



Department of Finance
Canada

Ministère des Finances
Canada

Sustainable Development Strategy 2007–2009



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Canada

Sustainable Development Strategy 2007–2009

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Executive Summary

The Department of Finance Canada is the Government's primary source of analysis and advice on the broad economic and financial affairs of Canada. As a policy-oriented department, Finance differs from other government departments in its limited direct involvement in delivering programs and services to Canadians. The Department's Sustainable Development Strategies therefore focus on areas where policies can be enhanced or shifted towards sustainable development objectives, ensuring advice supporting decision making includes sustainable development considerations, and improving the environmental performance of day-to-day operations.

This Sustainable Development Strategy (SDS), for the period of 2007–2009, is the Department's third update of its original SDS tabled in Parliament in December 1997. The 2007–2009 SDS builds upon the foundation of previous strategies, including key achievements in debt reduction, evaluation of environmental tax proposals, strategic environmental assessment and green stewardship. Ongoing review has also led to some minor structural changes to this SDS to improve clarity, linkages and performance measurement.

The development of the Department's 2007–2009 SDS has been shaped by government-wide guidance on federal sustainable development goals and greening government operations. The Department has also collaborated with other departments that share space in our building to develop common operational objectives and targets.

The SDS has also benefited from consultations undertaken by the Department to get a better understanding of how our actions and proposals are seen by stakeholders and those involved in sustainable development. We thank all of those who took the time to contribute their frank and helpful ideas. Their input has been invaluable in shaping both our policies and approaches to sustainable development and the role that the Department can play going forward.

The Department of Finance Canada's Vision for Sustainable Development

Economic and fiscal policy frameworks and decisions that promote equity and enhance the economic, social and environmental well-being of current and future generations.

The Department's vision for sustainable development highlights the long-term ideal, which this and future SDSs will strive to achieve. For the 2007–2009 SDS, the Department has set out five long-term goals that focus on key areas where the Department can contribute, within its mandate, to sustainable development:

1. Fiscal sustainability and a high standard of living for future generations.
2. Strong social foundations.
3. Integrating sustainable development considerations into policy making.
4. Integrating sustainable development considerations into the economy.
5. Demonstrating the Department's commitment to sustainable development in operations.

To make progress towards achieving these goals, and ultimately the Department's sustainable development vision, the 2007–2009 SDS commits to achieving specific targets within the time frame of the strategy. These targets are complemented by the ongoing work of the Department. Targets include: reducing the federal debt-to-GDP (gross domestic product) ratio; conducting research and analysis on population aging and other long-term economic challenges; implementing a new legislative funding framework for the Canada Social Transfer; developing new formulas for Equalization and Territorial Formula Financing; completing the next Canada Pension Plan triennial review; assessing potential changes to the tax system to assist the Government in meeting its environmental objectives; disseminating sustainable development information to employees; conducting research and analysis on environmental and natural resource issues; reviewing the departmental process for implementing the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals; maintaining and broadening the dialogue with stakeholders on Public Accountability Statements; and meeting a series of operational commitments to reduce energy use, improve solid waste management, improve the environmental performance of departmental vehicles, improve green procurement and increase green stewardship. Section 4 provides more details on the Department's ongoing work and commitments for the 2007–2009 SDS.

Meeting the commitments made in the 2007–2009 SDS will represent significant progress on all three pillars of sustainable development—economic, social and environmental. Long-term sustainable development requires the long-term sustainability of the economy, social programs and the environment and natural resources. Economic growth is an important aim of sustainable development in that it contributes to a high quality of life for Canadians, provides the fiscal capacity for governments to address environmental and social issues, and ensures that the Canadian economy remains strong in the face of new challenges (such as rising energy prices, an aging population or increasing globalization). Long-run economic growth is not possible if short-run objectives are pursued at the expense of the environmental or social pillars of sustainable development. One measure that has helped to integrate environmental considerations into decision making is the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, which requires departments to consider the environmental effects of any policy, plan or program submitted for ministerial or Cabinet approval.

The 2007–2009 SDS highlights key areas where the Department can make a difference. For example, debt reduction is of great importance to Canada's economic and fiscal sustainability. A sustainable retirement income system is essential for maintaining the living standards of Canadians. Improved strategic environmental assessment will lead to further advances in the systematic consideration of environmental issues when the Department provides advice to the Minister. The Department has also developed commitments that stretch beyond government-wide greening government operations guidance to demonstrate the Department's commitment to greening government operations.

In undertaking these actions over the next three years, the Department recognizes that fully achieving sustainable development will take time and continued effort. This requires that we take a long-term strategic approach to our overall vision, while continuing to commit to short-term actions that lead us along this path. In our view, sustainable development implies an ongoing process of experience, learning and change—it is a journey as much as it is a destination.

Section 1:

Introduction

Sustainable development is a key goal of public policy within Canada and internationally. The 1995 amendment to the Auditor General Act requires ministers to prepare Sustainable Development Strategies outlining their departments' objectives and plans for action to further sustainable development, and that the strategies be updated at least once every three years. This requirement has enabled departments to engage in a long-term process of considering how they can better contribute to sustainable development. Finance tabled its first SDS in December 1997, which covered the years 1998–2000. Since then, the Department has updated the strategy twice, first for the years 2001–2003, and then for 2004–2006. The 2007–2009 SDS is the third update.

1.1 Sustainable Development

The Auditor General Act defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainable development is a challenge that requires action by many actors, including the international community, national governments, sub-national and local governments, industry, organizations and individuals. The Government of Canada has a strong role to play in promoting sustainable development. The 2007–2009 SDS describes how, within the scope of its overall roles and responsibilities, the Department of Finance will make progress in key areas.

1.2 Departmental Profile

The Department of Finance is the Government's primary source of analysis and advice on the broad economic and financial affairs of Canada. Probably the most well-known responsibility of the Department is its preparation of the annual federal budget—one of the key mechanisms by which the Government implements its overall agenda.

In addition to preparing the budget, Finance plays an important role in the development and implementation of government policies that foster growth, create jobs and promote a secure society. It does this by undertaking policy development work and providing analysis and advice. Policy development takes place within the Department on those issues and areas of responsibility that fall within the Department's own mandate. In fulfilling this internal policy development role, the Department is responsible for:

- Analyzing the economic and fiscal situation and prospects for Canada and other countries.
- Providing analysis, advice and recommendations on tax and tariff policy and developing tax and tariff legislation.
- Administering major federal funding transfers to the provinces and territories.
- Assessing the investment policy and financing framework of the Canada Pension Plan in conjunction with the provinces and territories.
- Representing Canada within international financial institutions and international economic and trade fora.
- Developing regulatory policy for the country's financial sector.
- Managing federal borrowing on financial markets.
- Developing policies for, and advice on, the financial sector and financial markets, including initiatives on combatting money laundering and terrorist financing.

The Department's external or "central agency" role includes providing analysis and advice on the policy and program proposals developed by other government departments. In its central agency capacity, Finance officials serve as members of a broader team of federal officials that review options for, and the implications of, proposals that are presented to the federal Cabinet. Finance focuses its advice primarily on the economic merit and fiscal implications of these policy and program proposals from other government departments.

The Department has reviewed Finance's core roles and responsibilities in order to identify the areas where the SDS can most make a difference in advancing sustainable development. As a policy-oriented department, Finance has limited direct involvement in delivering programs or services to Canadians. That being said, it has a clear role to play in contributing to the Government's overall sustainable development efforts. The Department's 2007–2009 SDS identifies how the Department can best enhance its policy development, analysis and advice activities to further sustainable development.

1.3 Issue Scan

A review of the key policy areas under the responsibility of the Department of Finance determined that there are essentially five sustainable development outcome areas where the Department can make a significant contribution: fiscal sustainability and a high standard of living for future generations; strong social foundations; integrating sustainable development considerations into policy making; integrating sustainable development considerations into the economy; and demonstrating the Department's commitment to sustainable development in operations.

1.4 Moving Beyond “Business as Usual”

In a letter to departments in April 2006, the Commissioner of the Environment and Sustainable Development asked that departments work to ensure that their SDSs go beyond “business as usual” to make significant progress toward sustainable development.

In response to this request, the Department sought to determine where advances beyond “business as usual” could be made. Commitments made in the Department's 2007–2009 SDS build upon those made in previous SDSs and other fora, such as federal budgets. The Department's ability to stretch commitments is in many areas limited, given that policy directions are set by Cabinet decision making, which establishes the parameters within which the Department acts. In some areas, such as departmental operations, there is more scope to stretch departmental commitments further than in previous SDSs.

Commitments made in this 2007–2009 SDS represent significant progress. For example, debt reduction is of great importance to Canada's economic and fiscal sustainability. A sustainable retirement income system is essential for maintaining the living standards of Canadians. Improved strategic environmental assessment will lead to further advances in the systematic consideration of environmental issues when the Department provides advice to the Minister. The government-wide greening government operations guidance has also driven commitments that will significantly improve the Department's environmental performance. A number of operational commitments outlined in Section 4.5 represent significant “stretch” beyond guidance requirements.

1.5 Role and Fit of the Sustainable Development Strategy

The SDS outlines how the Department can best contribute to advancing sustainable development in a way that is consistent with its overall mandate and government-wide objectives.

The Department of Finance reports annually in its *Departmental Performance Report* (DPR) on progress made toward SDS commitments. The DPR often describes the outcomes or impacts of implemented budget initiatives and may indicate additional departmental reports or publications that contain more information. As well, in each annual *Report on Plans and Priorities* (RPP), the Department provides an update on plans to implement its SDS commitments.

In order to provide parliamentarians and the public with more detailed information, the DPR and RPP include links to a web page that displays supplementary information on the Department's SDS commitments.

Section 2:

Key Achievements and Lessons Learned From the 2004–2006 Sustainable Development Strategy

2.0 Introduction

The 2004–2006 SDS outlined a number of key issues, objectives and targets for the Department over the three-year time frame. Looking back on our progress since the development of the 2004–2006 strategy, four key achievements emerge. As well, the assessment of the previous strategy has resulted in a number of “lessons learned” that influenced both the structure and content of the 2007–2009 strategy.

2.1 Key Achievements

2.1.1 Debt Reduction

Debt reduction has been one of the Department’s key activities in contributing to sustainable development. As a percentage of GDP, federal debt stood at 35.1 per cent in 2005–06, down 33.3 percentage points from its peak of 68.4 per cent in 1995–96. Since the start of the 2004–2006 strategy, the federal debt-to-GDP ratio has dropped by close to 6 percentage points.

Lowering the debt burden reduces Canada’s exposure to fluctuations in global interest rates and reduces the share of each revenue dollar that goes to service the debt, allowing the Government to invest in areas important to the well-being of Canadians. It also helps Canada prepare for the fiscal challenges associated with population aging. Population aging will slow government revenue growth and put pressure on government expenditure programs such as health care and pension benefits. These fiscal pressures provide strong rationale for continued debt reduction in order to ensure the well-being of future generations.

Going forward, the Government believes that we should aim as a country to eliminate Canada’s total government net debt by 2021 at the latest. The federal government will do its part by continuing to plan on annual federal debt reduction of \$3 billion and is committed to reducing the federal debt-to-GDP ratio to 25 per cent by 2012–13.

2.1.2 Framework for Evaluating Environmental Tax Proposals

The Government published “A Framework for Evaluation of Environmental Tax Proposals” in February 2005, fulfilling a commitment from the 2004–2006 SDS. The framework underscores the importance of integrating both environmental and economic considerations into policy analysis in the pursuit of sustainable growth. It sets out the context and criteria that may guide the analytical evaluation of options to use the tax system to pursue environmental goals. In particular, the framework notes that the use of the tax system to achieve environmental goals must be considered in the context of all of the available policy instruments. The framework is a tool to help identify options for solutions to environmental concerns that produce the best results for the environment, at the lowest cost for taxpayers and the economy, and in the fairest and simplest manner. The framework facilitates dialogue with stakeholders and fosters a shared understanding of policy considerations that should be taken into account in the development of specific proposals.

2.1.3 Strategic Environmental Assessment

The Department of Finance has made significant progress in its implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. In the last four years, the Department has developed internal guidance material for managers and staff, established an improved tracking system for strategic environmental assessments (SEAs), undertaken annual information sessions, and instituted regular briefing sessions for staff and senior management. Since 2003, the number of SEAs conducted has risen from 3 to 79 (in 2005). Officials are better equipped now than they were in 2003 to use SEA as a tool to ensure environmental considerations are given due treatment in policy proposals. The Department will continue to strive to effectively implement the Cabinet directive. This Sustainable Development Strategy commits the Department to annually review the departmental SEA process and set up a web page to provide easy access to public statements of environmental effects relating to a new departmental measure.

2.1.4 Green Citizenship Network

The Green Citizenship Network (GCN) is a group of volunteer employees from the Department of Finance, the Treasury Board Secretariat, the Public Service Human Resources Management Agency of Canada and the Public Service Commission of Canada who, in addition to sharing building space, share the common goal of collectively promoting environmental stewardship within the federal workplace. Two management committees—an Assistant Deputy Minister committee and a Director’s committee—support the GCN.

The first GCN Business Case identified three priority issues—energy, solid waste, and paper use—and made a number of recommendations for actions that could be taken to address issues in each priority area. To date, projects completed for the L’Esplanade Laurier building from this Business Case include: setting all computer monitors to sleep after 15 minutes of inactivity and adjusting the building temperature to save energy (total energy savings of 2,000,000 kilowatt hours per year or \$190,000); implementing a vermicomposting pilot project; purchasing recycled unbleached paper towels; adjusting washroom paper towel dispensers to be more

conserving (savings of 1,440 rolls annually or \$1,400 a year); implementing standardized duplex printing at network printers; and posting Printing Practices Guidelines with best practices to conserve paper (savings of 795,000 sheets of paper or \$5,100 a year). Three targets from the Business Case have been added as targets in the 2007–2009 SDS. Additional projects from Business Case I and II are underway.

The GCN will continue to serve as an important source of ideas for greening operations and will work to further develop its capacity to provide employees with opportunities to effect change at the grassroots level, demonstrating leadership through individual and collective efforts.

2.2 Lessons Learned

The Department's lessons learned from the 2004–2006 SDS are based on: the review of the 2004–2006 SDS conducted by the Commissioner of the Environment and Sustainable Development (CESD) as part of her 2005 report; an assessment of the Department's objectives and targets (included in Annex 1); and an internal review of the structure of the 2004–2006 SDS document with a view to improving its clarity.

2.2.1 Vision

The Department's vision from the 2004–2006 strategy stated: "The Department of Finance will strive to ensure that economic and fiscal policy decisions and frameworks contribute to economic growth and enhanced quality of life and allow current and future generations to meet their economic, social and environmental needs." Consistent with previous guidance provided to the Department by the CESD, going forward, the vision should be more of a statement of a desirable future state, instead of something that the Department would "strive" to do. As well, consideration of the 1995 *Guide to Green Government* sustainable development objectives led to the conclusion that the vision should focus on the areas where the Department could make key contributions to sustainable development. The objectives most consistent with the Department's mandate are promoting intergenerational and intragenerational equity and enhancing economic, social and environmental well-being. The vision (outlined in Section 3) has been revised to reflect these considerations.

2.2.2 Goals

The 2004–2006 SDS included two goals and four key issues. The goals expressed long-term results, but their linkage to the key issues, objectives and targets was sometimes unclear. The 2007–2009 strategy merges the 2004–2006 goals and key issues to create five goals that more clearly reflect the desired long-term results for the Department. The internal review of the 2004–2006 SDS found that the previous strategy did not sufficiently highlight the Department's key contributions to sustainable development. To remedy this, the previous key issue entitled "Building the Future" has been divided into two goals, one which highlights the departmental contribution to fiscal sustainability and standards of living and one which highlights the departmental contribution to strong social foundations. The revised goals are outlined in Section 3.

2.2.3 Objectives

A number of the 2004–2006 SDS objectives were based on ongoing work of the Department in areas where results were either linked to international negotiations or the responsibility of other federal departments. These objectives did not easily lend themselves in all cases to measurable targets, since the Department did not always have control over outcomes. To facilitate the setting of meaningful and measurable targets, the objectives (outlined in Section 3) focus on areas where the Department of Finance is the lead federal department or has a distinct role in areas where other departments have the policy lead. However, ultimate outcomes in many areas of action are set by Cabinet decision making, which on an ongoing basis establishes the parameters within which the Department acts.

Other important ongoing departmental work relating to sustainable development is highlighted in Section 4, under each of the goals. For example, the Department's international work provides an important contribution to furthering the integration of sustainable development in the global economy, and is therefore highlighted in Section 4.4. This work does not, however, lend itself to the establishment of clear targets or performance measures, given that outcomes are linked to ongoing international negotiations and development strategies that involve a wider international community. As a result, no objectives or targets are specified for the 2007–2009 SDS in this area.

2.2.4 Targets

The inclusion in the 2004–2006 SDS of some objectives where the Department had little or no control over the outcome made the establishment of measurable targets challenging. For the 2007–2009 strategy, the increased focus on areas where the Department has a distinct role allows for the establishment of more concrete targets. For each target, Section 4 outlines its contribution to the objective, time frame to completion and performance measure. This improves the clarity of departmental commitments and facilitates performance reporting. However, stakeholders consulted during the development of the SDS felt that the Department should take care not to lose important qualitative measures of progress and achievement in an effort to move toward quantitative performance measurement.

2.2.5 Linkages to Other Departments and Government-Wide Goals

The 2007–2009 strategy provides linkages to government-wide efforts in Section 4.7. Section 4.7 highlights the linkages between Finance's sustainable development goals and objectives and government-wide objectives developed under the leadership of Environment Canada. As well, Finance has worked with other departments that share space in our building—the Treasury Board Secretariat, the Public Service Human Resources Management Agency of Canada and the Public Service Commission of Canada—to develop common operational objectives and targets consistent with government-wide objectives established in the greening government operations guidance developed by Public Works and Government Services Canada, Environment Canada and the Treasury Board Secretariat.

An effort has also been made throughout Section 4 to highlight the work of the Department in areas where other departments are the lead.

Section 3:

The Sustainable Development Framework for 2007–2009

3.0 Introduction

Finance's fourth SDS is built upon the solid foundations of the 1998–2000, 2001–2003 and 2004–2006 strategies. However, the framework for the 2007–2009 SDS has been adjusted to improve clarity and strengthen linkages among the various elements.

The 2007–2009 SDS framework includes a vision, five goals and a set of objectives related to each goal. Sections 3.1 and 3.2 elaborate on the vision and goals of the framework. Section 4 describes each objective and outlines specific targets related to each, highlighting the contribution of the targets toward the relevant objective.

3.1 Vision

Sustainable Development Vision

Economic and fiscal policy frameworks and decisions that promote equity and enhance the economic, social and environmental well-being of current and future generations.

The Auditor General Act outlines eight ways that sustainable development can be achieved: the integration of the environment and the economy; protecting the health of Canadians; protecting ecosystems; meeting international obligations; promoting equity; an integrated approach to planning and making decisions; preventing pollution; and respect for nature and the needs of future generations.

The Department of Finance's most important contribution to sustainable development lies in integrating the environment and the economy, promoting intergenerational and intragenerational equity, and respecting the needs of future generations. The Department can play a significant role in sustainable development by ensuring fiscal sustainability, contributing to a high standard

of living for future generations and working to build strong social foundations. As well, through the course of its work relating to tax policy, financial sector policy and in its central agency role, the Department can contribute to efforts to integrate sustainable development considerations into policy making and the economy. In addition, Finance can set an example for other organizations through a commitment to sustainable development in its operations.

3.2 Goals

For the 2007–2009 SDS, the Department of Finance has set out five long-term goals that focus on key areas where it can contribute to sustainable development. Under each goal is a set of objectives. Further details on the objectives, and the Department's commitments under them, are provided in Section 4.

1. Fiscal sustainability and a high standard of living for future generations: Population aging will bring with it future economic and fiscal challenges and put downward pressure on growth in living standards. By taking actions now to ensure long-run fiscal sustainability, and by identifying effective policies that encourage investment in the drivers of economic growth, such as human capital, physical capital and innovation, the Government can help to ensure a high standard of living for future generations. The Department contributes to this goal through responsible fiscal management, economic policy advice, sound framework policies (such as those related to taxation and financial markets), and ongoing analysis of Canada's current and long-run economic and fiscal position.

Objectives:

- Promote fiscal sustainability by reducing Canada's debt burden.
- Keep abreast of long-run economic and fiscal issues and prospects.
- Develop and support policies and measures that promote the long-run sustainability of Canada's economy.

2. Strong social foundations: Safe, healthy and caring communities that provide all citizens with equal access to opportunities are key to the creation of a strong, competitive, vibrant and sustainable economy and society. The Department contributes to this goal by: working with partners in other departments to identify policies that support investments in people and their communities; working in cooperation and collaboration with other orders of government, which have the primary responsibility for these policy areas, to ensure policy consistency and, where appropriate, affordable, stable and predictable funding; and developing specific policies, such as tax or financial sector regulation, which support this goal.

Objectives:

- Ensure stable and predictable funding for health and social programs.
- Reduce fiscal disparities through the Equalization and Territorial Formula Financing programs.
- Ensure the sustainability of the retirement income system.

- 3. Integrating sustainable development considerations into policy making:** Sustainable growth requires that economic, social and environmental considerations be integrated into all aspects of policy analysis, so that there is a clear understanding of all the implications of policy options and the balance between various objectives. The Department will continue to integrate sustainable development considerations into policy making as part of its own policy development work in areas such as taxation and financial markets and through its central agency role, which is focused on evaluating the economic and fiscal implications of policy and program proposals from other government departments.

Objectives:

- Evaluate the potential for the use of economic instruments as a policy tool for addressing environmental issues.
- Increased knowledge and awareness of environmental and broader sustainable development issues within the Department.
- Effective implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals.

- 4. Integrating sustainable development considerations into the economy:** There are two key ways that the Department can work to integrate sustainable development considerations into the economy. The first is through its responsibility for financial sector policy. The way financial sector companies conduct business can have a significant impact on sustainable development. As such, it is important that economic, social and environmental considerations are incorporated into business plans and are reported to stakeholders. The Department can play a role in government-wide efforts to support corporate social responsibility in the financial sector. It can also make a significant contribution to integrating sustainable development objectives into the global economy through its involvement in international policies and international institutions. Through its role in presenting Canada's position in international fora, the Department can promote trade and environment linkages, advance sustainable development objectives, support long-term development objectives and work to ensure adherence to sustainability policies.

Objective:

- Encourage high quality reporting on corporate social responsibility in the Public Accountability Statements.

5. Demonstrating the Department's commitment to sustainable development in operations:

A sustainable society requires that individuals and organizations commit to sustainable development. The Department has a role to play in setting an example. It will reduce the environmental footprint of its operations in cooperation with federal organizations that share our building space. The greening government operations guidance developed by Public Works and Government Services Canada, the Treasury Board Secretariat and Environment Canada will shape the Government of Canada's and Department of Finance's efforts in this area.

Objectives:

- Reduced energy use.
- Improved solid waste management.
- Improved environmental performance of departmental vehicles.
- Green procurement.
- Green citizenship.
- Improved environmental management.

Section 4:

Commitments for the 2007–2009 Sustainable Development Strategy

4.0 Introduction

The Department of Finance is the Government’s primary source of analysis and advice on the broad economic and financial affairs of Canada. Section 1.2 provides a description of the Department’s core responsibilities.

The Department’s vision for sustainable development—“economic and fiscal policy frameworks and decisions that promote equity and enhance the economic, social and environmental well-being of current and future generations”—is consistent with its mandate to foster a strong economy. Within this vision for the future, goals and objectives were identified in Section 3 that highlight key areas where the Department can contribute to sustainable development.

This section outlines the ongoing work of the Department to support each goal and commits to specific targets for the 2007–2009 SDS. The Department has focused on making specific commitments in areas relating to its core mandate where it is the lead federal department or has a distinct role in areas where other departments have the policy lead. Other areas of work, such as collaborative efforts with other federal departments or participation in the Cabinet decision-making process, remain important departmental contributions to federal sustainable development efforts but do not lend themselves to the establishment of specific targets for the Department of Finance. However, ongoing departmental work will complement the specific commitments made within the strategy aimed at making progress toward the five goals.

Section 4 also provides an overview of budget development and linkages to government-wide goals and objectives.

4.1 Goal 1: Fiscal Sustainability and a High Standard of Living for Future Generations

Population aging will bring with it future economic and fiscal challenges and put downward pressure on growth in living standards. By taking actions now to ensure long-run fiscal sustainability, and by identifying effective policies that encourage investment in the drivers of economic growth, such as human capital, physical capital and innovation, the Government can help to ensure a high standard of living for future generations. The Department contributes to this goal through its advice on responsible fiscal management, advice on economic policy and framework policies (such as those related to taxation and financial markets), and ongoing analysis of Canada's current and long-run economic and fiscal position.

Ongoing Work

The Department contributes to the goal of long-run fiscal sustainability through responsible management of the Government's finances. The Department plans and prepares the federal budget, monitors economic and fiscal developments and the Government's financial position, and provides ongoing analysis and advice on policies that promote a healthy economic and fiscal climate.

As well, the Department provides advice to ensure that the tax system raises sufficient revenues to pay for public services, while keeping tax burdens and marginal tax rates low to provide incentives to work, save and invest, and also ensuring that the tax burden is shared fairly, in accordance with the ability to pay of taxpayers. Where appropriate, the tax system may also be used to pursue specific economic and social objectives that contribute to a high standard of living for future generations, such as encouraging savings for post-secondary education, encouraging research and development and helping protect the environment.

In addition, through agreements with the provinces such as the Tax Collection Agreements, the federal government ensures that impediments to labour mobility across the provinces are minimized. This allows for a smoother functioning of the economic union.

As part of its central agency role, the Department works with Industry Canada and other departments on policies relating to innovation, competitiveness, productivity, economic adjustment, science and technology, telecommunications and the information highway, specific industry sector issues, and small business programs and regional development.

4.1.1 Objective 1a: Promote Fiscal Sustainability by Reducing Canada's Debt Burden

Reducing debt raises living standards by increasing national savings and investment; promotes intergenerational equity by ensuring that future generations are not burdened by higher taxes or higher debt; and promotes macroeconomic stability by increasing the flexibility of fiscal and monetary policy to respond to economic shocks. Achieving this objective requires responsible and sound budget planning, accountable and efficient government operations, and effective expenditure management.

Target	Contribution to objective	Time frame to completion	Performance measure
1.a.1: Eliminate Canada's total government net debt by 2021 at the latest. For its part, the federal government will continue to target annual federal debt reduction of \$3 billion and is committed to reducing the federal debt-to-GDP ratio to 25 per cent by 2012–13	Establishes a commitment to a clear downward path for both the federal debt burden and Canada's total government debt burden. Total government net debt is a relevant benchmark for Canada to focus on, because it is the measure organizations such as the Organisation for Economic Co-operation and Development (OECD) use in comparing the fiscal position of countries.	Reduce the federal debt-to-GDP ratio to 25 per cent by 2012–13 and eliminate Canada's total government net debt by 2021.	Federal debt and the federal debt-to-GDP ratio, as reported in the <i>Annual Financial Report of the Government of Canada</i> . Canada's total government net debt, as reported in the <i>OECD Economic Outlook</i> .

4.1.2 Objective 1b: Keep Abreast of Long-Run Economic and Fiscal Issues and Prospects

Having a strong understanding of issues important to Canada's long-run economic and fiscal prospects, such as productivity and population aging, allows government to implement policies and measures that ensure fiscal sustainability, promote economic growth, and thereby contribute to a high standard of living for future generations.

Target	Contribution to objective	Time frame to completion	Performance measure
1b.1: Conduct research and analysis concerning the economic and fiscal implications of population aging and other long-term economic challenges.	Increased awareness of the effects of population aging and other long-term economic challenges on the economy and Canada's fiscal position.	Ongoing.	Working papers, presentations within and outside the Department, and briefing material.
1b.2: Conduct analysis of the sustainability of Canada's fiscal position, including that of the provinces and territories.	Provides a general assessment of fiscal sustainability in Canada and our ability to handle long-term pressures such as those arising from population aging.	Ongoing.	Working papers, presentations within and outside the Department, and briefing material.

4.1.3 Objective 1c: Develop and Support Policies and Measures That Promote the Long-Run Sustainability of Canada’s Economy

By developing a policy framework that supports a more competitive and productive Canadian economy, the Government can help to promote long-run economic growth, thereby contributing to fiscal sustainability and a high standard of living for future generations. The Department will develop and support policies and measures that promote economic competitiveness and productivity, and as part of its analysis of policy proposals will ensure that consideration is given to the long-run economic, social and environmental impacts.

<i>Target</i>	<i>Contribution to objective</i>	<i>Time frame to completion</i>	<i>Performance measure</i>
1c.1: Provide analysis and advice to the Minister on possible changes to Canada’s tax system to ensure it supports a competitive and productive economy.	Analysis and advice provided to the Minister of Finance underpins the development of effective policies that contribute to greater long-term economic growth.	Ongoing.	Analysis and advice to the Minister and subsequent measures announced in the budget or by other means.

4.2 Goal 2: Strong Social Foundations

Safe, healthy and caring communities that provide all citizens with equal access to opportunities are key to the creation of a strong, competitive, vibrant and sustainable economy and society. The Department contributes to this goal by working with partners in other departments to identify policies that support investments in people and their communities. The Department also contributes to this goal by working in cooperation and collaboration with other orders of government, which have the primary responsibility for these policy areas, to ensure policy consistency and, where appropriate, affordable, stable and predictable funding. The Department also contributes through the development of specific policies, such as tax or financial sector regulation, that support this goal.

Ongoing Work

As part of its central agency role, the Department provides advice and analysis to the Minister and senior management on the Government’s broad social agenda, particularly from the perspective of the intersection between social and economic policy. The Department also works closely with the federal departments responsible for the development and administration of social programs. Policy and program areas covered include income security, pensions, employment and labour market issues, employment insurance, training, immigration, education, health, housing, communications, culture and the arts, justice and security, Aboriginal peoples,

women's issues, child care, and social policy aspects of the Canadian Charter of Rights and Freedoms and other legal issues. The Department also liaises with its provincial and territorial counterparts and coordinates meetings of federal and provincial ministers of Finance and treasurers and their deputies.

Transfers to provincial-territorial governments and to persons are important to promoting economic and social well-being, and overall quality of life. They support both good social policy and good economic policy, providing income support, providing support for health and social programs, and reducing disparities across the country.

As part of its responsibility for transfers to the provinces and territories, the Department provides analysis and advice pertaining to a broad range of issues related to federal-provincial-territorial relations and fiscal arrangements. The Department administers payments under the Canada Health Transfer, the Canada Social Transfer, Equalization and Territorial Formula Financing, as well as targeted funding initiatives such as the Wait Times Reduction Transfer.

For federal transfers, ensuring predictable and growing federal funding for health and social programs reflects the priority of building and maintaining a strong society and improving the quality of life of Canadians. The Department has implemented predictable and growing funding for health and social programs in fulfilment of the September 2004 10-Year Plan to Strengthen Health Care, as well as the 2000 and 2003 health accords.

With respect to transfers to persons, ensuring that the retirement income system is sustainable and ready to respond to the pressures of an aging society is crucial to ensure the economic security of older Canadians and to ensure that governments do not face undue fiscal pressures in the future. The Department is a key driving force behind the Government's efforts to maintain the financial sustainability of the public component of the retirement income system. As well, through its responsibility for tax policy matters, the Department is responsible for the system of limits on tax-deferred private savings in registered pension plans (RPPs) and registered retirement savings plans (RRSPs). The deferral of tax provided on savings in RPPs and RRSPs encourages and assists Canadians to save to replace earnings in retirement. Savings also support investment, productivity and economic growth, which are key to helping meet demands associated with an aging population. The Department also provides advice and policy analysis on the regulatory environment governing employer sponsored pension plans in federally regulated sectors of the economy.

The Department is also committed to public reporting. It provides information to Parliament, through briefings and background material, and to Canadians, through communications material, explaining federal support for health and social programs in order to improve public awareness of transfer support and the federal contribution to provincial-territorial health and social programs.

4.2.1 Objective 2a: Ensure Stable and Predictable Funding for Health and Social Programs

Intergovernmental transfers are important tools to ensure that all governments have access to adequate revenues to meet their responsibilities. These transfers also help to ensure adequate support for shared priorities, such as health care and post-secondary education, that foster a strong economic and social union and equality of opportunities for all Canadians.

Federal transfers for health and social programs need to support provinces and territories in their long-term policy planning and allow them to remain accountable to their residents. To do so, federal transfers need to be predictable and grow in line with reasonable and fiscally sustainable projections of future expenditures in the areas supported by these transfers over the long term.

Federal support for provincial-territorial health care has been put on a long-term, predictable and growing track. Going forward, the Department will consult with provincial and territorial governments to determine the most appropriate arrangements for long-term funding commitments for post-secondary education and training.

Target	Contribution to objective	Time frame to completion	Performance measure
2a.1 Implement a new legislative funding framework for the Canada Social Transfer (CST).	Will set out a funding framework for the CST cash transfer to ensure stable and predictable funding for provincial-territorial governments.	By March 31, 2008.	Legislation to amend the Federal-Provincial Fiscal Arrangements Act.

4.2.2 Objective 2b: Reduce Fiscal Disparities Through the Equalization and Territorial Formula Financing Programs

The Equalization and Territorial Formula Financing (TFF) programs promote equity by addressing fiscal disparities among provinces and the higher costs of providing services in the territories, so that the less prosperous regions of Canada have enhanced fiscal capacity to meet their current and future social, economic and environmental needs.

The Department will review the reports of the Expert Panel on Equalization and Territorial Formula Financing, released in June 2006, and other contributions, such as the report of the Council of the Federation Advisory Panel on Fiscal Imbalance, along with subsequent consultations with provinces and territories, to arrive at renewed, principle-based Equalization and TFF programs for the 2007–08 and subsequent fiscal years.

Target	Contribution to objective	Time frame to completion	Performance measure
2b.1 New formulas for Equalization and TFF will be developed in consultation with provincial and territorial governments.	Will ensure that fiscal disparities continue to be addressed.	New Equalization and TFF programs to be implemented for the 2007–08 and subsequent fiscal years.	Legislation to amend the Federal-Provincial Fiscal Arrangements Act.

4.2.3 Objective 2c: Ensure the Sustainability of the Retirement Income System

A sustainable retirement income system ensures a basic, minimum level of income for all seniors, enables Canadians to maintain living standards in retirement, is fair and equitable for future generations, and meets the needs of current and future generations of seniors in light of evolving economic and social trends. Canada is internationally recognized as one of the few developed countries with a financially sustainable public pension system in the face of population aging.

The Department contributes to this objective through its ongoing review of the public and private components of the retirement income system. For example, it provides support to the federal, provincial and territorial finance ministers' financial reviews of the Canada Pension Plan. Also, it provides analysis and advice on policy proposals relating to contribution limits for registered retirement savings plans and registered pension plans and the standards for the funding and investment of federally regulated pension plans.

Target	Contribution to objective	Time frame to completion	Performance measure
2c.1 Complete the next Canada Pension Plan triennial review.	Will ensure the long-term financial sustainability of the Plan and ensure that it remains responsive to the needs of current and future retirees.	Legislation requires best efforts be made to complete the review in 2008.	Press release on the Department's website and legislation if required.

4.3 Goal 3: Integrating Sustainable Development Considerations Into Policy Making

Sustainable growth requires that economic, social and environmental considerations be integrated into all aspects of policy analysis, so that there is a clear understanding of all the implications of policy options and the balance between various objectives. The Department will continue to integrate sustainable development considerations into policy making as part of its own policy development work in areas such as taxation and financial markets and through its central agency role, which is focused on evaluating the economic and fiscal implications of policy and program proposals from other government departments.

Ongoing Work

As part of its central agency role, the Department works with other departments in the context of budget planning to identify environmental sustainable development priorities and ways to address them. The Department works with Environment Canada and other relevant departments on environmental policies under development to address challenges such as climate change, air and water pollution and biodiversity. It reviews and discusses program and regulatory proposals from Environment Canada and other government departments. In its tax policy role, it reviews and discusses proposals for tax policy changes from such departments.

In recent years, departmental work has resulted in a number of funding decisions announced in budgets, including funding relating to the cleanup of federal contaminated sites and brownfields, measures addressing invasive alien species, improving oceans management, environmentally sound planning and management practices for farms, effective environmental assessment, and environmentally sustainable municipal infrastructure and public transit infrastructure.

The tax system also contains a number of measures to help achieve environmental objectives. In particular, tax incentives are provided to encourage investment in energy efficient and renewable energy generation equipment, donations of ecologically sensitive land, purchases of public transit passes, and the production and use of ethanol, methanol and biodiesel as alternative fuels. At the same time, the deduction for tax purposes of fines and penalties, including those imposed under federal, provincial, municipal and foreign environmental protection laws, is prohibited.

4.3.1 Objective 3a: Evaluate the Potential for the Use of Economic Instruments as a Policy Tool for Addressing Environmental Issues

Economic instruments, such as targeted grants/subsidies, tradable permits, tax measures and procurement policies, are one option available to policy makers when they are looking to address an environmental issue. For any particular goal, the potential use of economic instruments must be assessed relative to other instruments of policy such as regulation, voluntary agreements, public education and government-conducted research and development. There are a number of examples where the Government has used economic instruments to contribute to sustainable development, including the accelerated capital cost allowance for energy generation equipment that uses renewable energy sources or makes efficient use of fossil fuels.

As part of its central agency role, the Department provides analysis and advice to the Minister of Finance on policy and program proposals developed by other government departments, including economic instruments. As the lead department on tax policy, officials provide analysis and advice to the Minister of Finance on tax policy proposals received from other government departments responsible for environmental policy and stakeholders, or developed within the Department. The framework for evaluation of environmental tax proposals (discussed in Section 2) is intended to help facilitate discussion of the use of tax measures and other economic instruments with other government departments and external stakeholders, assisting consideration of the relative advantages and disadvantages of different policy instruments.

Target	Contribution to objective	Time frame to completion	Performance measure
3a.1 Examine potential changes to the tax system to assist the Government in meeting its environmental objectives, including proposals received from responsible policy departments and external stakeholders.	Tax measures are among the potential economic instruments available to the Government to assist it in achieving its environmental objectives.	Ongoing.	Analysis and advice to the Minister and subsequent measures announced in the budget or by other means.
3a.2 Update the <i>Catalogue of Federal, Provincial and Territorial Taxes on Energy Consumption and Transportation in Canada</i> .	The catalogue will help to maintain the knowledge base on the structure of Canadian taxation in areas pertinent to environmental concerns.	December 2007.	Completion of the updated catalogue.

4.3.2 Objective 3b: Increased Knowledge and Awareness of Environmental and Broader Sustainable Development Issues Within the Department

An essential element of improving the integration of environmental and broader sustainable development considerations into policy making is increased knowledge and awareness of sustainable development issues among those in the Department who provide advice to the Minister of Finance on policy direction. The Department will work to broaden and deepen the knowledge and awareness of sustainable development issues among its employees through further research and analysis, expert speakers and informative material.

Target	Contribution to objective	Time frame to completion	Performance measure
3b.1 Organize at least one speaker annually on an issue related to sustainable development.	Will increase knowledge and awareness of sustainable development issues.	Annual.	Speaker arranged at least once a year.
3b.2 Develop “tip sheet” for employees on sustainable development.	Will improve understanding of sustainable development.	December 2007.	Tip sheet completed and available to employees.
3b.3 Conduct research and analysis on environmental and natural resource issues.	Increased awareness and understanding of current environmental and natural resource issues within the Department.	Ongoing.	Intra-departmental presentation of research and analytical results.

4.3.3 Objective 3c: Effective Implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals

The Department of Finance has made significant progress in the implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. Strategic environmental assessment (SEA) helps ensure that environmental considerations are given due treatment in policy proposals. The Department will regularly review and make improvements to its SEA process.

Target	Contribution to objective	Time frame to completion	Performance measure
3c.1 Review the departmental process for implementing the Cabinet directive.	Will help determine areas where improvements to the departmental process can be made. Links to government-wide guidance objective 6.2 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	Annually.	Annual report on review.
3c.2 Develop web page for Department of Finance public statements on SEA.	Will provide easy public access to statements on SEA.	December 2007.	Web page available to public.

4.4 Goal 4: Integrating Sustainable Development Considerations Into the Economy

There are two key ways that the Department of Finance can work to integrate sustainable development considerations into the economy. The first is through its responsibility for financial sector policy. The way financial sector companies conduct business can have a significant impact on sustainable development. As such, it is important that economic, social and environmental considerations be incorporated into business plans and reported to stakeholders. The Department can play a role in government-wide efforts to support corporate social responsibility in the financial sector.

The Department can also make a significant contribution to integrating sustainable development objectives into the global economy through its involvement in international policies and international institutions. Through its role in presenting Canada's position in international fora, the Department can promote trade and environment linkages, advance sustainable development objectives, support long-term development objectives and work to ensure sustainability policies are adhered to.

4.4.1 Objective 4a: Encourage High Quality Reporting on Corporate Social Responsibility in the Public Accountability Statements

Ongoing Work

The Financial Sector Policy Branch is responsible for providing analysis of Canada's financial services sector and financial markets as well as developing the legislative and regulatory framework governing federally chartered financial institutions (banks, trust companies, insurance companies and cooperative credit associations, and federally regulated defined benefit pension plans).

In October 2001, Bill C-8—An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions—introduced a requirement for federally regulated financial institutions with over \$1 billion in equity to publish annually a Public Accountability Statement (PAS) describing their contribution to the Canadian economy and society. As part of their PAS, financial institutions need to report on their community development activities, including their contributions to the social, cultural, economic or environmental enrichment of a community.

Since the introduction of this requirement, the Department has continued to work with the financial institutions to help them improve their reporting in the PAS. The constant improvement in the quality of the reports has been the result of a successful dialogue between the Branch and financial institutions.

The Department supports federally regulated financial institutions with equity over \$1 billion as they report on how they incorporate corporate social responsibility (CSR) activities in the way they conduct business by encouraging high quality reporting on the CSR aspects of the PAS.

Target	Contribution to objective	Time frame to completion	Performance measure
4a.1 Maintain and broaden the dialogue with stakeholders.	Help financial institutions improve their reporting in the PAS and inform other stakeholders on CSR.	Ongoing.	Meetings with stakeholders; discussion material; reports to senior management.
4a.2 Participate in domestic and international conferences/seminars related to CSR.	Increase knowledge and understanding of CSR and socially responsible investment practices and use in dialogue with stakeholders.	Ongoing.	Conferences attended; reports to senior management.

4.4.2 Integrating Sustainable Development Objectives Into Our International Work

Ongoing Work

The Department of Finance is the lead department with respect to export finance issues, international debt reduction initiatives, import policy (e.g. tariff and trade remedies), the prevention and resolution of international financial crises, international trade and investment negotiations, and Canada's involvement in international financial institutions, specifically the World Bank, the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development.

The Department plays a pivotal role in representing Canada's position in these international activities. Nevertheless, its role is one of influencing outcomes in a multilateral context rather than direct control over outcomes. Despite the difficulty in quantifying performance against measurable targets, the Department remains committed to advancing sustainable development objectives in areas of our international economic work.

First, in the context of negotiations of the World Trade Organization, we will continue to promote trade and environment linkages in conjunction with the Department of Foreign Affairs and International Trade (DFAIT) and other government departments. This will include ongoing efforts to eliminate tariffs on environmental goods and discipline subsidies that may have an impact on the environment in multilateral trade negotiations. The Department will also continue to work with DFAIT and other government departments to apply the *Framework for the Environmental Assessment of Trade Negotiations*. The Government of Canada is committed to conducting environmental assessments of trade negotiations in order to identify the economic effects of the negotiated agreement and the likely related environmental impacts. The framework applies to bilateral, regional and multilateral negotiations.

Secondly, we will continue to advance sustainable development objectives through our efforts in fostering global economic stability and ensuring financial crisis management. For example, Canadian contributions towards the IMF's Exogenous Shocks Facility will provide concessional financing to low-income countries that are experiencing negative shocks arising from commodity price fluctuations and environmental disasters.

Thirdly, our support for long-term development objectives like the Millennium Development Goals will also provide opportunities for furthering sustainable development objectives in the global economy. We will continue to support these objectives in a number of ways.

Under the Multilateral Debt Relief Initiative, Canada will contribute its share of the costs to cancel 100 per cent of debts owed to the IMF, the International Development Association and the African Development Fund by countries that complete the Heavily Indebted Poor Countries Initiative. This can free up domestic resources in these countries for sustainable development expenditures. In addition, the 14th Mid-Term Review of the International Development Association replenishment will provide an opportunity to assess supported programs and projects against long-term environmental and social sustainability goals. Through this review and in other fora, we will also continue to support the international financial institutions in their mission to evaluate existing financing mechanisms and possibly introduce new ones in support of encouraging access to sustainable and affordable energy in the poorest countries.

Canada will also work through its Executive Director's office at the World Bank to ensure that the International Finance Corporation's new Policy on Social and Environmental Sustainability, approved at the World Bank's Executive Board in early 2006, is adhered to on a project-by-project basis.

4.5 Goal 5: Demonstrating the Department's Commitment to Sustainable Development in Operations

A sustainable society requires that individuals and organizations commit to sustainable development. As a federal government department, the Department of Finance has a role to play in setting an example. The Department will reduce the environmental footprint of its operations in cooperation with federal organizations that share building space. The greening government operations guidance developed by Public Works and Government Services Canada, the Treasury Board Secretariat and Environment Canada will shape Government of Canada and Department of Finance efforts in this area.

Ongoing Work

Most Department of Finance employees are housed in the L'Esplanade Laurier building in downtown Ottawa. The Department is a tenant of the building, which is owned by a private company and managed with a lease-to-own option through the Public Works and Government Services Canada mandate. The facility was built in the early 1970s and is in need of important energy upgrades and other retrofits.

The Department of Finance, the Treasury Board Secretariat, the Public Service Human Resources Management Agency of Canada and the Public Service Commission of Canada have agreed to work together on a greening of operations plan, commitments and reporting because of co-location in the L'Esplanade Laurier building. This common approach, implemented through Corporate Services Branch, will further facilitate government-wide reporting on environmental performance.

Together, the four departments and agencies have agreed to:

- Address the priorities set forth in the greening government operations guidance document (i.e. building energy, fleet management and green procurement).
- Address other opportunities recommended in the guidance (i.e. waste management and green stewardship).
- Develop and implement an Environmental Management System that will ensure a management framework respective of environmental stewardship in all operations and activities with a continuous improvement loop.
- Participate in the most significant and relevant steering group(s) (fleet management, green procurement, regulatory compliance, energy, etc.) for their respective department or agency.
- Continue to support Earth Day, Environment Week and other awareness campaigns.
- Support and drive greening operations and SDS commitments from the most senior levels. Successful implementation will require the support of necessary human and financial resources, the alignment of policies to support their delivery, and the identification of associated authorities and accountabilities.

The four departments and agencies have combined their efforts to outline commitments that meet, and often exceed, government-wide greening operations guidelines. Efforts have been made, where possible, to stretch beyond the guideline's targets to demonstrate leadership, accelerate positive change and maximize efficiencies. For example, they have committed to a 75 per cent waste diversion target and composting of hand paper towels. They have also vowed to strengthen their commitment to green stewardship and pursue a comprehensive Environmental Management System that will help to integrate environmental considerations into operational decision making.

4.5.1 Objective 5a: Reduced Energy Use

Energy used to heat, cool, light and power buildings can result in significant air pollutants and pressure on electricity supply. The greening government operations guidance identifies building energy as a priority area. Many opportunities exist to work with federal organizations sharing space to reduce building energy consumption in areas such as awareness, plug load, after-hours and weekend procedures, and retrofits.

Target	Contribution to objective	Time frame to completion	Performance measure
5a.1—Energy Conservation Program— Decrease greenhouse gas (GHG) emissions by 5 per cent in L'Esplanade Laurier (LEL) based on fiscal year 2005–06 baseline through the development and implementation of an energy conservation plan and awareness campaign to explore and facilitate energy efficiency opportunities for LEL and other occupied buildings.	Contributes to reductions in GHG emissions and other air pollutants. Links to greening government operations guidance and government-wide SDS objective 3.3 to mitigate and reduce GHG emissions.	2007–2009.	Report annually the percentage reduction in GHG emissions for L'Esplanade Laurier.

4.5.2 Objective 5b: Improved Solid Waste Management

Office property generates significant amounts of solid waste, including recyclable materials such as paper, cardboard, metal, glass and plastics. The greening government operations guidance encourages departments to explore waste management opportunities. The Department of Finance will work with other federal organizations to explore take-back programs, proper disposal of office waste, expanded recycling programs, and improved management of construction and demolition waste.

Target	Contribution to objective	Time frame to completion	Performance measure
5b.1—Update Recycling Program at L'Esplanade Laurier —Divert 75 per cent of waste through the redesign and implementation of an updated recycling program, including improvement to take-back and hazardous materials programs.	Reduces total solid waste generated and diverts it from landfills. Stretches beyond greening government operations guidance requirements.	End of 2007.	Report on waste diversion percentage from landfill based on waste audit baseline of 2004 for L'Esplanade Laurier.
5b.2—Composting Program —Develop and implement a composting program. Opportunities could include hand paper towels and food waste.	Reduces solid waste generated and diverts solid waste from landfills. Stretches beyond greening government operations guidance requirements.	End of 2007.	Program in place that meets Public Works and Government Services Canada guidelines.

4.5.3 Objective 5c: Improved Environmental Performance of Departmental Vehicles

The Department of Finance and the Treasury Board Secretariat share a small six-car executive vehicle fleet. Nonetheless, greening opportunities exist for this fleet to meet and exceed current environmental performance policies for executive fleets.

Target	Contribution to objective	Time frame to completion	Performance measure
5c.1—Reduce GHG Emissions —Will reduce GHG emissions per vehicle kilometre from the departmental fleet by 15 per cent based on 2005–06 fleet composition baseline.	Reduces GHG emissions and other air pollutants. Links to greening government operations guidance and government-wide SDS objective 3.3 to mitigate and reduce GHG emissions.	2007–2009.	Annual average GHG emissions per vehicle kilometre.
5c.2—Maximize Use of Ethanol —90 per cent of gasoline purchased for federal road vehicles will be ethanol-blended.	Improve the environmental performance of the departmental fleet.	Immediately.	Percentage of gasoline purchased for federal road vehicles that is ethanol-blended based on fiscal year 2005–06 baseline.
5c.3—Green and Defensive Driver Training —All drivers will be provided Green and Defensive Driver Training.	Improve the environmental performance of the departmental fleet. Stretches beyond greening government operations guidance requirements.	By end of calendar 2007.	100 per cent of drivers will have taken Green and Defensive Driver Training based on fiscal year 2005–06 baseline.

4.5.4 Objective 5d: Green Procurement

Green procurement mitigates the environmental impact of goods and services, supports the greening of government operations, and stimulates innovation and market development of, and demand for, environmentally preferred goods and services, making these available to other sectors of society. The Department of Finance is generally not considered to be a resource-intensive department. However, it could make a contribution toward greening operations by taking action focusing on paper consumption, printers and photocopiers, electronic equipment and office furniture, and by providing green procurement training. A co-benefit of some of these measures could be significant cost savings. Green procurement has been identified as a priority area in the development of Sustainable Development Strategies within the greening government operations guidance.

Target	Contribution to objective	Time frame to completion	Performance measure
5d.1—Green Procurement Tracking —Will adjust procurement tracking and reporting to include green procurement (collaboratively with a number of departments and agencies).	Reduced waste and environmental impact; increased recycling content. Stretches beyond greening government operations guidance requirements and links to government-wide SDS objective 6.1 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	2007–2009.	Report on number of contracts issued, quantity purchased and the dollar value of the contracts, and identity associated environmental outcomes.
5d.2—Multi-Function Document Manager Pilot Program —Develop a pilot for equipment that would reduce the need for a separate networked photocopier, printer, colour printer and scanner (and possibly fax machine).	Reduced waste and increased reuse and recycling. Links to greening government operations guidance and government-wide SDS objective 6.1 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	2008.	Report on number of contracts issued, quantity purchased and the dollar value of the contracts, and identify associated environmental outcomes (i.e. energy), information management/information technology (IM/IT) support savings, and client and IM/IT support staff satisfaction via surveys and/or interviews.

Target	Contribution to objective	Time frame to completion	Performance measure
5d.3—Green Furniture Purchases —Corporate Services Branch will increase purchases of green office furniture from 2005–06 levels by 50 per cent where and whenever new fit-up opportunities exist, and where current design configuration permits.	Reduced waste and environmental impact; increased reuse and recycling. Links to greening government operations guidance and government-wide SDS objective 6.1 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	2007–2009.	Report on number of contracts issued, quantity purchased and the dollar value of the contracts, and identify associated environmental outcomes.
5d.4—Develop and Deliver Green Procurement Training to 100 per cent of materiel managers and procurement staff by 2008, as well as 60 per cent of acquisition cardholders by 2009.	Will lead to increased green government contracting and reduced environmental impacts. Stretches beyond greening government operations guidance requirements and links to government-wide SDS objective 6.1 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	2007–2009.	Report annually on the percentage of materiel managers, procurement staff and acquisition cardholders by commodity trained.

4.5.5 Objective 5e: Green Citizenship

The Department of Finance recognizes that environmental management will succeed if there is input from the employees (bottom-up) and management support (top-down). Green citizenship is a primary enabler for achieving greening operations objectives and targets because their success is heavily dependent on the actions of federal employees. Finance currently takes part in an inter-departmental Green Citizenship Network (GCN), which reports to senior management. The GCN provides employees with a structure through which they can take part in greening operations activities at the grassroots level. The Department will continue to develop the GCN, and will continue to promote environmental initiatives and awareness campaigns, including Earth Day and Environment Week.

Target	Contribution to objective	Time frame to completion	Performance measure
5e.1—Green Citizenship Network (GCN) —Corporate Services Branch will establish ongoing support for the GCN, increase the GCN membership by 25 per cent and improve opportunities for employee participation in grassroots environmental activities.	Improved environmental awareness and departmental performance. Stretches beyond greening government operations guidance requirements and links to government-wide SDS objective 6.1 to develop organizational structures and processes to support meaningful and significant sustainable development objectives.	2007–2009.	GCN membership. Report on environmental initiatives implemented and identify associated environmental outcomes.

4.5.6 Objective 5f: Improved Environmental Management

An Environmental Management System (EMS) is a framework developed by an organization to help improve its environmental performance by taking environmental considerations into account when making decisions and managing risks. The development and implementation of an EMS will ensure that the Department of Finance meets legislative and policy objectives and will demonstrate the Department's long-term commitment to the environment. An EMS will incorporate government-wide goals and targets established in the greening government operations guidance, but will also allow for additional and long-term greening operations goals and targets.

Target	Contribution to objective	Time frame to completion	Performance measure
5f.1—Environmental Management System (EMS) —Corporate Services Branch will develop and implement an EMS for the Department of Finance, the Treasury Board Secretariat and the Public Service Human Resources Management Agency of Canada, in collaboration with the Public Service Commission of Canada.	Will lead to improved environmental performance of facilities. Responds to the 1999 Report of the Commissioner of the Environment and Sustainable Development, which called for departments to develop and model their EMS after the International Organization for Standardization 14000 series. Stretches beyond greening government operations guidance requirements.	2007–2009.	Successful internal EMS audit (Treasury Board Secretariat, Consulting and Audit Canada or Office of Greening Government Operations).

4.6 Budget Development

Ongoing Work

The Department of Finance plans and prepares the federal budget. The budget lays out government revenue and spending projections, and the tax and spending measures in support of the Government's priorities and policy agenda.

The Department publishes economic and fiscal projections in the budget in the spring and in the Economic and Fiscal Update in the fall, and advises on the Government's overall budget-planning framework. The Department also provides monthly reports on the revenues and expenditures of the Government in *The Fiscal Monitor*. Starting in 2006–07 *The Fiscal Monitor* will provide quarterly updates of the fiscal outlook. Through these activities, the Department is able to ensure that Canada's public finances are managed responsibly and are sustainable over the longer term.

In its central agency capacity, departmental officials serve as members of a broader team that includes federal officials from other departments. In carrying out its central agency role, the Department provides policy analysis and advice to other departments on new policy and spending proposals developed for the Government's consideration. The Department focuses its advice primarily on the economic and fiscal implications of these policy and program proposals. In addition, the Department meets with and receives budget submissions from stakeholders, which the Department reviews and analyzes. These ongoing activities help shape the Government of Canada's approach to sustainable development as reflected in new budget initiatives. The sustainable development impacts of budget initiatives often occur through their implementation by the lead departments or organizations. That being said, the collaboration of other departments, including the Department of Finance, in the policy development process is the primary mechanism for ensuring that the impacts of any proposal on the environment, the economy and the provision of social services—that is, its sustainable development impacts—are integrated in policy and program design. Reporting on the results of various budget initiatives is the responsibility of the lead departments.

Federal budgets can be found on the Department of Finance website at www.fin.gc.ca.

4.7 Linkages to Government-Wide Sustainable Development Goals

Environment Canada led the development of a set of federal sustainable development goals for the fourth round of strategies, available at www.sdinfo.gc.ca. The initial set of goals, which will provide the basis for a federal roll-up report, focus on a core set of government-wide sustainable development objectives. Subsequent iterations are expected to bring in more fully economic and social issues.

Given the Department of Finance's mandate, the focus of its activity is largely economic in nature. That being said, within the initial set of government-wide sustainable development goals, the Department of Finance commitment (Objective 3c) to effective implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals links to the government-wide outcome 6.1.2: clear and effective governance mechanisms to reflect sustainable development in an ongoing way in decision making, e.g. strategic environmental assessment. As well, the Department of Finance includes SDS commitments in its annual *Report on Plans and Priorities* and *Departmental Performance Report*, which links to the government-wide outcome 6.1.1: SDS commitments are integrated into the key planning and reporting processes of departments and agencies. Further information on the Department's SDS management and reporting is included in Section 5.

In addition to the federal sustainable development goals developed under the leadership of Environment Canada, Public Works and Government Services Canada, Environment Canada and the Treasury Board Secretariat have created *A Guide to Greening Government Operations*, which has provided the framework for the Department's operational commitments made in Section 4.5. The guidance document focuses on three key priorities: building energy, vehicle fleet and green procurement. It also identifies other opportunities for improved environmental performance based on best practices in the federal government and other jurisdictions.

Section 5:

Performance Measurement, Management and Accountability

5.0 Introduction

In response to concerns raised in the 2001 Report of the Commissioner of the Environment and Sustainable Development, the Department developed and implemented an enhanced management system to support the implementation of its SDS. The management system included strengthened leadership; improved structures to help ensure effective planning, implementation, record keeping and central coordination; and management review and scope for corrective actions.

This section sets out how the Department measures and tracks its targets at the working level, how the strategy is managed within the Department and how accountability is structured. It also outlines how the Department reports on its progress towards its SDS commitments.

5.1 Leadership

The Assistant Deputy Minister of the Department's Economic Development and Corporate Finance Branch, who is the Department's sustainable development champion, has the responsibility for overseeing the development and implementation of Finance's SDS and also acts as a focal point for other government-wide sustainable development issues.

5.2 Planning, Implementation, Record Keeping and Central Coordination

The Resources, Energy and Environment Section of the Economic Development and Corporate Finance Branch, under the general direction of the Department's sustainable development champion, coordinates departmental sustainable development management, policy and activities. The main coordination vehicle is the Sustainable Development Working Group (SDWG), which consists of officials from all branches and is chaired by the Senior Chief of the Resources, Energy and Environment Section. SDWG's mandate includes:

- Dealing with horizontal sustainable development issues.
- Developing the 2007–2009 SDS.
- Managing commitments set out in past SDSs.

SDWG is responsible for coordinating the implementation of SDS commitments within the various branches at Finance, and contributes to reporting plans and progress on these commitments. The group does this by helping prepare the Department's annual *Report on Plans and Priorities* (RPP) and its *Departmental Performance Report* (DPR), as well as annual reports to the Department's sustainable development champion and the Departmental Coordinating Committee (DCC). DCC is a senior committee comprising general directors from each branch and other senior officials, and is responsible for broad policy coordination within the Department.

The Resources, Energy and Environment Section also performs the following central functions:

- Preparing the SDS component of the RPP and DPR, including supplementary tables posted on the Department's website that provide detailed reporting on progress and planned actions under each SDS commitment.
- Keeping a record of SDWG activities and coordinating other cross-cutting sustainable development activities of the Department.
- Providing progress reports to the sustainable development champion, DCC and other senior management as required.

5.3 Management Review and Scope for Corrective Action

Responsible assistant deputy ministers sign off on the supplementary tables to the RPP and DPR, prepared annually. This allows senior management to review the Department's progress and planned actions on SDS commitments and make adjustments as necessary. The Assistant Deputy Minister of the Economic Development and Corporate Finance Branch, the departmental sustainable development champion, coordinates reporting for ultimate approval of the Deputy Minister and Minister.

The Economic Development and Corporate Finance Branch also reports annually to DCC on departmental activities and reporting relating to the SDS. This helps to ensure department-wide senior management engagement.

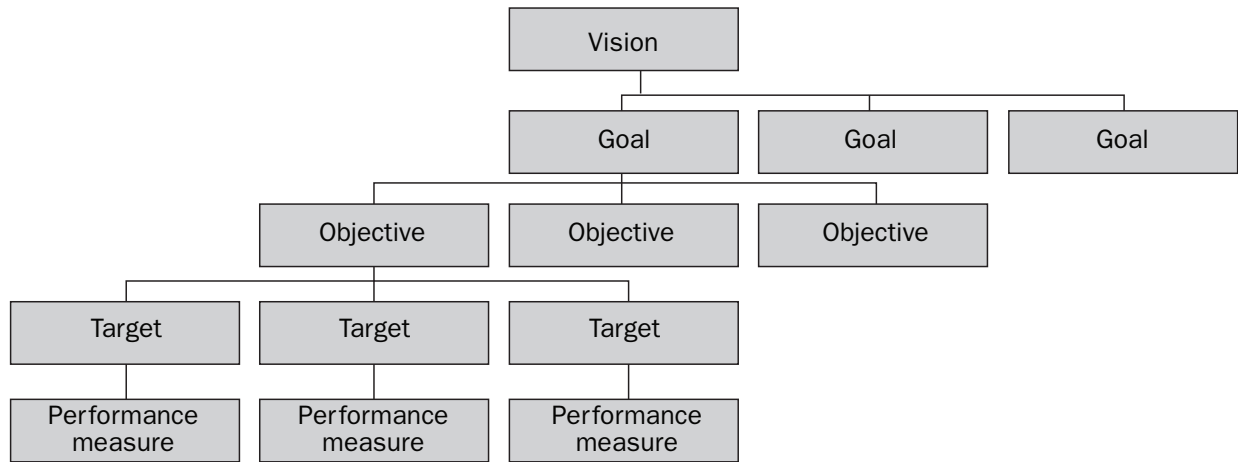
5.4 Reporting on Progress

A progress report on the implementation of the SDS is provided annually in the DPR. All departments, including the Department of Finance, table a DPR before Parliament each fall reporting on the status of activities that were outlined in the previous spring's RPP. When reporting on the implementation of commitments in the SDS, the DPR reports progress on the performance indicators that have been identified for each of the strategy's targets. The Department also seeks opportunities to report on progress in meeting sustainable development objectives in other relevant annual reporting documents or through other special reports.

The key document that the Department of Finance produces is the federal budget. It sets out where and how the Government of Canada will collect and invest taxpayers' money. Some budget initiatives relate to sustainable development goals and objectives. Generally, the department, agency or organization responsible for implementation of the initiative will report on its progress.

5.5 Logic Model

Below is an illustration of the logic model used for the development of the 2007–2009 SDS. It shows how the vision, goals, objectives, targets and performance measures fit within the framework.



Annex I:

Assessment of the 2004–2006 Sustainable Development Strategy

In the spring of 2006, the Department prepared an assessment of its 2004–2006 SDS targets to help guide the development of the 2007–2009 SDS. The assessment investigated:

- How successful the Department was in meeting its targets.
- Where and how performance was reported.
- How the targets and actions helped achieve the objectives and vision.
- Changing circumstances that affected departmental targets.
- Whether the targets were still relevant for the 2007–2009 SDS.

The assessment is grouped under the 4 key issues and 13 objectives set out in the 2004–2006 SDS. Key achievements and lessons learned from the 2004–2006 SDS are outlined in Section 2. Progress on the targets set out in the 2004–2006 SDS was also reported annually over the period in a supplementary document to the *Departmental Performance Report*.

AI.1 Key Issue #1: Building the Future

AI.1.1 Objective 1a: Maintaining a Healthy Fiscal Climate

As part of efforts to maintain a healthy fiscal climate, the 2004–06 SDS aimed to keep the debt-to-GDP ratio on a clear downward path. Debt reduction will continue to be one of the Department's key activities in contributing to sustainable development. The federal debt-to-GDP ratio is reported in the *Annual Financial Report of the Government of Canada*. Over the span of the 2004–2006 SDS, it fell by 5.8 percentage points, from 40.9 per cent in 2003–04 to 35.1 per cent in 2005–06. Going forward, the Government believes that we should aim as a country to eliminate Canada's total government net debt by 2021 at the latest. The federal government will do its part by continuing to plan on annual federal debt reduction of \$3 billion and is committed to reducing the federal debt-to-GDP ratio to 25 per cent by 2012–13.

AI.1.2 Objective 1b: Building a Stronger Society

As part of the 2004–2006 SDS, the Department of Finance aimed to ensure predictable and growing funding for health and social programs. In the last three years, the Department achieved this objective through the implementation of the 2003 First Ministers' Accord on Health Care Renewal and the 10-Year Plan to Strengthen Health Care, signed by First Ministers in September 2004.

The 2003 Health Accord provided \$36.8 billion over five years, including \$31.5 billion through increased transfers and \$5.3 billion in new direct spending measures, to improve the accessibility, quality and sustainability of the public health care system and enhance transparency and accountability in health care spending.

The 10-Year Plan provided \$41.3 billion in new federal funding in support of provincial-territorial health care. As a result of this agreement, the Canada Health Transfer (CHT) was strengthened by a total of \$35.3 billion over 10 years, reflecting an increase in the CHT base

level to \$19 billion in 2005–06, and the adoption of an annual 6 per cent escalator beginning in 2006–07. As well, the funding provided \$5.5 billion for a dedicated Wait Times Reduction Transfer as well as \$500 million for additional investments in medical equipment.

Following Budget 2006, the Department will engage provincial-territorial governments in consultations to determine the most appropriate arrangements for long-term funding commitments for post-secondary education and training.

The target of improved transparency and accountability of federal transfer support was achieved effective April 1, 2004, when the Canada Health and Social Transfer was restructured into two new block transfers: the Canada Health Transfer in support of health; and the Canada Social Transfer in support of post-secondary education, social assistance and social services, including early childhood development and early learning and child care services.

In addition, in order to improve public awareness of transfer support and the federal contribution to health and social programs, the Department provided information to Parliament, through briefings and background material, and to Canadians, through communications material, explaining increased federal support for health and social programs, as well as the new transfer structure.

The 2004–2006 SDS also committed to ensure fiscal disparities are addressed through the Equalization and Territorial Formula Financing (TFF) programs. Over the last three years, the Department has continued to successfully ensure that these programs address fiscal disparities. Over this period, a new framework for Equalization and TFF was announced in October 2004, which increased overall funding levels to \$10.9 billion for Equalization and \$2 billion for TFF, the highest levels ever reached for these programs. This amount is legislated to grow at 3.5 per cent in each subsequent year up to 2013–14.

At the same time, the Expert Panel on Equalization and Territorial Formula Financing was established to provide the Government with advice on how total Equalization and TFF funding should be allocated among provinces and territories. The panel released its final report in June 2006. The Department will consult with provincial-territorial governments with a view to putting forward proposals that provide provinces and territories with long-term fiscal certainty in relation to Equalization and TFF payments for 2007–08 and subsequent fiscal years.

Departmental work to ensure the retirement income system remains sustainable and meets seniors' needs continues. Federal and provincial officials have worked on analysis, research and advice to support federal and provincial finance ministers' triennial financial review of the Canada Pension Plan (CPP), to be completed in 2006. The proposed changes to the CPP in Budget 2004 received Royal Assent on April 8, 2004. After consultation with the provinces and territories, the required approval was obtained and the new legislation came into force on January 31, 2005. The Department also prepared the annual report on the operations of the CPP in consultation with the Department of Social Development. The special examination of the CPP Investment Board was completed on June 15, 2004, by Deloitte & Touche, who concluded that there is reasonable assurance that there are no significant deficiencies in the systems and practices of the CPP Investment Board. The Department has begun the transfer of

all CPP assets remaining with the federal government to the CPP Investment Board. The CPP Investment Board will be responsible for managing all CPP assets beginning in May 2007. The Department has also been working to implement a Budget 2005 commitment to increase the maximum monthly Guaranteed Income Supplement (GIS) for single seniors, senior couples and near-senior spouses, partners, or survivors of GIS recipients (i.e. recipients of the Allowance and the Allowance for the Survivor benefits) on January 1, 2006 and January 1, 2007.

The Department will work with federal and provincial officials to prepare the next triennial financial review of the CPP, which legislation requires federal, provincial and territorial ministers complete by the end of 2008 and implement any changes ministers agree to as required.

The Department will also work to support efforts announced in Budget 2006 to discuss with provinces the possibility of allocating a portion of unplanned federal government surpluses to the CPP and Quebec Pension Plan.

AI.1.3 Objective 1c: Implementing Key Federal Environmental Sustainable Development Priorities

In the context of budget preparation, the Department of Finance has worked with other federal departments and stakeholders to identify ways to address environmental sustainable development priorities. Collaboration with other departments in the policy development process is important to ensuring sustainable development impacts are considered in policy and program design. Departmental work resulted in a number of decisions announced in recent budgets, including funding relating to cleanup of federal contaminated sites and brownfields, addressing invasive alien species, improving oceans management, environmental farm planning and management practices, and environmentally sustainable municipal infrastructure and public transit infrastructure. The Department's work on sustainable development issues as part of budget preparation will continue to be important, but specific targets in this area are challenging given the Department has little and often no direct control over the implementation of the initiatives on which it advises.

As part of its commitment in the 2004–2006 SDS, the Department of Finance also worked with other government departments to evaluate federal horizontal management of water policy. A draft Federal Water Framework was developed in 2004 for working-level use among federal officials. The framework provides a diagnostic of water-related issues in Canada, maps out the roles and responsibilities of federal departments regarding freshwater, and identifies priority areas for further attention in both a national and a global context. The framework will be used to better understand and organize the roles of at least 19 federal departments and inform improvements to the Government's collective management of water policy. Further development of the framework is temporarily on hold, pending the development of other broad policy frameworks at Environment Canada. The Department of Finance will use the framework as a tool for analyzing any immediate water-related policy developments, and will participate in future efforts. However, it will be difficult to set specific targets in this area in future SDSs given that the Department does not have direct control over water policy or programs.

AI.2 Key Issue #2: Integrating the Economy and the Environment

AI.2.1 Objective 2a: Evaluating the Potential for and Developing Practical Uses of Economic Instruments

As part of its effort to evaluate economic instruments in relation to Canada's approach to addressing climate change, the Department of Finance participated in work undertaken by a number of departments on the potential design of a greenhouse gas emissions trading system, as well as production incentive programs for renewable energy. The nature of work in the future will depend on the policy direction pursued by the Government with respect to climate change. It is difficult to establish meaningful targets in this area since the Department does not have direct control over environmental programs. The Department generally focuses on analysis and advice relating to the economic and fiscal implications of proposals brought forward by the lead departments—for example, Environment Canada and Natural Resources Canada for climate change.

During the 2004–2006 time frame, officials also participated in the work of the National Round Table on the Environment and the Economy (NRTEE), including their Expert Advisory Group, steering committee for Ecological Fiscal Reform and various working groups. Although participation in these groups is important and does contribute to high quality, well-informed, policy development, it does not lend itself to specific targets for the Department of Finance given that it is dependent on the topics pursued by the NRTEE. Therefore, it is recommended that the 2007–2009 SDS not include a target of this nature.

The Department also continued its analysis and research on the economic and fiscal implications of population aging. Research topics included the effects of population aging on the composition of aggregate demand and productivity, early retirement incentives embedded in private pension plans, and the effects of population aging on age-related program expenditures. A number of presentations on the economic and fiscal implications of aging were prepared and presented in various governmental and academic fora, including a Canada-European Union conference in Brussels and a national conference organized by the Policy Research Initiative that brought together a number of academics and government officials. These presentations and the research conducted within the Department were used as the basis of Annex 3 of Budget 2005 on Canada's demographic challenge. This annex provided a brief but comprehensive overview of the demographic challenge Canada will face in years to come and its implications for living standards and government finances.

The Department also continued to keep abreast of the emerging literature related to population aging and its economic and fiscal impacts, and developed and employed analytical tools (such as computable general equilibrium models, microsimulation models and econometric methods) to examine impacts associated with population aging and provide analysis of current and proposed policies. A paper detailing the recent literature on population aging was drafted during the period. A computable general equilibrium model was developed and was used to address various questions pertaining to population aging. The model and simulation results were documented in a research paper. A long-term economic and fiscal model was used to examine hypothetical policy scenarios from the Policy Research Initiative's research project Population

Aging and Life-Course Flexibility, while other models were used to conduct ongoing sensitivity analysis of the fiscal impact of population aging on provincial and federal governments. Results from these models were used in the elaboration of the Budget 2005 annex on population aging and in numerous presentations that were made and circulated both within and outside the Department. This work will continue to be important for the Department's contribution to sustainable development.

The analysis of environmental tax proposals and related research is also a part of the process of evaluating practical uses of economic instruments to achieve the Government's environmental objectives. The Department's analysis is the basis for policy recommendations to the Minister of Finance. Where decisions are made to implement changes to the tax system, they are typically announced in the federal budget.

To facilitate this process, the Government published "A Framework for Evaluation of Environmental Tax Proposals" in February 2005. The framework sets out five evaluation criteria—environmental effectiveness, fiscal impact, economic efficiency, fairness and simplicity—that may form the basis for an examination of the potential effectiveness of proposed environmental tax measures. It facilitates dialogue with stakeholders and fosters a shared understanding of policy considerations that may be taken into account in the development of specific proposals.

An illustrative example of how these evaluation criteria were applied to the assessment of a specific tax measure was provided by the NRTEE's October 2005 technical report *Development of Options for a Vehicle Feebate in Canada*. In February 2005, the Government had asked the NRTEE to develop options, to consult and to make recommendations with respect to a revenue-neutral vehicle "febate"—a measure that could provide a consumer rebate for fuel-efficient vehicles at the same time as imposing a fee on fuel-inefficient vehicles. In October 2005, the NRTEE provided its technical report and a briefing note containing its recommendations to the Minister of Finance. The NRTEE recommended "the federal government not introduce a program of vehicle feebates at this time, pending development of a broader transportation sector strategy." In addition, the NRTEE indicated that feebates might not, on their own, be effective in achieving the goals of encouraging energy conservation and minimizing greenhouse gas emissions in Canada.

The Department continued to evaluate research and proposals concerning environment-related tax measures in consultation with other government departments and stakeholders, including taxpayers, industry associations and environmental organizations. This analysis informed the development of a number of announced tax policy changes including:

- The elimination of the deductibility of fines and penalties imposed by law, including those under environmental protection laws (2004).
- An acceleration of the capital cost allowance (CCA) rate from 30 per cent to 50 per cent for certain high-efficiency cogeneration equipment and the full range of renewable energy generation equipment included in CCA Class 43.1—including wind turbines, small hydro facilities, active solar heating equipment, photovoltaics and geothermal energy equipment (2005).

- The extension of accelerated CCA treatment to certain district energy and biogas production systems as well as certain forestry bioenergy equipment. Qualifying start-up expenses of projects using these additional technologies are eligible for treatment as Canadian Renewable and Conservation Expenses, which are fully deductible and can be financed using flow-through shares (2005 and 2006).
- The introduction of a tax credit for public transit passes (2006).
- The reduction of the capital gains inclusion rate for donations of ecologically sensitive land from 25 per cent to zero (2006).

Discussions and examinations also included other issues such as the tax treatment of transactions under a proposed emissions trading and offset system and tax issues relating to brownfield redevelopment.

Going forward, targets in this area will continue to be relevant given that the Department of Finance is the lead department on tax policy.

AI.2.2 Objective 2b: Increasing the Knowledge Base Through Integrated Decision Making

A key achievement of the 2004–2006 SDS is the improved awareness of the departmental process for implementing the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. The Department put in place a formal policy and procedure for strategic environmental assessment (SEA) in 2003. The number of SEAs conducted has risen from 3 in 2003 to 79 in 2005. As well, attendance at the annual SEA training session was much higher in 2005 than in previous years, and included more senior officials than in the past. As a result of action at both the departmental and branch levels, officials are better equipped now than they were in 2003 to use SEA as a tool to ensure environmental considerations are given due treatment in policy proposals. Future targets in this area could focus on continuing to ensure the effective implementation of the SEA Cabinet directive, in addition to maintaining awareness of SEA.

The Department has also continued its efforts to improve the knowledge base on environmental and natural resource issues by conducting research and analysis. Over the three years of the strategy, officer-directed research was conducted on such issues as Canada's proposed greenhouse gas emissions trading regime for large final emitters, climate change impacts and adaptation, and CO₂ capture and storage. Presentations were made on research results to interested staff within the Department. This work was useful in that it deepened the understanding of important topic areas, encouraged broader awareness, and allowed identification of cross-linkages to related policy areas, which in turn improves the development of policy recommendations. Given the usefulness of the research and analysis conducted over the three years of the 2004–2006 SDS, the Department will continue to set targets in this area in the next SDS.

AI.3 Key Issue #3: Integrating Sustainable Development in the Global Economy

AI.3.1 Objective 3a: Participating in Negotiating International Environmental Agreements

The Department participated in the development of the Canadian position for multilateral negotiations on the relationship between existing World Trade Organization (WTO) rules and trade obligations set out in Multilateral Environmental Agreements, as called for in the Doha Ministerial Declaration, and as reaffirmed by the Hong Kong Ministerial Declaration. Environmental subsidies have been raised in the context of the WTO Rules Negotiations, and the Department continues to actively participate in discussions of this issue, particularly with respect to Canada's efforts to improve global governance of common fisheries resources.

Officials also continued their collaborative work with other government departments on Canada's ongoing approach to international negotiations and activities on climate change, focusing primarily on economic and fiscal issues under negotiation.

While work in these areas will remain relevant, and the Department will continue to influence Canada's positions, these issues do not lend themselves to specific targets given that outcomes are determined through ongoing international negotiations led by other departments.

AI.3.2 Objective 3b: Integrating the Environment Into Future Negotiations on Trade and Investment Agreements

The Department worked with the Department of Foreign Affairs and International Trade (DFAIT) on the development of the Canadian position for multilateral negotiations on trade and environment as called for in the Doha Ministerial Declaration. Officials monitored or participated in the work of the WTO Committee on Trade and Environment and contributed to the development of the WTO Draft Environmental Assessment, which identifies and evaluates likely and significant environmental impacts of trade negotiations at the WTO with the objective of integrating environmental considerations into the decision-making process.

The Department also worked with DFAIT on the development of the Canadian position for negotiations as a follow-up to the Doha Ministerial Declaration. The Declaration calls for negotiations on the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. In this regard, the Department provided input to Canada's Initial List of Environmental Goods that was submitted to the Special Session of the Committee on Trade and Environment for consideration in the negotiations pursuant to paragraph 31(iii) of the Doha Ministerial Declaration.

This work will continue to be important, but it will be difficult to establish specific targets for the Department given that outcomes are related to ongoing international negotiations.

AI.3.3 Objective 3c: Involving International Financial Institutions

The Department worked with other donor governments during the 14th replenishment of the World Bank/International Development Association's (IDA14) financing for the world's poorest countries to ensure that sustainable development issues remain high priorities. The replenishment negotiations formally concluded in April 2005, and the agreement became effective in July 2005. The Department consulted with other departments and interested non-governmental organizations (NGOs) in developing an IDA14 negotiating position that stressed sustainable development as an operational priority. During the negotiations, Canada engaged with other donors to support this theme. One of the two pillars of IDA14's operating strategy is sustainable growth. This pillar acknowledges the importance of sustainable development. IDA donors agreed that the environment plays a critical role in ensuring that development in IDA countries is sustainable and poverty reduction is lasting. IDA will aim to design its programs and projects with a view to ensuring long-term environmental and social sustainability and reducing the vulnerability of poor people to long-term environmental degradation.

The Department organized several consultations with interested NGOs throughout the IDA14 replenishment negotiation process on broad development issues, including sustainable development. These consultations were intended to inform the Department's negotiating position, as well as to facilitate the NGOs' involvement with the World Bank in its own public consultations. The Department also consulted with NGOs on broader development issues, including those raised by the independent review of the World Bank's activities in the extractive industries.

The Minister of Finance is Canada's Governor at the World Bank, International Monetary Fund and European Bank for Reconstruction and Development (EBRD). Canada's Executive Directors' offices, which represent Canada at these institutions, continued to stress the priority of sustainable development. For specific projects, such as the Baku-Tbilisi-Ceyhan oil pipeline and the Nam Theun II dam, Canada's Executive Directors actively pressed the World Bank/International Finance Corporation (IFC) and EBRD managements to ensure that sustainable development concerns, including potential impacts on the environment and local communities, were adequately addressed. Canada also emphasized the institutions' role in sustainable development during policy discussions, most prominently in the World Bank's response to the Extractive Industries Review and the EBRD's revised Environment Policy. Canada also played an important role in the development of the IFC's new Policy on Social and Environmental Sustainability, approved at the World Bank's Executive Board in early 2006, through our consultations with the NGO community and the IFC itself.

Although work in this area will continue to be important to furthering the integration of sustainable development in the global economy, it does not lend itself to specific targets for the Department given that outcomes are related to ongoing international negotiations. For this reason, discussions of the Department's ongoing work involving the International Trade and Finance Branch are included in Section 4.4 in the 2007–2009 SDS, but no quantifiable targets are set in this area.

AI.3.4 Objective 3d: Increasing Knowledge and Understanding of the Relationship Between Financial Services and International Environmental Practices

The Department participated in various inter-departmental and external events on corporate social responsibility and socially responsible investment issues with regards to the financial sector in Canada and abroad. These included the Conference Board's Corporate Social Responsibility Conference in May 2004, the Triple Bottom Line Investing Conference in November 2004, the Canadian Social Investment Conference in June 2005 and the United Nations Environment Programme Finance Initiative Annual Global Roundtable Meeting on Finance and Sustainability in November 2005. For the 2007–2009 SDS, the activities contemplated under this objective will be encompassed under a new, broadened objective relating to the Public Accountability Statement.

AI.3.5 Objective 3e: Maintaining a Dialogue With Federal Financial Institutions on Sustainable Development and Corporate Social Responsibility With a View to Continually Improving the Annual Public Accountability Statements

The Department has maintained an open dialogue with financial institutions subject to the Public Accountability Statement (PAS) publication requirement, which was part of Bill C-8, the legislation reforming the framework for financial institutions that came into force in October 2001. In particular, Department of Finance officials met with representatives from financial institutions that are subject to the PAS annual publication requirement in March 2005 to discuss their institutions' challenges and opportunities associated with their PAS. Views on continued improvement in reporting on corporate social responsibility (CSR) via the PAS were shared. Most financial institutions have published four editions of their PAS since the requirement came into force in 2002. The quality of the reports was a result of a successful dialogue between departmental officials and financial institutions. For 2007–2009, the Department will continue to encourage quality reporting on CSR aspects of the PAS, and will broaden the dialogue to encompass a larger set of stakeholders interested in the PAS and CSR activities of financial institutions. It will also continue to participate in various inter-departmental and external events on CSR and socially responsible investment issues with regards to the financial sector in Canada and abroad in order to increase our knowledge and understanding of international CSR practices in the financial sector, feed the discussion with stakeholders, and support Canadian financial institutions in their efforts in this domain.

AI.3.6 Objective 3f: Informing and Educating Others Interested in Sustainable Development on the Merits of the Public Accountability Statements

Department of Finance officials continued to respond to inquiries from domestic and international stakeholders about the reporting requirements for financial institutions under the Public Accountability Statement Regulations. The Department provided input on sustainable development initiatives as they pertain to financial institutions, as needed. During 2004–05, fewer inquiries were received. As stakeholders have become more familiar with the requirements of the PAS, this objective is no longer relevant and should be removed. For the 2007–2009 SDS, the activities contemplated under this objective will be encompassed under other activities relating to the PAS.

AI.4 Key Issue #4: Greening Operations

AI.4.1 Objective 4a: Enhancing Awareness of the Environmental Impacts of Our Operations and Encouraging Employee and Management Adoption of Best Practices

The Department aimed to increase the proportion of employees participating in the ongoing promotion of sustainable development principles in the workplace to 20 per cent by 2006. Figures demonstrate a participation rate to over 13 per cent (13.12 per cent). However, it was difficult to measure progress on this target. The proportion of employees participating in the Green Citizenship Network (a group composed of environmentally conscious employees within Finance, the Treasury Board Secretariat, the Public Service Human Resources Management Agency of Canada and the Public Service Commission of Canada) is measurable, but it is much more difficult to capture actual participation numbers from environmental events such as Earth Day and Environment Week. The Department was only able to measure the participation of people who signed up to attend workshops, completed quizzes or filled out ballots. It was not able to quantify the number of people who visited booths and picked up information. Thus, participant measures yielded incomplete results.

The Department also aimed to increase the number of requests for materials on greening initiatives, policies and achievements by 30 per cent by 2006. Figures point to an increase of 20 per cent in the number of requests for materials between 2002–03 and 2004–05. However, the performance indicator for the target was the number of requests on the Greening the Office intranet site. This measure proved to be misleading since staff working on internal greening initiatives directly accessed the site frequently. As well, a number of requests for information were sent by e-mail and there was no database through which to record these requests.

The 2007–2009 SDS targets focus on providing more opportunities for employees to engage in the ongoing promotion of sustainable development principles in the workplace, and do not attempt to measure awareness through intranet traffic or employee participation levels in specific events.

AI.4.2 Objective 4b: Developing Tools and Guides and Maintaining Existing Programs to Support the Implementation of Best Practices

The Department aimed to develop a tracking system to determine the baseline and benchmarks for the recommendation of environmentally preferred products and services by 2006. As part of this commitment, the Department partnered with Public Works and Government Services Canada to develop and deliver a green procurement training course for the Department's acquisition cardholders. Officials also modified the internal Integrated Financial and Materiel Management System to track and record green purchases. This was done to allow for more in-depth monitoring of green procurement activities, with the goal of producing a more accurate baseline that will enable the establishment of benchmarks. However, additional tools may be required to facilitate the recording of green purchases, given that it is solely the responsibility of acquisition cardholders.

Officials are still working to: (1) develop a baseline for the number of environmentally preferred products and services to be recommended; and (2) set a benchmark for increasing the recommendation of environmentally preferred products and services.

As part of the Department's commitment made in the 2004–2006 SDS, a strategy to reduce resource consumption was developed and has been partially implemented. The strategy focused on reducing the Department's use of energy and, paper, and its production of solid waste. Initiatives include things such as making adjustments to the building temperature, purchasing recycled non-bleached paper towels and defaulting all printers to duplex print. The 2007–2009 strategy will help to establish targets for additional improvements on resource consumption in the future.

Annex II: Reviewing the Framework of the Sustainable Development Strategy

<i>1998–2000 SDS</i>	<i>2001–2003 SDS</i>	<i>2004–2006 SDS</i>	<i>2007–2009 SDS</i>
Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Prospering in a knowledge-based economy • Building a strong society • Ensuring the tax system contributes to a strong economy and strong society 	Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Building a strong society • Implementing key federal sustainable development priorities 	Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Building a stronger society • Implementing key federal environmental sustainable development priorities 	Fiscal Sustainability and a High Standard of Living for Future generations <ul style="list-style-type: none"> • Promote fiscal sustainability by reducing Canada's debt burden • Keep abreast of long-run economic and fiscal issues and prospects • Develop and support policies and measures that promote the long-run sustainability of Canada's economy Strong Social Foundations <ul style="list-style-type: none"> • Ensure stable and predictable funding for health and social programs • Reduce fiscal disparities through the Equalization and Territorial Formula Financing programs • Ensure the sustainability of the retirement income system
Integrating the Economy and the Environment <ul style="list-style-type: none"> • Using the tax system • Reducing/eliminating subsidies • Developing practical uses of economic instruments • Reforming legislative and regulatory frameworks 	Integrating the Economy and the Environment <ul style="list-style-type: none"> • Using the tax system • Developing practical uses of economic instruments • Integrated decision making: increasing the knowledge base 	Integrating the Economy and the Environment <ul style="list-style-type: none"> • Evaluating the potential for and developing practical uses of economic instruments • Increasing the knowledge base through integrated decision making 	Integrating Sustainable Development Considerations Into Policy Making <ul style="list-style-type: none"> • Evaluate the potential for the use of economic instruments as a policy tool for addressing environmental issues • Increased knowledge and awareness of environmental and broader sustainable development issues within the Department • Effective implementation of the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals

1998–2000 SDS	2001–2003 SDS	2004–2006 SDS	2007–2009 SDS
Participating in the Global Economy <ul style="list-style-type: none"> • Negotiating international environmental agreements • Negotiating future international trade and investment agreements • Developing environmental assessment guidelines for export credit agencies • Involving international financial institutions 	Sustainable Development in the Global Economy <ul style="list-style-type: none"> • Participating in negotiating international environmental agreements • Integrating the environment into future negotiations on trade and investment agreements • Developing environmental guidelines for export credit agencies • Working with international financial institutions • Increasing knowledge and understanding of international environmental financial practices 	Integrating Sustainable Development in the Global Economy <ul style="list-style-type: none"> • Participating in negotiating international environmental agreements • Integrating the environment into future negotiations on trade and investment agreements • Involving international financial institutions • Increasing knowledge and understanding of the relationship between financial services and international environmental practices • Maintaining a dialogue with federal financial institutions on sustainable development and corporate social responsibility with a view to continually improving the annual Public Accountability Statements • Informing and educating others interested in sustainable development on the merits of the Public Accountability Statements 	Integrating Sustainable Development Considerations Into the Economy <ul style="list-style-type: none"> • Encourage high quality reporting on corporate social responsibility in the Public Accountability Statements
Greening Operations <ul style="list-style-type: none"> • Procurement • Communications 	Greening Operations <ul style="list-style-type: none"> • Enhance awareness of the environmental impact of our operations • Develop tools and implement programs to support best practices 	Greening Operations <ul style="list-style-type: none"> • Enhancing awareness of the environmental impacts of our operations and encouraging employee and management adoption of best practices • Developing tools and guides and maintaining existing programs to support the implementation of best practices 	Demonstrating the Department's Commitment to Sustainable Development in Operations <ul style="list-style-type: none"> • Reduced energy use • Improved solid waste management • Improved environmental performance of departmental vehicles • Green procurement • Green stewardship • Improved environmental management

Annex III: Consultations on the 2007–2009 Sustainable Development Strategy

Consultations with stakeholders are a key part of the Department's SDS process. Finance held two separate sessions during our first round of consultations in 2006. These sessions helped ensure that stakeholders' views on the direction and content of the 2007–2009 SDS were considered early in the process as the Department moved forward in developing final objectives and targets for the next three years. The Department also consulted stakeholders on a draft version of the SDS in October 2006.

The June 2006 sessions involved separate sessions between representatives of the Department of Finance, other government departments and external stakeholders. At these events, participants were invited to comment on Finance's framework for the 2007–2009 strategy, including the Department's vision, goals and objectives. Participants were also asked to suggest possible targets. Although only a small portion of invited stakeholders attended the June session, participants made a number of useful comments and questions that helped the Department draft its strategy.

The October consultations also proved useful, with specific suggestions that helped to improve the clarity and consistency of the strategy.

Overall, participants were generally comfortable with the approach taken by the Department. Positive feedback was received relating to improvements in the clarity of the Department's framework, and the thorough and inclusive consultation process with significant representation from all branches of the Department.