the Board adheres to investment policies, standards and procedures that a person of ordinary prudence would exercise in dealing with the property of others.
<i>Federal-Provincial Fiscal Arrangements Act</i> and regulations pursuant to the Act (p. 40).	<p>Will improve the measurement of fiscal disparities in the Equalization program for 1999–2000 through 2003–2004.</p> <p>Will increase Canada Health and Social Transfer (CHST) support to provinces and territories.</p>	<p>Regulations governing the Equalization program passed in March 2000.</p> <p>The 1999 budget legislation for \$11.5 billion passed in June 1999.</p>
<i>Income Tax Regulations</i> – 1994 budget – To amend the Regulations relating to securities held by financial institutions (p. 40).	Will provide a better measure of a financial institution's income from its securities for the year.	Draft amendments have been issued and, as a result of consultations, are to be revised.
<i>Income Tax Regulations</i> – 1995 budget (p. 40).	Changes to the <i>Income Tax Regulations</i> are needed regarding scientific research and development (SR&ED), the fiscal periods of certain businesses and the Canadian film and video production (CFVP) tax credit.	Amendments regarding the CFVP tax credit are in progress. SR&ED amendments were drafted and passage is expected in the next fiscal period. The change of fiscal period for certain businesses requires an additional legislative amendment.

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Income Tax Regulations – Branch Tax Investment Allowance (p. 41).</i>	Will make the calculation of the investment allowance for non-resident corporations that carry on business in Canada in partnership consistent with the calculation of that amount for non-resident corporations that carry on business directly and not in partnership.	This work is in progress.
<i>Income Tax Regulations – Reporting Requirements – Mutual Fund Reorganizations (p. 41).</i>	Will reduce the administrative burden of a mutual fund reorganization.	This work is in progress.
<i>Income Tax Regulations – Changes in Residence (p. 41).</i>	Will make amendments to the <i>Income Tax Regulations</i> required as a result of amendments to the <i>Income Tax Act</i> .	This awaits enabling legislation currently in the June 5, 2000, Notice of Ways and Means Motion. Draft regulations were issued in December 1998 and a revised draft was released in December 1999.
<i>Income Tax Regulations – 1996 budget – Amendments relating to the resource allowance, flow-through shares, and energy (p. 42).</i>	Will make the necessary changes to the <i>Income Tax Regulations</i> to implement the income tax measures in the 1996 budget.	Amendments are drafted. Passage expected in the next fiscal period.
<i>Income Tax Regulations – Insurance Reserves (p. 42).</i>	<p>Will provide a better measure of an insurance company's income by replacing the current reserve rules for insurance policies issued after 1995 with reserve rules similar to those adopted for regulatory and accounting purposes.</p> <p>Will reduce the current system's reliance on capital taxes to raise revenue from insurers.</p>	Amendments passed in June 1999.

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Income Tax Act – Income Tax Regulations – Segregated Fund Policies and the Foreign Property Limit (p. 42).</i>	Will make the tax treatment of segregated fund trusts more consistent with the tax treatment of mutual fund trusts.	This awaits enabling legislation.
<i>Income Tax Act – Income Tax Regulations – Escalating Interest Debt Obligations (p. 42).</i>	Will eliminate the administrative and marketing difficulties that issuers of such obligations have had because they were forced to report interest on a yield-to-maturity accrual basis.	
<i>Income Tax Regulations – Prescribed Federal Crown Corporations (p. 43).</i>	Will maintain the comparable treatment of Crown corporations and their taxable competitors.	
<i>Income Tax Regulations – Multinational Insurance Companies (p. 43).</i>	<p>Will provide a better approximation of an insurer's income from its Canadian insurance businesses.</p> <p>Will reduce the current system's reliance on capital taxes to raise revenue from insurers.</p>	Draft amendments were released in 1996. The passing of revised amendments is expected in the next fiscal period.
<i>Income Tax Act – Income Tax Regulations – Impaired Loans (p. 43).</i>	<p>Will harmonize the tax treatment of impaired loans with the accounting treatment.</p> <p>Will reduce the compliance burden in respect of impaired loans and lead to more equitable treatment of taxpayers for income tax purposes.</p>	

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Income Tax Act – Income Tax Regulations – Bill C-28 – Amendments consequent to passage of the Bill (p. 43).</i>	Will make the necessary changes to the <i>Income Tax Regulations</i> to implement the amendments contained in Bill C-28.	Regulations to counter the abusive use of tax shelters were drafted. Passage is expected in the next fiscal period. Regulation amendments are in progress to designate trusts and corporations for purposes of the foreign property rule.
<i>Income Tax Act – Income Tax Regulations – 1998 budget (p. 43).</i>	The relevant changes to the <i>Income Tax Act</i> were tabled as a detailed Notice of Ways and Means Motion on December 10, 1998. After those changes are enacted, consequential changes should be made to the <i>Income Tax Regulations</i> .	Bill C-72 (the 1998 budget bill) received Royal Assent on June 17, 1999. Regulation amendments are in process relating to an election of December 15 year-end for mutual fund trusts; LSVCCs and foreign property; and qualified investments for Registered Educational Savings Plans.
<i>Income Tax Act – Income Tax Regulations – Other (p. 44).</i>		Technical amendments to the <i>Income Tax Act</i> were released in November 1999. Revised amendments are ready for inclusion in an upcoming bill. The Regulations have been amended to designate certain supplemental plans as retirement compensation arrangements. Regulation amendments are in progress relating to LSVCCs and other venture capital corporations; foreign property; registration rules for registered pension plans; flow-through shares; and qualified investments for RRSPs.
<i>Income Tax Regulations – Year 2000 Expenditures (p. 44).</i>	Will provide a government incentive to encourage Canadian businesses to ensure that their computing systems are Year 2000 compliant.	Amendments have been drafted, and passage is expected in the next fiscal period.
<i>Income Tax Act – Demutualization (p. 44).</i>	Will clarify the timing of the recognition of demutualization benefits and the character of those benefits for income tax purposes.	Amendments were enacted by Bill C-25, which received Royal Assent on June 29, 2000.

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<p><i>Excise Tax Act</i> and regulations under Part IX of the Act (GST/HST) – Amendments are required to implement a number of technical GST/HST changes proposed in the Notices of Ways and Means Motions to amend the <i>Excise Tax Act</i> of March 21, 1997, November 26, 1997, August 7, 1998, October 8, 1998, and December 10, 1998 (p. 44).</p>	<p>Will improve the operation of the tax in affected areas, will address industry concerns and provide greater certainty to suppliers and purchasers as to the status of their transactions, will remove certain anomalies in the existing tax structure and will secure revenues and ensure that the legislation achieves the intended policy.</p>	<p>Measures were incorporated in the <i>Sales Tax And Excise Tax Amendments Act, 1999</i> (Bill C-24) passed by the House of Commons in June 2000 and expected to receive Royal Assent in the fall of 2000, pending approval by the Senate.</p>
<p><i>Excise Tax Act</i> – Administrative/Enforcement Measures – Update and harmonize the GST/HST with parallel income tax administrative and enforcement provisions (p. 45).</p>	<p>Will ensure the efficiency and effectiveness of the administrative and enforcement mechanisms under the Act and ensure consistency with similar income tax provisions where appropriate.</p>	<p>Measures were incorporated in the <i>Sales Tax and Excise Tax Amendments Act, 1999</i> (Bill C-24), passed by the House of Commons in June 2000 and expected to receive Royal Assent in the fall of 2000, pending approval by the Senate.</p>
<p><i>Excise Tax Act</i> – 1998 budget – Amendments are required to implement GST/HST measures announced by the Minister of Finance in the February 24, 1998 budget (p. 45).</p>	<p>Will make the necessary changes to the <i>Excise Tax Act</i> to implement the sales tax measures proposed in the 1998 budget.</p>	<p>Sales tax initiatives announced in the 1998 budget are included in the <i>Sales Tax and Excise Tax Amendments Act</i> (Bill C-24) passed by the House of Commons in June 2000 and expected to receive Royal Assent in the fall of 2000, pending approval by the Senate.</p>
<p><i>Excise Tax Act</i> and Regulations under the Act – Other amendments to the <i>Excise Tax Act</i> and regulations made under the Act may be required from time to time (p. 45).</p>	<p>Will make the necessary changes to the <i>Excise Tax Act</i> to implement the proposal, announced on November 5, 1999, to increase excise taxes on certain tobacco products.</p>	<p><i>The Sales Tax and Excise Tax Amendments Act</i> (Bill C-24) incorporates the proposal, announced on November 5, 1999, to increase the excise taxes on certain tobacco products and to make permanent the existing surtax on tobacco manufacturers' profits.</p> <p>The Act also includes the measure to lower the tobacco export tax exemption, as proposed in the February 16, 1999 budget.</p>

Legislative or Regulatory Initiative	Expected Results	Results Achieved
<i>Excise Act</i> and related rules and regulations – New legislative framework for the federal taxation of alcohol and tobacco products (p. 45).	Will replace the current archaic legislation and complex administration with a modern and flexible tax structure that better recognizes the needs of government and industry.	Draft legislation has been released and input from consultations is being compiled into final legislation for tabling in Parliament.
<i>Insurance Companies Act</i> – Bill C-59 – <i>Mutual Company (Life Insurance) Conversion Regulations</i> and <i>Converted Company Ownership Regulations</i> (p. 45).	Will give all federally regulated mutual life insurance companies the flexibility to pursue a stock company structure and thereby gain access to more sources of capital.	Canada’s four largest mutual life insurance companies have opted to convert to stock companies.
<i>Bank Act</i> – Amendments are required to enable foreign banks to conduct activities in Canada directly through a full-service or lending branch operation (p. 46).	<p>Will allow foreign banks to branch directly into Canada, in addition to subsidiaries.</p> <p>Will encourage a healthy foreign bank presence in Canada and promote competition in our financial services sector.</p> <p>Will reduce the regulatory burden for foreign banks that do not wish to take deposits in Canada.</p>	Sixteen foreign banks have applied to open branches in Canada, and two have been licensed.
<i>Proceeds of Crime (Money-Laundering) Act</i> – New legislation and regulations to enhance Canada’s anti-money laundering regime (p. 46).	Will help deter and detect money-laundering in Canada and facilitate enhanced international co-operation in combating money-laundering worldwide.	<p>Bill C-22 received Royal Assent June 29, 2000.</p> <p>Public consultation paper on proposed regulations released in December 1999.</p>
Withdrawal of the \$1000 note.	This will remove an important money-laundering instrument from criminal use.	The necessary regulatory amendments were initiated in 1999 for the withdrawal of the \$1000 note and came into effect in May 2000.

Section V: Financial Performance

Overview

This section provides a summary of the Department of Finance Canada's financial performance, which is reported against three separate programs and eight business lines in accordance with the approved Planning, Reporting and Accountability Structure.

The tables included in this section show a comparison of three amounts: Planned Spending, Total Authorities and Actual. "Planned Spending" is the amount included in the department's *Report on Plans and Priorities* for 1999–2000 and indicates amounts planned at the beginning of the year. "Total Authorities" includes Main, Supplementary and other Estimate amounts approved by Parliament to reflect changing priorities and unforeseen events. "Actual" shows what was actually spent or revenues actually received.

The following financial tables apply to the Department of Finance Canada:

1. Summary of Voted Appropriations
2. Comparison of Total Planned Spending to Actual Spending
3. Historical Comparison of Total Planned Spending to Actual Spending
4. Resource Requirements by Organization and Business Line
5. Respendable Revenues
6. Non-Respendable Revenues
7. Statutory Payments
8. Transfer Payments
9. Loans, Investments and Advances
10. Contingent Liabilities

Financial Tables

1. Summary of Voted Appropriations

Financial Requirements by Authority (\$millions)

Vote		Planned Spending	1999–2000 Total Authorities	Actual
Economic, Social and Financial Policies Program				
1	Program Expenditures	68.4	72.8	70.5
5	Grants and Contributions	297.3	472.3	399.6
6	Payment to the Export Development Corporation in Respect of the Restructuring of the Loan to the Government of the People's Republic of Bangladesh	–	0.6	0.6
(S)	Minister of Finance – Salary and Motor Car Allowance ¹	0.0	0.1	0.1
(S)	Payments to the International Development Association	361.3	349.4	349.4
(S)	Payments to the International Monetary Fund's Poverty Reduction and Growth Facility	–	188.1	–
(S)	Contributions to Employee Benefit Plans	8.5	9.9	9.9
(S)	Purchase of Domestic Coinage ²	49.0	105.9	105.9
(S)	Payments of Liabilities Previously Transferred to Revenues	–	0.6	0.6
(S)	Refunds of Amounts Credited to Revenues in Previous Years ³	–	0.1	0.1
(S)	Spending of Proceeds from the Disposal of Surplus Crown Assets ⁴	–	0.0	–
(S)	Net Loss on Exchange	–	154.8	154.8
(S)	Payments to Depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation and Northland Bank Pursuant to the <i>Financial Institutions Depositors Compensation Act</i> ⁵	–	68.6	0.0
Total Budgetary		784.5	1,423.2	1,091.5
L10	Issuance of Demand Notes to the International Development Association	–	202.3	202.3
L15	Payments to the European Bank For Reconstruction and Development	7.5	7.5	7.3
(S)	Issuance of Loans to the International Monetary Fund's Poverty Reduction and Growth Facility	161.0	547.1	78.7
(S)	Advances for Loans to, or Purchase of, Preferred Shares in Petro-Canada Limited Pursuant to the <i>Petro-Canada Limited Act</i>	–	27.2	–
(S)	Subscriptions for Common Shares of Petro-Canada Limited Pursuant to the <i>Petro-Canada Limited Act</i>	–	1,573.7	–
(S)	Payment to the European Bank for Reconstruction and Development	4.3	4.3	4.3

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

¹ Planned Spending: \$48,900; Total Authorities: \$50,716; Actuals: \$50,716. The figures in notes 1 and 3-5 are in simple dollar amounts.

² See explanation on page 34.

³ Total Authorities: \$85,278; Actuals: \$85,278.

⁴ Total Authorities: \$42,077.

⁵ Total Actuals: \$17,687.

1. Summary of Voted Appropriations (*continued*)

Financial Requirements by Authority (\$millions)

Vote	Planned Spending	1999–2000 Total Authorities	Actual
(S) Loan to the Bank of Thailand	104.0	50.8	50.8
(S) Payment to the Canadian Commercial Bank pursuant to the <i>Canadian Commercial Bank Financial Assistance Act</i>	–	2.0	–
Total Non-Budgetary	276.8	2,414.9	343.4
Total Program	1,061.3	3,838.1	1,434.9
Public Debt Program			
(S) Interest and Other Costs ¹	42,500.0	41,647.0	41,647.0
Total Program	42,500.0	41,647.0	41,647.0
Federal-Provincial Transfers Program			
20 Transfer Payments to the Territorial Governments	1,299.0	1,401.8	1,401.7
(S) Statutory Subsidies	30.0	30.1	30.1
(S) Fiscal Equalization	9,288.0	9,898.9	9,898.9
(S) Canada Health and Social Transfer ²	12,500.0	12,391.5	12,391.5
(S) Canada Health and Social Transfer Supplementary Trust for Health Care ²	–	3,500.0	3,500.0
(S) Youth Allowances Recovery	(498.0)	(532.9)	(532.9)
(S) Alternative Payments for Standing Programs	(2,251.0)	(2,425.3)	(2,425.3)
Total Program	20,368.0	24,264.1	24,264.0
Total Department	63,929.3	69,749.2	67,345.9

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

¹ See explanation on page 40.

² Amounts shown are the cash contribution authorized by Part V of the *Federal-Provincial Fiscal Arrangements Act*. The following figures show the total federal contribution in respect of the Canada Health and Social Transfer (CHST), including the tax portion of the transfer.

Cash Transfer	\$12.4 billion
Plus Budget 1999 Supplement	
Trust for Health Care	\$ 3.5 billion
Plus Tax Transfers	<u>\$14.9 billion</u>
Total	\$30.8 billion

2. Comparison of Total Planned Spending to Actual Spending

By Business Line (\$millions)

Business Line	Full-Time Equival- encies (FTEs)	Operating ¹	Grants, Contributions and Other Transfer Payments	Statutory Payments	Loans, Investments and Advances	Total Gross Expenditures	Less Responsible Revenues*	Total Net Expenditures
Policies and Advice	477	46.3				46.3	0.6	45.7
<i>Total Authorities</i>	482	47.7				47.7	0.6	47.1
Actuals	469	47.2				47.2	0.4	46.8
Int'l Financial Organizations			297.3	361.3	276.8	935.4		935.4
<i>Total Authorities</i>			472.9	1,139.8	209.8	1,822.5		1,822.5
Actuals			400.2	483.2	209.6	1,093.0		1,093.0
Domestic Coinage²		49.0				49.0		49.0
<i>Total Authorities</i>		105.9				105.9		105.9
Actuals		105.9				105.9		105.9
Corporate Administration	220	37.0				37.0	5.8	31.2
<i>Total Authorities³</i>	226	41.4				41.4	5.8	35.6
Actuals ⁴	235	39.4				39.4	5.8	33.6
Special Projects								
<i>Total Authorities⁵</i>				1,671.5		1,671.5		1,671.5
Actuals				0.0		0.0		0.0
Interest and Other Costs⁶				42,335.5		42,335.5		42,335.5
<i>Total Authorities</i>				41,506.1		41,506.1		41,506.1
Actuals				41,506.1		41,506.1		41,506.1
Canada Investment and Savings				164.5		164.5		164.5
<i>Total Authorities</i>				140.9		140.9		140.9
Actuals				140.9		140.9		140.9
Federal-Provincial Transfer Payments (Cash Portion)			1,299.0	19,069.0		20,368.0		20,368.0
<i>Total Authorities</i>			1,401.8	22,862.3		24,264.1		24,264.1
Actuals			1,401.7	22,862.3		24,264.0		24,264.0
Total	697	132.3	1,596.3	61,930.3	276.8	63,935.7	6.4	63,929.3
<i>Total Authorities</i>	708	195.0	1,874.7	67,320.6	209.8	69,600.1	6.4	69,593.7
Actuals	704	192.5	1,802.0	64,992.5	209.6	67,196.5	6.2	67,190.3
Other Revenues and Expenditures Non-Responsible Revenues **								(103.5)
<i>Total Authorities</i>								-
Actuals ⁷								(4,742.0)
Cost of Services Provided by Other Departments								13.7
<i>Total Authorities</i>								-
Actuals								6.9
Net Cost of the Program								63,839.5
<i>Total Authorities</i>								69,593.7
Actuals								62,455.2

Note: Numbers in regular font denote planned expenditures/revenues for 1999–2000.

Numbers in *italics* denote Total Authorities for 1999–2000 (Main and Supplementary Estimates and other authorities).

Numbers in **bold** denote actual expenditures/revenues in 1999–2000.

* Formerly "Revenues Credited to the Vote."

** Formerly "Revenues Credited to the General Government Revenues (GGR)."

¹ "Operating" includes contributions to employee benefit plans and Minister's salary and car allowance.

² See explanation on page 34.

³ Total Authorities are reported in Public Accounts as \$191.2 million. Total Authorities reported in this table exclude \$155.6 million for statutory items, primarily for the net loss on exchange.

⁴ Actuals are reported in Public Accounts as \$189.2 million. Actuals reported in this table exclude \$155.5 million for statutory items, primarily for the net loss on exchange.

⁵ Total Authorities consist of \$1,600.8 million for subscriptions to shares of Petro-Canada Limited, \$68.6 million for payments to depositors pursuant to FIDCA, and \$2.0 million for payments to the Canadian Commercial Bank.

⁶ See explanation on page 40.

⁷ Revenues consist of profits from the Bank of Canada, Exchange Fund, and the IMF, as well as interest on short-term deposits, proceeds from sales of domestic coinage and other related revenue items.

3. Historical Comparison of Total Planned Spending to Actual Spending

By Business Line (\$millions)

Business Lines	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Spending	Total Authorities	Actual
Policies and Advice	40.1	47.0	45.7	47.1	46.8
International Financial Organizations	836.3	1,485.8	935.4	1,822.5	1,093.0
Domestic Coinage	29.8	59.7	49.0	105.9	105.9¹
Corporate Administration	24.9	28.5	31.2	35.6 ²	33.6³
Special Projects	53.9	2,565.8	0.0	1,671.5	0.0
Interest and Other Costs	43,844.1	44,694.3	42,335.5	41,506.1	41,506.1⁴
Canada Investment and Savings	126.6	137.4	164.5	140.9	140.9
Federal-Provincial Transfer Payments (Cash Portion)	19,731.7	22,271.7	20,368.0	24,264.1	24,264.0
Total	64,687.4	71,290.1	63,929.3	69,593.7	67,190.3

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

Note: Due to rounding, figures may not add to totals shown.

¹ See explanation on page 34.

² Total Authorities are reported in Public Accounts as \$191.2 million. Total Authorities reported in this table exclude \$155.6 million for statutory items, primarily for net loss on exchange.

³ Actuals are reported in Public Accounts as \$189.2 million. Actuals reported in this table exclude \$155.5 million for statutory items, primarily for the net loss on exchange.

⁴ See explanation on page 40.

4. Resource Requirements by Organization and Business Line

Comparison of 1999–2000 (RPP) Planned Spending and Total Authorities to Actual Expenditures by Organization and Business Line (\$millions)

Organization	Business Lines								TOTAL
	Policies and Advice	Int'l Financial Organizations	Domestic Coinage	Corporate Administration	Special Projects	Interest and Other Costs	Canada Investment and Savings	Fed.-Prov. Transfer Payments	
Economic and Fiscal Policy	7.3								7.3
<i>Total Authorities</i>	7.5				1,671.5 ¹				1,679.0
Actuals	7.4				0.0				7.4
Int'l Trade and Finance	7.5	935.4							942.9
<i>Total Authorities</i>	7.8	1,822.5							1,830.3
Actuals	8.3	1,093.0							1,101.3
Tax Policy	14.9								14.9
<i>Total Authorities</i>	15.3								15.3
Actuals	14.8								14.8
Financial Sector Policy	6.1		49.0			42,335.5			42,390.6
<i>Total Authorities</i>	6.3		105.9			41,506.1			41,618.3
Actuals	7.4		105.9 ²			41,506.1 ³			41,619.4
Fed.-Prov. Relations and Social Policy	5.4							20,368.0	20,373.4
<i>Total Authorities</i>	5.6							24,264.1	24,269.7
Actuals	4.9							24,264.0	24,268.9
Econ. Develop. and Corp. Fin.	4.5								4.5
<i>Total Authorities</i>	4.6								4.6
Actuals	4.0								4.0
Consultations and Communications				10.7					10.7
<i>Total Authorities</i>				13.1					13.1
Actuals				7.9					7.9
Law Branch				1.8					1.8
<i>Total Authorities</i>				1.6					1.6
Actuals				1.7					1.7
Management ⁴				7.3					7.3
<i>Total Authorities</i>				5.8					5.8
Actuals				5.8					5.8
Corporate Services				11.4					11.4
<i>Total Authorities</i>				15.1					15.1
Actuals				18.2 ⁵					18.2
Canada Investment and Savings							164.5		164.5
<i>Total Authorities</i>							140.9		140.9
Actuals							140.9		140.9
TOTAL	45.7	935.4	49.0	31.2	-	42,335.5	164.5	20,368.0	63,929.3
<i>Total Authorities</i>	47.1	1,822.5	105.9	35.6 ⁶	1,671.5	41,506.1	140.9	24,264.1	69,593.7
Actuals	46.8	1,093.0	105.9	33.6 ⁷	0.0	41,506.1	140.9	24,264.0	67,190.3
% of TOTAL	0.1%	1.6%	0.2%	0.0%	0.0%	61.8%	0.2%	36.1%	

Note: Numbers in regular font denote planned expenditures/revenues for 1999–2000.
 Numbers in *italics* denote Total Authorities for 1999–2000 (Main and Supplementary Estimates and other authorities).
 Numbers in **bold** denote actual expenditures/revenues in 1999–2000.

¹ Total Authorities consist of \$1,600.8 million for subscriptions to shares of Petro-Canada Limited, \$68.6 million for payments to depositors pursuant to FIDCA and \$2.0 million for payments to the Canadian Commercial Bank.

² See explanation on page 34.

³ See explanation on page 40.

⁴ Accountability for "Management" includes the offices of the Minister, Secretary of State, Deputy Minister and Associate Deputy Ministers.

⁵ Higher-than-anticipated expenditures related to Salaries and Benefits, F.I.S. implementation and furniture renewal. These expenditures were offset by funds available in other service lines within this business line.

⁶ Total Authorities are reported in Public Accounts as \$191.2 million. Total Authorities reported in this table exclude \$155.6 million for statutory items, primarily for the net loss on exchange.

⁷ Actuals are reported in Public Account as \$189.2 million. Actuals reported in this table exclude \$155.5 million for statutory items, primarily for the net loss on exchange.

5. Respendable Revenues *

By Business Line (\$millions)

Business Lines	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Revenues	Total Authorities	Actual
Corporate Administration	6.9	5.7	5.8	5.8	5.8
Policies and Advice	0.6	0.6	0.6	0.6	0.4
Total Respendable Revenues	7.5	6.3	6.4	6.4	6.2

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

* Formerly “Revenues Credited to the Vote.”

6. Non-Respendable Revenues **

By Program¹ (\$millions)

Program	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Spending	Total Authorities	Actual
Economic, Social and Financial Policies Program ²	3,694.0	4,169.0	–	–	4,737.4
Public Debt Program	3.0	5.0	–	–	4.6
Total Non-Respendable Revenues	3,697.0	4,174.0	–	–	4,742.0

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

** Formerly “Revenues Credited to the General Government Revenues (GGR).”

¹ This table identifies revenues by program rather than by business line, since most departmental revenues are not specifically attributable to business lines.

² Includes proceeds from sales for the domestic coinage business line.

7. Statutory Payments

By Business Line (\$millions)

Business Lines	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Spending	Total Authorities	Actual
Budgetary					
Policies and Advice	4.2	6.5	6.4	7.3	7.3
International Financial Organizations	221.5	365.8	361.3	537.6	349.4
Domestic Coinage ¹	29.8	59.7	49.0	105.9	105.9
Corporate Administration	1.6	2.7	2.2	2.7	2.7
Special Projects	1.0	2,554.2	-	68.6	0.0
Interest and Other Costs ²	43,844.1	44,694.3	42,335.5	41,506.1	41,506.1
Canada Investment and Savings	126.6	137.4	164.5	140.9	140.9
Federal-Provincial Transfer Payments (Cash Portion)	18,559.6	20,906.9	19,069.0	22,862.3	22,862.3
Total Budgetary	62,788.4	68,727.5	61,987.9	65,231.4	64,974.6
Non-Budgetary					
International Financial Organizations	162.2	656.2	269.3	602.2	133.8
Special Projects	-	-	-	1,602.9	-
Total Non-Budgetary	162.2	656.2	269.3	2,205.1	133.8
Total Statutory Payments	62,950.6	69,383.7	62,257.2	67,436.5	65,108.4

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

¹ See explanation on page 34.

² See explanation on page 40.

8. Transfer Payments

By Business Line (\$millions)

Business Lines	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Spending	Total Authorities	Actual
GRANTS					
International Financial Organizations	208.0	268.6	127.3	301.1	228.5
Federal-Provincial Transfer Payments (Cash Portion)	40.0	40.0	–	–	–
Total Grants	248.0	308.6	127.3	301.1	228.5
CONTRIBUTIONS					
International Financial Organizations	–	–	170.0	171.2	171.2
Total Contributions	–	–	170.0	171.2	171.2
OTHER TRANSFER PAYMENTS					
International Financial Organizations	221.5	365.8	361.3	538.2	350.0
Special Projects	–	2,500.0	–	–	–
Federal-Provincial Transfer Payments (Cash Portion)	19,691.7	22,231.7	20,368.0	24,264.1	24,264.0
Total Other Transfer Payments	19,913.2	25,097.5	20,729.3	24,802.3	24,614.0
Total Transfer Payments¹	20,161.2	25,406.1	21,026.6	25,274.6	25,013.7

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

9. Loans, Investments and Advances

By Business Line (\$millions)

Business Lines	1999–2000				
	Actual 1997–98	Actual 1998–99	Planned Spending	Total Authorities	Actual
International Financial Organizations	195.2	195.2	276.8	209.8	209.6
Special Projects	52.9	11.7	–	–	–
Total	248.1	206.9	276.8	209.8	209.6

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

¹ In Table 2, Transfer Payments are split between column 3 (Grants, Contributions and Other Transfer Payments) and column 4 (Statutory Payments).

10. Contingent Liabilities

(\$millions)

List of Contingent Liabilities	Amount of Contingent Liability		
	March 31, 1998	March 31, 1999	Current as of March 31, 2000
Loans			
Loan Guarantee MICC And GEMICO	97.4 ¹	147.5	226.7
Loan Guarantee International Organizations	8,102.8	8,610.1	8,271.7
Loan Guarantee BIS Credit Facility in Favour of Brazil	–	235.7	171.9
Claims, Pending and Threatened Litigation	137.0	137.0	164.0
Total	8,337.2	9,130.3	8,834.3

Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

¹ The amount of contingent liability was originally reported as \$45.4 million in the 1997–98 Departmental Performance Report. This amount, however, was understated and has been corrected to reflect the actual amount of contingent liability.

Section VI: Other Information

Contacts for Further Information and Web Sites

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<i>Air Canada Public Participation Act</i>	(R.S. 1985, c. 35, 4 th Suppl.)
<i>Bank Act</i>	(1991, c. 46, unofficial B-1.01)
<i>Bank of Canada Act</i>	(R.S.C. 1985, c. B 2)
<i>Bills of Exchange Act</i> (with the exception of Part IV)	(R.S.C. 1985, c. B-4)
<i>Bretton Woods and Related Agreements Act</i>	(R.S.C. 1985, c. B-7)
<i>Canada Deposit Insurance Corporation Act</i>	(R.S.C. 1985, c. C-3)
<i>Canada Development Corporation Reorganization Act</i>	(1985, c. 49)
<i>Canada-Newfoundland Atlantic Accord Implementation Act</i>	(S.C. 1987, c. 3)
<i>Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act, Parts IV and V</i>	(1988, c. 28)
<i>Canada Pension Plan Act</i> (ss. 109 to 113 and 115)	(R.S.C. 1985, c. C-8)
<i>Canada Pension Plan Investment Board Act</i>	(S.C. 1997, c. 40)
<i>Canada-U.S. Free Trade Agreement Implementation Act, Part II</i>	(S.C. 1988, c. 65)
<i>Canadian International Trade Tribunal Act</i>	[R.S.C. 1985, c. 47 (4 th Suppl., unofficial C-18.3)]
<i>Canadian Payments Association Act</i>	(R.S.C. 1985, c. C-21)
<i>Cooperative Credit Association Act</i>	(R.S.C. 1991, c. 48, unofficial C-41.01)
<i>Currency Act</i>	(R.S.C. 1985, c. C-52)
<i>Customs and Excise Offshore Application Act</i>	(R.S.C. 1985, c. C-53)
<i>Customs Tariff</i>	(R.S.C. 1985, c. C-54)
<i>Debt Servicing and Reduction Account Act</i>	(1992, c. 18, unofficial D-0.5)
<i>Diplomatic Service (Special) Superannuation Act</i>	(R.S.C. 1985, c. D-2)
<i>European Bank for Reconstruction and Development Agreement Act</i>	(1991, c. 12, unofficial E-13.5)
<i>Excise Tax Act</i>	(R.S.C. 1985, c. E-15)
<i>Federal-Provincial Fiscal Arrangements Act</i>	(R.S.C. 1985, c. F-8)

<i>Federal-Provincial Fiscal Revisions Act, 1964–65</i>	(1964–65, c. 26)
<i>Financial Administration Act</i> (shared with the President of the Treasury Board)	(R.S.C. 1985, c. F-11)
<i>Garnishment, Attachment and Pension Diversion Act</i> (as it relates to MPs' pensions)	(R.S.C. 1985, c. G-2)
<i>Halifax Relief Commission Pension Continuation Act</i>	(S.C. 1974–75–76, c. 88)
<i>Income Tax Act</i>	[R.S.C. 1985, c. 1 (5 th Supp.)]
<i>Income Tax Conventions Interpretation Act</i>	(R.S.C. 1985, c. I-4)
<i>Insurance Companies Act</i>	(1991, c. 47, unofficial I-11.8)
<i>Interest Act</i>	(R.S.C. 1985, c. I-15)
<i>Newfoundland Additional Financial Assistance Act</i>	(R.S.C. 1985, c. N-23)
<i>Office of the Superintendent of Financial Institutions Act</i>	[R.S.C. 1985, c. 18 (3 rd Supp.), Part I, unofficial F-11.3 (Part I)]
<i>Oil Export Tax Act</i>	(S.C. 1973–74, c. 53)
<i>Payment, Clearing and Settlement Act</i>	(S.C. 1996, c. 6)
<i>Pension Benefits Standards Act</i>	(R.S.C. 1985, c. P-7)
<i>Petro-Canada Limited Act</i>	(R.S. 1985, c. P-11)
<i>Prince Edward Island Subsidy Act, 1912</i>	(S.C. 1912, c. 42; 1926–27, c. 76)
<i>Proceeds of Crime (Money-Laundering) Act</i>	(S.C. 1991, c. 26)
<i>Special Import Measures Act</i>	(R.S.C. 1985, c. S-15)
<i>Supplementary Fiscal Equalization Payments 1982–87 Act</i>	(S.C. 1985, c. 29)
<i>Trust and Loan Companies Act</i>	(1991, c. 45, unofficial T-19.8)
<i>Winding-up and Restructuring Act</i>	(R.S. 1985, c. W-11)

List of Statutory Annual Reports and Other Departmental Reports

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