

Department of Finance  
Canada

## **Departmental Performance Report**

For the period ending  
March 31, 2005

A handwritten signature in black ink, appearing to read 'R. Goodale', is positioned above a horizontal line.

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Ralph Goodale  
Minister of Finance

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the Minister of Public Works and Government Services Canada — 2005

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## Section I—Overview

### Minister's Message

The work of the Department of Finance Canada is central to the Government of Canada's effort to build a 21st century economy that will improve the well-being of all Canadians. A productive, growing economy creates jobs, boosts incomes, and supports investments in the quality of life of Canadians. It also gives the Government of Canada the means to meet its global responsibilities and seize global opportunities.

The four key elements that will improve the well-being of the nation are (1) robust economy; (2) secure social foundations; (3) a sustainable environment; and (4) sound fiscal framework.

Within the right policy framework, these four elements operate as a “virtuous circle,” with each element strengthening and reinforcing the others to foster environmentally sustainable growth and a higher quality of life, as demonstrated below:

- A robust economy provides resources for increased investments to meet social and environmental objectives.
- A secure society provides the opportunities and confidence for all Canadians to participate in the economy and contribute to a better standard of living.
- An environmentally sustainable economy improves the health of Canadians today and safeguards—and reduces costs for—future generations. It also provides innovative opportunities to enhance the competitiveness of business.
- A sound fiscal framework supports the economy while still providing the government with the resources to help address the economic, social, and environmental priorities of Canadians.

Guided by these four elements, the government has delivered on its commitments to

- secure Canada's social foundations;
- implement policies that support a productive and growing economy;
- meet Canada's global responsibilities; and
- maintain a sound fiscal framework.

Looking ahead, the government will continue to work toward meeting the demands of today while anticipating—and preparing for—the changes and challenges of the future.



The Honourable Ralph Goodale, P.C., M.P.



## Management Representation Statement

I submit, for tabling in Parliament, the 2004–05 departmental performance report (DPR) for the Department of Finance Canada.

This report has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide to the Preparation of 2004–2005 Departmental Performance Reports*:

- It adheres to the specific reporting requirements.
- It uses an approved program activity architecture.
- It presents consistent, comprehensive, balanced, and accurate information.
- It provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to the Department.
- It reports finances based on approved numbers from the Estimates and the *Public Accounts of Canada*.



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Ian E. Bennett  
Deputy Minister





## Summary Information

### Reason for existence

The goal of the Department of Finance Canada is to foster a strong economy, resulting in higher standards of living and an improved quality of life for all Canadians.

### Mandate

The Department is committed to making a difference for Canadians by helping the government develop and implement economic, social, security, and financial sector policies and programs that foster strong and sustainable economic growth, emphasizing fiscal, economic, social, and security objectives.

The Department serves as the government's primary source of analysis and advice on the economic, fiscal, and tax implications of key government priorities. Its responsibilities include preparing the federal budget, developing tax and tariff policy and legislation, managing federal borrowing on financial markets, administering major transfers of federal funds to the provinces and territories, developing regulatory policy for the country's financial sector, and representing Canada within international financial institutions.

### Mission

The Department's mission is to support the Minister of Finance by providing the best possible analysis and policy advice on economic, social, and financial issues; by implementing government decisions in a timely and efficient manner; and by communicating government decisions in the clearest way possible, within and outside government. Its mission is also to act as an effective conduit for the views of participants in the economy from all parts of Canada and to maintain high-quality support systems and development programs to carry out the Department's functions.

### Strategic outcome

To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.

Total financial resources: (\$ thousands)

Planned	Authorities	Actual
67,403,512	74,208,424	73,241,234

Total human resources: FTEs<sup>1</sup>

Planned	Actual	Difference
866	833	33

1. In the 2004–05 *Report on Plans and Priorities*, the planned full-time equivalents (FTEs) of 813 did not include public debt FTEs (21) or the Canada Investment and Savings Agency's FTEs (31). These have been included in the planned FTEs to properly reflect the total of 866 FTEs for the Department.

## Summary of Performance in Relationship to Departmental Strategic Outcomes and Priorities

The following table provides an overview of the Department's performance in terms of the priorities set out in the *2004–05 Report on Plans and Priorities*. It reports on expected results using key performance indicators. The table also links the resources used during the year to the results achieved based on management representation. The corporate administration costs are distributed to the expected results based on the percentage share of the 2004–05 operating budget.

For each expected result, a page number referring to a further discussion of the result is provided.

The Department of Finance Canada is in the process of developing an integrated planning and resources allocation framework. This comprehensive process will facilitate the setting and monitoring of priorities, results, and performance information. The framework will enable the Department to better report on and demonstrate accountability for results and resources to Parliament and Canadians.

<p><b>Rating:</b></p> <ol style="list-style-type: none"><li>1. Exceeded expectations</li><li>2. Successfully met expectations</li><li>3. On track to meet expectations (applies to long-term targets)</li><li>4. Not yet met expectations</li></ol>
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**Strategic outcome: To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.**

(\$ thousands)

<b>Priority:</b> Sustainable Fiscal Structure			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 35,430,498			<b>Actual Spending:</b> 33,893,331	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
A fair, efficient, and competitive tax system (p. 29–32)	14,013	Personal income taxes	<p><b>T:</b> Implement the Five-Year Tax Reduction Plan and Budget 2003.</p> <p><b>R:</b> Changes were implemented in 2004–05: federal personal income taxes were reduced by more than 21 per cent on average and by more than 27 per cent for families with children. In addition, Budget 2005 proposed further tax relief (e.g. an increase in the basic personal amount to \$10,000 by 2009).</p>	2
		Corporate tax rates and effect on the competitiveness of the Canadian tax system	<p><b>T:</b> Continue rate reductions announced as part of the Five-Year Tax Reduction Plan.</p> <p><b>R:</b> The Five-Year Tax Reduction Plan has been fully implemented. Tax reductions announced in Budget 2003 were also implemented, specifically the phase-out of the federal capital tax and the reduction of the tax rate on resource income. In addition, Budget 2005 proposed to further reduce the general corporate income tax rate and to eliminate the corporate surtax in 2008 in order to maintain and enhance Canada's tax rate advantage.</p>	2

<b>Priority: Sustainable Fiscal Structure</b>			<b>Type: Ongoing</b>	
<b>Planned Spending: 35,430,498</b>			<b>Actual Spending: 33,893,331</b>	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
A prudent fiscal-planning framework (p. 38–39)	9,372	Government budgetary balance	<b>T:</b> Balanced budget or better. <b>R:</b> \$9.1-billion surplus in fiscal year 2003–04. Final 2004–05 results will be available in the fall of 2005.	1
		Federal debt-to-GDP ratio	<b>T:</b> 25.0 per cent by 2014–15. <b>R:</b> 38.8 per cent estimated for 2004–05.	3
Vibrant cost-effective retail debt program (p. 59–60)	97,446	Comparison with the annual business plan prepared by the Canada Investment and Savings Agency	<b>T:</b> Balance efforts on sales and retention to manage the decline of the portfolio. <b>R:</b> In 2004–05, the overall retail debt portfolio, as at March 31, 2005, fell by 10.0 per cent to \$19.3 billion.	2
			<b>T:</b> Improve overall efficiency and reduce costs through careful investment and streamlined administration. <b>R:</b> Program expenditures were 6.7 per cent below the business plan budget of \$104.4 million for the fifth consecutive year.	1
A stable, low-cost debt structure and a well-functioning Government of Canada securities market (p. 60)	33,772,450	Public debt costs	<b>T:</b> Adjust debt programs to ensure that progress toward the 60.0 per cent fixed-rate debt is attained. <b>R:</b> 63.0 per cent fixed-rate debt.	1

<b>Priority: A More Productive, Competitive, and Dynamic Canada</b>			<b>Type: Ongoing</b>	
<b>Planned Spending: 87,063</b>			<b>Actual Spending: 94,478</b>	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
A tax system that promotes jobs, growth, entrepreneurship, and innovation (p. 32–34)	8,276	Corporate tax rates and effect on investment, innovation, jobs, and growth	<b>T:</b> Implement Budget 2003. <b>R:</b> Tax reductions from Budget 2003 were implemented—for example, the phase-out of the federal capital tax and the reduction of the corporate tax rate on resource income, along with the Budget 2004 acceleration of the increase in the small business deduction to \$300,000 in 2005. Budget 2005 proposed to reduce the general corporate income tax rate and eliminate the corporate surtax in 2008 in order to maintain and enhance Canada's tax rate advantage. Budget 2005 also proposed further adjustments to capital cost allowance rates.	2
		Improved tax treatment of savings	<b>T:</b> Implement Budget 2003. <b>R:</b> Budget 2003 increased the registered retirement savings plan annual contribution limits to \$18,000 by 2006, with corresponding increases in the limits for registered pension plans. Budget 2005 further increases these limits.	1
Policy options that promote long-term economic growth (p. 39–40)	6,204	Canada's GDP growth relative to G-6 average in 2004 (G-7, excluding Canada)	<b>T:</b> G-6 average GDP growth was 2.4 per cent. <b>R:</b> Canada's GDP growth was 2.9 per cent.	1
A regulatory framework that creates an environment for <ul style="list-style-type: none"> <li>a financial services sector that is internationally competitive, safe and sound, and responsive to business and consumer needs; and</li> </ul>	8,443	Consultations and legislative regulatory initiatives	<b>T:</b> Consult on the modernization of corporate governance provisions for financial institutions, with a view to introducing legislation in 2004–05. <b>R:</b> Legislation is expected to be introduced in June 2005.	2
			<b>T:</b> Initiate consultations during 2004–05 for the next statutorily mandated five-year review. <b>R:</b> Consultations launched in Budget 2005.	2

<b>Priority:</b> A More Productive, Competitive, and Dynamic Canada			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 87,063			<b>Actual Spending:</b> 94,478	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
<ul style="list-style-type: none"> <li>financial markets that meet the needs of issuers and providers of capital (p. 41–43)</li> </ul>			<b>T:</b> Monitor the financial positions of Canadian pension plans, assess the regulatory framework, and recommend action where appropriate. <b>R:</b> Regulations concerning solvency deficiency of Air Canada adopted in August 2004. <b>R:</b> Consultation paper on private defined benefit pension plans will be released in May 2005.	1
			<b>T:</b> Address any overlap in prudential, administrative, and corporate services functions between the Office of the Superintendent of Financial Institutions (OSFI) and the Canada Deposit Insurance Corporation (CDIC). <b>R:</b> Budget 2005 announced prudential measures regarding the regulatory efficiency of OSFI and CDIC. Legislative and bylaw amendments are expected to be passed in the spring of 2005.	1
Support for research and development (p. 45–46)	785	Gross expenditures on research and development (GERD) as a percentage of GDP	<b>T:</b> By 2010, to move from 15th to 5th place among member countries of the Organisation for Economic Co-operation and Development in terms of national investment in research and development. <b>R:</b> Canada's GERD-to-GDP ratio declined somewhat in 2004 compared to 2003.	4
Programs that facilitate the adaptation of all sectors to the knowledge-based economy (p. 46–47)	654	Evidence of innovation (research and development and patenting performance)	<b>R:</b> Business expenditures on research and development as share of GDP declined somewhat in 2004 from 2003.	4
		Adoption of technology (investments in machinery and equipment [M&E])	<b>R:</b> M&E investments as share of GDP remained stable in 2004 compared to 2003.	3

<b>Priority:</b> A More Productive, Competitive, and Dynamic Canada			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 87,063			<b>Actual Spending:</b> 94,478	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
		Success in global markets across all sectors of the economy (exports)	<b>R:</b> Exports increased across all major sectors in 2004.	2
Sale of Petro-Canada (p. 49)	6,124	To meet expected net budgetary revenues based on an average of recent prices and the book value of the investment	<b>T:</b> To sell the government's remaining shares in Petro-Canada in 2004–05 at a price that would provide \$2.0 billion in new budgetary revenues. <b>R:</b> Sale of the government's remaining shares in Petro-Canada that provided \$2.6 billion in budgetary revenues.	1
Meeting the coinage needs of Canadians (p. 61)	63,933	Sufficient level of circulating coins and popularity of commemorative coins	<b>T:</b> Work with the Royal Canadian Mint to ensure the supply of regular and commemorative coins. <b>R:</b> Appropriate supply of regular coins and successful introduction of three new commemorative coins.	2

Priority: Support and Sustain Canadian Society			Type: Ongoing	
Planned Spending: 30,612,953			Actual Spending: 37,761,788	
Expected Results	Actual Resources	Performance Indicators	Target (T) Actual Results (R)	Rating
Support for the continuing renewal of the Canadian health care system (p. 34, 52–53)	1,797	Goods and services tax (GST)/harmonized sales tax (HST) health care rebate system	<b>T:</b> Implement legislation to expand the application of the 83-per-cent rebate to eligible non-profit health care facilities that provide services previously performed in hospitals. <b>R:</b> The <i>Budget Implementation Act, 2005</i> (Bill C-43) is expected to receive Royal Assent in June 2005.	2
		Significant investment in the Canadian health care system	<b>T/R:</b> Agreement signed by first ministers on an agenda to renew and reform health care, supported by significant investment in health care.	1
		Timely drafting of legislation	<b>T/R:</b> Enactment of legislation implementing the 10-year Plan to Strengthen Health Care before the end of fiscal year 2004–05. <b>T/R:</b> Flow new 2004–05 funding in a timely fashion.	2
Support to communities (p. 34–35, 47–48)	2,295	GST/HST rebate for municipalities	<b>T:</b> Implement legislation for 100-per-cent GST/HST rebate. <b>R:</b> Legislation is expected to be enacted in May 2005.	2
		Improved tax rules concerning registered charities	<b>T:</b> Implement Budget 2004. <b>R:</b> The regulation of registered charities was improved through a new compliance regime. Legislation was expected to be enacted in May 2005.	2
		An additional source of funding for cities and communities	<b>T:</b> Provide cities and communities with funds equivalent to a portion of the gas tax revenues. <b>R:</b> Budget 2005 provides for \$5.0 billion over five years to support environmentally sustainable infrastructure.	2



<b>Priority:</b> Support and Sustain Canadian Society			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 30,612,953			<b>Actual Spending:</b> 37,761,788	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
Increase support for families with children (p. 35, 51–52)	1,418	Implementation of a long-term investment plan for low-income families with children	<b>T:</b> Implement the measures in the Five-Year Tax Reduction Plan and Budget 2003. <b>R:</b> The maximum annual Canada Child Tax Benefit for a first child under age 7 was increased to \$2,958 in July 2004.	2
		Early Learning and Child Care initiative	<b>T:</b> Initiative announced. <b>R:</b> Trust set up in Budget 2005.	2
Enhance tax fairness for persons with disabilities (p. 35–36)	2,124	Improvements in tax measures for persons with disabilities and those who care for them	<b>T:</b> Evaluate the disability tax credit (DTC) and respond to the report of the Technical Advisory Committee on Tax Measures for Persons with Disabilities (TAC). <b>R:</b> An evaluation of the DTC was published in 2004. Budget 2005 proposed to act on virtually all of the TAC's final recommendations.	2
Support for Canadians to upgrade their skills and learning (p. 36, 51–52)	1,673	Increase in savings by low- and middle-income families for the post-secondary education of their children	<b>T:</b> Implement Budget 2004. <b>R:</b> Legislation received Royal Assent on June 15, 2004. The Canada Learning Bond (CLB) becomes operational on July 1, 2005, with CLB entitlements accumulating since January 1, 2004. Enhanced Canada Education Savings Grant (CESG) also becomes operational on July 1, 2005, with eligible contributions made to registered education savings plans since January 1, 2005, qualifying for the enhanced CESG matching rates.	2
		Workplace Skills Strategy	<b>T:</b> Work with Human Resources and Skills Development Canada to have measures ready for announcement in Budget 2005. <b>R:</b> Funding of \$125 million announced in Budget 2005.	2

<b>Priority: Support and Sustain Canadian Society</b>			<b>Type: Ongoing</b>	
<b>Planned Spending: 30,612,953</b>			<b>Actual Spending: 37,761,788</b>	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
		Programs specifically tailored to the needs of First Nations communities	<b>T:</b> Development of proposals for First Nations communities. <b>R:</b> Measures announced in Budget 2005.	2
Sustainability of the Canada Pension Plan (CPP) (p. 41, 50–51)	448	Periodic actuarial reviews of the CPP	<b>T:</b> Proceed with the triennial review of the financial status of the CPP. <b>R:</b> Several discussions took place with provinces and territories in addition to ongoing dialogue with Social Development Canada.	2
		Long-term sustainability of the CPP	<b>T:</b> Ensure the viability of the plan. <b>R:</b> According to the CPP Chief Actuary, the plan is viable for at the least the next 75 years under the current rate and benefit structure.	2
		CPP Investment Board quarterly and annual financial statements that report the results of its investments and changes in CPP assets	<b>T:</b> Complete the transfer of the remaining CPP assets to the CPP Investment Board under Bill C-3. <b>R:</b> \$3.8 billion (58.0 per cent) of cash operating reserve and \$11.0 billion (31.0 per cent) of bonds portfolio transferred as at March 31, 2005.	3
Review of the employment insurance (EI) premium rate-setting mechanism (p. 50)	513	Review of the EI rate-setting mechanism New rate-setting mechanism	<b>T:</b> Rate-setting mechanism to be reviewed during 2004–05. <b>R:</b> Rate setting reviewed, and new process announced in Budget 2005.	1
Transfer programs for the provinces and territories (p. 53, 62–63)	37,751,520	Timely drafting of legislation	<b>T/R:</b> Agreement reached with first ministers on a new framework for equalization and territorial formula financing.	1
		Timely launch of expert panel	<b>T/R:</b> Expert panel launched and consultations under way.	2

<b>Priority:</b> Support and Sustain Canadian Society			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 30,612,953			<b>Actual Spending:</b> 37,761,788	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
		Timely provision of transfer payments	<b>T/R:</b> Transfer programs administered in an efficient and accurate manner consistent with regulations and legislation.	2

<b>Priority:</b> Promote Strong, Sustained Global Economic Growth			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 1,272,998			<b>Actual Spending:</b> 1,474,456	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
Contribute to the government's implementation strategy for meeting its commitment under the Kyoto Protocol (p. 36–37, 48)	2,932	Framework	<b>T:</b> Develop a framework to facilitate and foster a shared understanding of policy considerations that may be taken into account as tax policy proposals are developed. <b>R:</b> Framework published in Annex 4 of Budget 2005.	2
		Interdepartmental consultations	<b>T:</b> Participate in interdepartmental consultations on the various aspects of the analysis and design of covenants, and develop a domestic and international permit trading system. <b>R:</b> Participated in interdepartmental meetings and consultations.	2
More efficient and secure borders (p. 37, 54)	1,708	Air Travellers Security Charge (ATSC)	<b>T:</b> Review the ATSC to ensure that revenue remains in line with costs for enhanced air travel security. <b>R:</b> Review successfully completed and presented in Budget 2005.	2

<b>Priority:</b> Promote Strong, Sustained Global Economic Growth			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 1,272,998			<b>Actual Spending:</b> 1,474,456	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
		Funding for border-related issues	<b>T:</b> Provide funding to address essential security concerns. <b>R:</b> Budget 2005 committed an additional \$1.0 billion over five years for key national security issues.	2
A financial system that is secure and meets international standards for combatting abuses and terrorist financing activities (p. 43–44)	2,840	Consultations and legislative and regulatory initiatives	<b>T:</b> Consultation paper outlining proposals to enhance and update Canada's anti-money laundering and anti-terrorist financing legislative and regulatory framework and the overall operation of the regime. <b>R:</b> Government is expected to release the consultation paper in June 2005.	2
		Preparation for the Financial Action Task Force on Money Laundering (FATF) mutual evaluation	<b>T:</b> Participate in the FATF. Prepare for upcoming mutual evaluation exercise. <b>R:</b> Canada continues to be an active member of the FATF. In preparation for its own mutual evaluation in 2006–07, Canada participated in other members' mutual evaluation exercises.	2
		Counterfeiting levels for the high-denomination notes Acceptance level by retailers and the public of high-denomination notes	<b>T:</b> Work with the Bank of Canada to ensure the successful issuance of the new series of high-denomination (\$20, \$50 and \$100) bank notes to strengthen confidence in Canadian currency. <b>R:</b> All three new notes were successfully introduced.	2
Promote reforms to increase global growth, development, and financial stability (p. 54–57, 64)	1,460,321	Official development assistance (ODA)	<b>T:</b> Double international assistance between 2001 and 2010. <b>R:</b> ODA will be doubled between 2001 and 2010. Aid to Africa will be doubled by 2008–09 from its 2003–04 level.	3

<b>Priority:</b> Promote Strong, Sustained Global Economic Growth			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 1,272,998			<b>Actual Spending:</b> 1,474,456	
Expected Results	Actual Resources	Performance Indicators	Target (T) Actual Results (R)	Rating
		Progress on 14th replenishment of International Development Association (IDA)	<b>T:</b> Conclude IDA14. <b>R:</b> Negotiations concluded successfully.	2
		Debt relief	<b>T:</b> Ease debt burden of poor countries. <b>R:</b> Ensured that existing debt strategy was implemented effectively. Contributed funding to heavily indebted poor countries (HIPC) Trust Fund. Cancelled all remaining bilateral debt of four HIPC countries.	2
		Strengthen International Monetary Fund (IMF) and the World Bank	<b>T:</b> Ensure relevance of IMF and World Bank. <b>R:</b> Canadian efforts toward an enhanced surveillance mechanism at the IMF. <b>R:</b> Ongoing efforts to implement the new IMF–World Bank debt sustainability framework.	2
		International Assistance Envelope (IAE)	<b>T:</b> Put in place a new management framework. <b>R:</b> The Department of Finance Canada led an interdepartmental process on the new IAE framework.	3
A stronger international trading system and enhanced security of access for Canadian exports in major foreign markets (p. 57–58)	3,341	Trade negotiations	<b>T:</b> Provide Canadians with greater security of access to foreign markets. <b>R:</b> Department of Finance Canada officials are actively participating in the ongoing Doha Round of World Trade Organization multilateral trade negotiations.	3
		Rules of origin	<b>T:</b> Liberalized rules of origin for the <i>North American Free Trade Agreement</i> . <b>R:</b> More liberal rules on certain agricultural and industrial goods were implemented in January 2005.	2

<b>Priority:</b> Promote Strong, Sustained Global Economic Growth			<b>Type:</b> Ongoing	
<b>Planned Spending:</b> 1,272,998			<b>Actual Spending:</b> 1,474,456	
<b>Expected Results</b>	<b>Actual Resources</b>	<b>Performance Indicators</b>	<b>Target (T) Actual Results (R)</b>	<b>Rating</b>
Support opportunities for Canadian trade and investment (p. 58)	3,313	Tariff and trade remedy policy	<b>T:</b> Timely and effective response to requests to lower tariffs. <b>R:</b> Tariff relief requests resulted in the elimination of \$9.5 million in duties.	3
		Negotiations of foreign investment protection agreements (FIPA)	<b>T:</b> Negotiating FIPAs. <b>R:</b> Renegotiated FIPA with the European Commission. Negotiating new FIPAs with Peru, India, and China.	3

**Core departmental activities:**

Ongoing policy analysis and advice by the Department

11,181

**Non-budgetary statutory item:**Advances pursuant to subsection 13(1) of the *Financial Consumer Agency of Canada Act*.

Reflected under the Financial Sector Policy Program Activity.

6,000

**Total actual resources for the Department**

73,241,234

## Overall Departmental Performance

### Introduction

The Department of Finance Canada is the primary source of economic and fiscal advice for the Government of Canada. The Department's responsibilities include preparing the federal budget and economic and fiscal update, developing tax and tariff policy and legislation, and managing federal borrowing on financial markets. The Department also administers major transfers of federal funds to provinces and territories, develops regulatory policy for the country's financial sector, and represents Canada within international financial institutions.

At the heart of its role in developing sound economic and fiscal policy for the government, the Department's plan of action is guided by four key priorities: ensuring a sustainable fiscal structure; encouraging a more productive, competitive, and dynamic Canada; supporting and sustaining Canadian society; and promoting strong, sustained global economic growth.

### Sustainable fiscal structure

A prudent fiscal framework ensures that Canada has a sustainable fiscal structure to place it in the best position to capitalize on both domestic and global economic opportunities. To that end, since the federal government balanced the budget in 1997–98, Canada has led the G-7 industrial nations in job creation and per-capita living standards growth. This has further positioned Canada as a world leader: it is the only G-7 country to post total government surpluses in each of the past three years, and it is the only G-7 nation expected to do so again in 2005–06.

Moreover, the federal debt has declined steadily since 1996–97 and, combined with Canada's strong economic growth, has resulted in a significant decline in the federal debt-to-GDP ratio. The government is committed to keeping this ratio on a downward track, and it reaffirmed its objective to lower it to 25.0 per cent by 2014–15 in Budget 2005.

Canada's improved fiscal situation puts the government in a better position to deal with future fiscal pressures, such as those caused by an aging population.

A fair, efficient, and competitive tax system is a key component of a sustainable fiscal structure. Every year since balancing the budget, the Government of Canada has reduced taxes. In 2004–05, the Department implemented a number of measures to improve the fairness, efficiency, and competitiveness of the tax system. This included measures previously announced in Budget 2000, the 2000 *Economic Statement and Budget Update*, Budget 2003, and Budget 2004 that were scheduled to take effect in 2004–05, as well as new measures announced in Budget 2005.

### Encouraging a more productive, competitive, and dynamic Canada

In today's global economy, a competitive tax system is critical to fostering business investment in Canada. Investment in new capital improves productivity, leading to economic growth, better wages, and higher living standards.

Budget 2005 proposed a number of corporate tax changes that promote jobs, growth, entrepreneurship, and innovation. The reduction in the general corporate income tax rate and the elimination of the corporate surtax will, once implemented, contribute to a business tax system that fosters investment, leading to economic growth and job creation.

Canada is widely acknowledged for having one of the safest and soundest financial sectors anywhere in the world. To keep Canada's leading edge, the Department of Finance Canada continuously works to ensure that the legislative and regulatory framework allows financial market participants to operate as efficiently and effectively as possible. At the same time, it makes sure that the sector remains safe and sound and the delivery of regulation is efficient and effective.

Budget 2005 removed the restrictions on investment in foreign property by tax-exempt entities, enhancing diversification opportunities for retirement investments for Canadians and providing pension funds with greater flexibility to supply venture capital to Canadian small businesses. It also launched the 2006 review of the financial institution statutes.

Beyond tax and regulation, Budget 2005 included a number of additional investments in support of a productive, growing, and sustainable economy. These included the following:

- investing in people (e.g. strategic investments aimed at building a highly skilled and adaptable workforce);
- investing in ideas and enabling technologies (e.g. measures designed to help create a world-class research environment in Canada); and
- investing in regions and sectors to help them compete at the leading edge.

### **Supporting and sustaining Canadian society**

The Department continues to look for new ways to ensure the sustainability of Canada's health care system. Building on the commitments in the 2000 and 2003 health accords, first ministers signed the 10-year Plan to Strengthen Health Care on September 16, 2004. This agreement committed \$41.3 billion of new federal funding for health care to provinces and territories over 10 years.

Through the equalization and territorial formula financing (TFF), the Government of Canada provides support to eligible provinces and the three territories for the key priorities of these governments, including advancing the health and health care of Canadians. On October 26, 2004, the Government of Canada announced a new framework for equalization and TFF, which was first presented to premiers and territorial leaders at the September 2004 first ministers meeting. The new framework—covering the next 10 years and subject to review in 2009–10—will provide \$33.0 billion more in equalization and TFF payments to provinces and territories over the 2004–05 levels. The Department continues to administer the transfer programs in an efficient and accurate manner within the new framework.

The government's New Deal for Cities and Communities aims to provide long-term, reliable, and predictable funding for the benefit of municipalities. A key objective for the Department in



2004–05 in regard to the New Deal was to develop a framework for sharing federal gas tax revenues in support of environmentally sustainable infrastructure. Interdepartmental discussions on the development of a framework for sharing gas tax revenues led to recommendations for measures that were included in Budget 2005. This commitment will mean \$5.0 billion in new money for infrastructure to cities and communities over the next five years.

The Government of Canada, in partnership with provincial and territorial governments, has developed a long-term vision for support of Canada's children with measurable goals based on shared principles. A key aspect of this vision is the government's commitment to develop an Early Learning and Child Care initiative. Working primarily with Social Development Canada and other central agencies, the Department assisted in seeing this commitment reflected in Budget 2005.

### **Promoting strong, sustained global economic growth**

The Department is committed to supporting the government's goal of a clean environment that contributes to sustained economic growth. To that end, it assesses the economic and fiscal implications of environmental policy options, developed by lead departments, aimed at helping Canada meet its environmental commitments. A key commitment at the global level is respecting the obligations of the Kyoto Protocol related to reducing the level of greenhouse gas emissions in Canada.

Canada is working with the international community toward achieving the Millennium Development Goals, including that of halving poverty by 2015. With the additional \$3.4 billion in international assistance over the next five years provided in Budget 2005, Canada is on its way to meeting its goal of doubling its international assistance budget from its 2001 level by 2010.

Canada has continued to show leadership on easing the debt burdens of poor countries, thereby contributing to their growth and development. In February 2005, the Department outlined a new initiative on debt relief to address the debt burdens of the world's poorest countries.

With respect to stronger international trade, in collaboration with other concerned departments, particularly International Trade Canada, the Department continued to participate in efforts over the past year to advance Canadian interests in a number of trade initiatives. Canada's objective is to provide Canadian exporters with greater security of access to foreign markets, including the U.S., without compromising the effectiveness of trade remedies to protect Canadian producers from the injurious effects of unfairly traded goods.

### **Conclusion**

The Department continues to provide good public policy to enhance the well-being of Canadians. The Department's economic and fiscal plan will continue to generate the greatest possible growth while providing equality of opportunity to all Canadians.

This plan is in full alignment with the government's overall agenda, as outlined in *Canada's Performance 2004*—an agenda to create a fiscal, economic, social, and global advantage for Canada. Canada's performance is considered to be one of the best in the G-7. For example, since the federal government balanced the budget in 1997–98, Canada has led these industrialized

nations in job creation and per-capita living standards growth. Canada's current economic progress shows Canada is on the right path.

## Key Partners and Clients

An important component of the work conducted by the Department involves consultation and collaboration with partners in both the public and private sectors. Its primary partners and clients include the following:

**Departments, agencies, and Crown corporations**—The Department plays an active role in co-ordinating initiatives among other federal departments and agencies on issues that affect the economy, the financial sector, financial markets, and the tax system.

**Provincial and territorial governments**—The Department consults with the provinces and territories with respect to federal transfers, such as the Canada Health Transfer, Canada Social Transfer, Health Reform Transfer, and equalization and TFF.

**Financial market participants**—The Department deals with issues affecting federal financial institutions. It develops the rules and regulations that govern these institutions so they remain safe and sound and are responsive to consumers' needs. The Department also deals on an ongoing basis with a range of market participants, including banks securities, dealers, and investors, in fulfilling its responsibility for managing the public debt and international reserves.

**International economic and financial community**—The Department has a lead role in managing the country's activities related to international trade and financial and economic organizations, such as the World Bank, the World Trade Organization (WTO), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the Financial Action Task Force on Money Laundering (FATF), and the Financial Stability Forum. Canada is also a member of the G-7 and the G-20.

**The government, Cabinet, and the Treasury Board**—The Department provides analysis, advice, and recommendations on economic and financial affairs. It is also responsible for providing instructions for the drafting of legislation in these areas.

**Parliament and parliamentary committees**—As the primary sponsor of bills on taxation and financial matters, the Department provides guidance as legislation makes its way through the parliamentary process.

**The public and Canadian interest groups**—The Department provides a wide range of information to the public on economic, fiscal, and tax issues. It also conducts consultations to allow Canadians to participate in a more open, broad-based consultation process.

**International trade community**—The Department plays an important role in negotiating Canada's trade arrangements with other nations and monitoring how those arrangements serve Canada's interests.

## Managing Risk

### External risk

The Department is involved in a broad range of issues and functions related to economic, security, and social policy development and implementation. Its activities are undertaken in the context of a rapidly changing, technology-driven global economy. The Department recognizes that its activities must be undertaken in the context of an economy that is increasingly intertwined with the global marketplace. Events that take place far from Canada's shores can have strong effects—both positive and negative—on Canada's economy. The Department must also manage the financial risks associated with the government's financial assets and liabilities (e.g. public debt). The Department must be ready to respond to economic and financial developments by taking prompt and decisive action to mitigate, where appropriate, their effects on the Canadian economy and fiscal framework.

The Department holds extensive consultations not only within the federal government but also with provincial governments, the private sector, and the Canadian public. It also participates in international meetings that serve as forums for exchanging views and ideas and forging consensus on measures to strengthen global economic growth, promote financial stability, and reduce poverty.

### Internal risk

The Internal Audit and Evaluation Division developed an internal audit plan that addresses all areas of higher risk and significance. The audits are selected based on their relation to the potential risks and exposures identified in a risk assessment and confirmed through interview with Internal Audit and Evaluation Committee members. The Risk-based Internal Audit Plan is then approved by the Internal Audit and Evaluation Committee.

The Risk-based Internal Audit Plan ensures an appropriate mix of audits to provide the Department's management with an objective assessment of the design and operations of management practices, control systems, and information in keeping with the government's continuous management improvement program and accountability for results.

Please refer to Table 12, "Response to Parliamentary Committees, Audits, and Evaluations for 2004–05."

## **Department of Finance Canada Crosswalk from Business Lines to Program Activity Architecture**

In the *2004–05 Report on Plans and Priorities*, the Department of Finance Canada provided its planning information using business lines based on the Planning, Reporting and Accountability Structure (PRAS). In the spring of 2004, the Treasury Board of Canada Secretariat embarked on a process to modernize its management of government expenditures through the Management, Resources and Results Structure (MRRS). With the MRRS, the basis for displaying and reporting information has shifted from the old business lines structure to the program activity architecture (PAA). Since the Department of Finance Canada has made progress in managing and reporting against the PAA, this new structure is being used to report performance in this report. The following is a crosswalk from the old business lines to the new PAA to explain the changes in the Department's reporting structure.

Program Activities (\$ thousands)											
Business Lines	Tax Policy	Economic and Fiscal Policy	Financial Sector Policy	Economic Development and Corporate Finance	Federal-Provincial Relations and Social Policy	International Trade and Finance	Public Debt	Domestic Coinage	Transfer Payments to Provinces and Territories	International Financial Organizations	Total
<b>Policies and Advice</b>											
Main Estimates	18,131	8,514	8,441	4,791	6,219	8,816					54,912
Planned Spending	18,131	8,514	8,441	4,791	6,219	8,816					54,912
Total Authorities	18,882	8,919	9,019	4,997	6,499	9,154					57,470
Actual Spending	18,049	9,074	8,279	8,437	6,645	8,206					58,690
<b>Corporate Administration</b>											
Main Estimates	11,591	5,443	5,396	3,063	3,976	5,636				—	35,105
Planned Spending	11,591	5,443	5,396	3,063	3,976	5,636				—	35,105
Total Authorities	13,562	6,369	6,314	8,984	4,652	6,595				734,752	781,228
Actual Spending	13,845	6,502	6,446	3,659	4,749	6,732				734,752	776,685
<b>Interest and Other Costs</b>											
Main Estimates							36,083,000				36,083,000
Planned Spending							35,283,000				35,283,000
Total Authorities							33,772,500				33,772,500
Actual Spending							33,772,500				33,772,500
<b>Canada Investment and Savings</b>											
Main Estimates							117,000				117,000
Planned Spending							117,000				117,000
Total Authorities							97,446				97,446
Actual Spending							97,446				97,446
<b>Domestic Coinage</b>											
Main Estimates								48,000			48,000
Planned Spending								64,600			64,600
Total Authorities								63,993			63,993
Actual Spending								63,993			63,993
<b>Transfer Payments</b>											
Main Estimates									31,555,000		31,555,000
Planned Spending									30,600,000		30,600,000
Total Authorities									37,779,444		37,779,444
Actual Spending									37,746,615		37,746,615
<b>International Financial Organizations</b>											
Main Estimates										1,248,895	1,248,895
Planned Spending										1,248,895	1,248,895
Total Authorities										1,581,772	1,581,772
Actual Spending										719,306	719,306

Program Activities (\$ thousands)											
Business Lines	Tax Policy	Economic and Fiscal Policy	Financial Sector Policy	Economic Development and Corporate Finance	Federal-Provincial Relations and Social Policy	International Trade and Finance	Public Debt	Domestic Coinage	Transfer Payments to Provinces and Territories	International Financial Organizations	Total
Special Projects											
Main Estimates											
Planned Spending											
Total Authorities		74,572									74,572
Actual Spending		6,000									6,000
<b>TOTAL</b>											
Main Estimates	29,722	13,957	13,837	7,854	10,195	14,452	36,200,000	48,000	31,555,000	1,248,895	69,141,912
Planned Spending	29,722	13,957	13,837	7,854	10,195	14,452	35,517,000	64,600	30,600,000	1,248,895	67,403,512
Total Authorities	32,445	15,288	89,905	13,981	11,151	15,748	33,869,946	63,993	37,779,444	2,316,524	74,208,424
Actual Spending	31,893	15,576	20,725	12,096	11,394	14,394	33,869,946	63,993	37,746,615	1,454,058	73,241,234

## Section II—Analysis of Performance by Strategic Outcome

### Strategic Outcome

To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.

The Department continues to work to maintain a balanced approach that will ensure a sustainable fiscal structure, encourage a more productive, competitive, and dynamic Canada, and support and sustain Canadian society. This approach has produced real benefits for Canadians: Canada had a strong, vibrant, and growing economy that is a leader among major industrialized nations. It has allowed the government to make real progress in creating an environment that fosters productivity growth through corporate tax reductions, investments in infrastructure and skills training, and the creation of one of the most generous tax regimes in the world in support of research and development. These initiatives will allow Canada to actively participate in the increasingly competitive global marketplace.

### Performance measurement and reporting framework

The chart below links the Department's outputs (i.e. the goods and services that it produces) to its strategic outcome. It shows the difference that the Department makes in the lives of Canadians. More detailed performance information relating to the Department's strategic outcome is presented in the following program activity section.

<b>ACTIVITIES</b> How the Department carries out its work	<ul style="list-style-type: none"> <li>• Tax Policy</li> <li>• Economic and Fiscal Policy</li> <li>• Financial Sector Policy</li> <li>• Economic Development and Corporate Finance</li> <li>• Federal-Provincial Relations and Social Policy</li> <li>• International Trade and Finance</li> <li>• Public Debt</li> <li>• Domestic Coinage</li> <li>• Transfer Payments to Provinces and Territories</li> <li>• International Financial Organizations</li> </ul>
<b>OUTPUTS</b> The goods and services that the Department produces	<ul style="list-style-type: none"> <li>• Information and advice to support the fiscal framework produced in accordance with professional standards and quality management systems (e.g. <i>The Fiscal Monitor</i> and annual financial reports of the Government of Canada)</li> <li>• International agreements and communiqués on economic and fiscal policy issues</li> <li>• Negotiations and consultations undertaken in a fair, open, and transparent manner</li> <li>• Payments to provinces and territories</li> <li>• The annual federal budget and economic and fiscal updates</li> </ul>

	<p>Debt programs delivered transparently and efficiently</p> <ul style="list-style-type: none"> <li>• Legislation, regulations, and economic documents</li> </ul>
<p><b>IMMEDIATE OUTCOMES</b></p> <p>The Department's role is supported and maintained</p>	<ul style="list-style-type: none"> <li>• Clients and stakeholders view information and advice as relevant and useful</li> <li>• Issues of national or international scope are advanced in light of opinions and recommendations put forward</li> </ul>
<p><b>INTERMEDIATE OUTCOMES</b></p> <p>Economic and fiscal climate is improved</p>	<ul style="list-style-type: none"> <li>• Reduced national debt and debt costs</li> <li>• Low-inflation environment</li> <li>• A fairer, more efficient, and competitive tax system</li> <li>• Altered target debt structure to lower future debt costs and adjusted debt programs to maintain well-functioning markets</li> <li>• Increased level of research and development</li> <li>• Increased competition in the financial sector</li> <li>• Effectiveness of measures to combat money laundering and terrorist financing</li> <li>• Progress on international financial and economic reforms</li> <li>• Well-functioning capital markets</li> <li>• Efficient system of transfers to the provinces and territories</li> <li>• Increased assistance to Canadians in upgrading their skills</li> <li>• Better understanding abroad of Canada's trade and investment interests</li> <li>• Increased efforts to promote sustainable development</li> </ul>
<p><b>STRATEGIC OUTCOME</b></p> <p>To create a fiscal, economic, social, and global advantage for Canada</p>	<ul style="list-style-type: none"> <li>• Canada is positioned to capitalize on domestic and global economic opportunities with a competitive macroeconomic and tax environment, innovation, and human, and financial capital</li> <li>• Canadians have the skills and knowledge needed for the knowledge-based economy</li> <li>• Key social programs and the values they represent help to support and sustain Canadian society and to bolster Canada's economic advantage</li> <li>• Canada's trade and investment interests are advanced internationally</li> <li>• Canada is able to benefit from a stable international economic and financial environment and reduced global poverty through effective multilateral interventions</li> </ul>



## Program Activities

### 1) Tax Policy

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
29,722	32,445	31,893

Human resources: FTEs

Planned	Actual	Difference
270	256	14

The Tax Policy program activity develops and evaluates federal taxation policies and legislation regarding income, sales, and excise taxes. The Tax Policy Branch works closely with the Canada Revenue Agency, which is responsible for the administration of federal taxes, as well as with the Canada Border Services Agency. The Branch also closely collaborates with other departments that have programs and policies that contribute to the economic and social well-being of Canada (e.g. Human Resources and Skills Development Canada, Social Development Canada, Industry Canada, Natural Resources Canada, Health Canada, Canadian Heritage, and the Department of Justice Canada). Officials also work closely with their provincial and territorial counterparts.

### Expected results

#### ***1. A fair, efficient, and competitive tax system***

A fair, efficient, and competitive tax system helps to improve the productivity and competitiveness of Canada and thus contributes to the Department's goal of a fiscal advantage for Canada.

In 2004–05, the Department implemented a number of measures designed to further this goal. These included measures previously announced in Budget 2000, the 2000 *Economic Statement and Budget Update*, Budget 2003, and Budget 2004 that were scheduled to take effect in 2004–05, as well as new measures announced in Budget 2005.

#### ***Implementing previously announced measures***

The \$100-billion Five-Year Tax Reduction Plan announced in 2000, as well as subsequent budgets, introduced a number of measures to improve the fairness, efficiency, and competitiveness of the tax system.

For 2004, for example, the tax bracket thresholds rose to \$35,000, \$70,000, and \$113,804, respectively. These increases went beyond the amounts necessary due to indexation. Furthermore, on July 1, 2004, as set out in the Five-Year Tax Reduction Plan, the income threshold at which the National Child Benefit (NCB) was fully phased out and the Canada Child Tax Benefit (CCTB) base benefit began to phase out increased to \$35,000, and the phase-out rate of the CCTB base benefit was reduced to 4.0 per cent from 5.0 per cent (to 2.0 per cent from 2.5 per cent for families with one child).

By 2004–05, under the Five-Year Tax Reduction Plan and Budget 2003, federal personal income taxes had been reduced by more than 21 per cent on average and by more than 27 per cent for families with children.

Specifically, the effect of actions taken since 2000 on net taxes paid by typical families is as follows:

- A typical two-earner family of four with a combined income of \$60,000 pays \$1,984 less net federal income tax—a savings of about 35 per cent.
- A typical one-earner family of four with an income of \$40,000 pays \$2,003 less net federal income tax—a savings of about 60 per cent.
- A typical single parent with one child and an income of \$25,000 receives additional net benefits of \$1,139.

In the most recent edition of its publication *Revenue Statistics* (2004), the OECD shows that Canada's personal income tax burden (measured as a percentage of GDP) fell from 13.1 per cent in 2000 to 11.9 per cent in 2002. This decline reflects, in part, the effect of personal income tax rate relief introduced in the Five-Year Tax Reduction Plan.

#### *New measures in 2004–05*

Budget 2005, which was tabled in the House of Commons on February 23, 2005, proposed additional tax relief for individuals, with most of the benefits going to low- and modest-income Canadians.

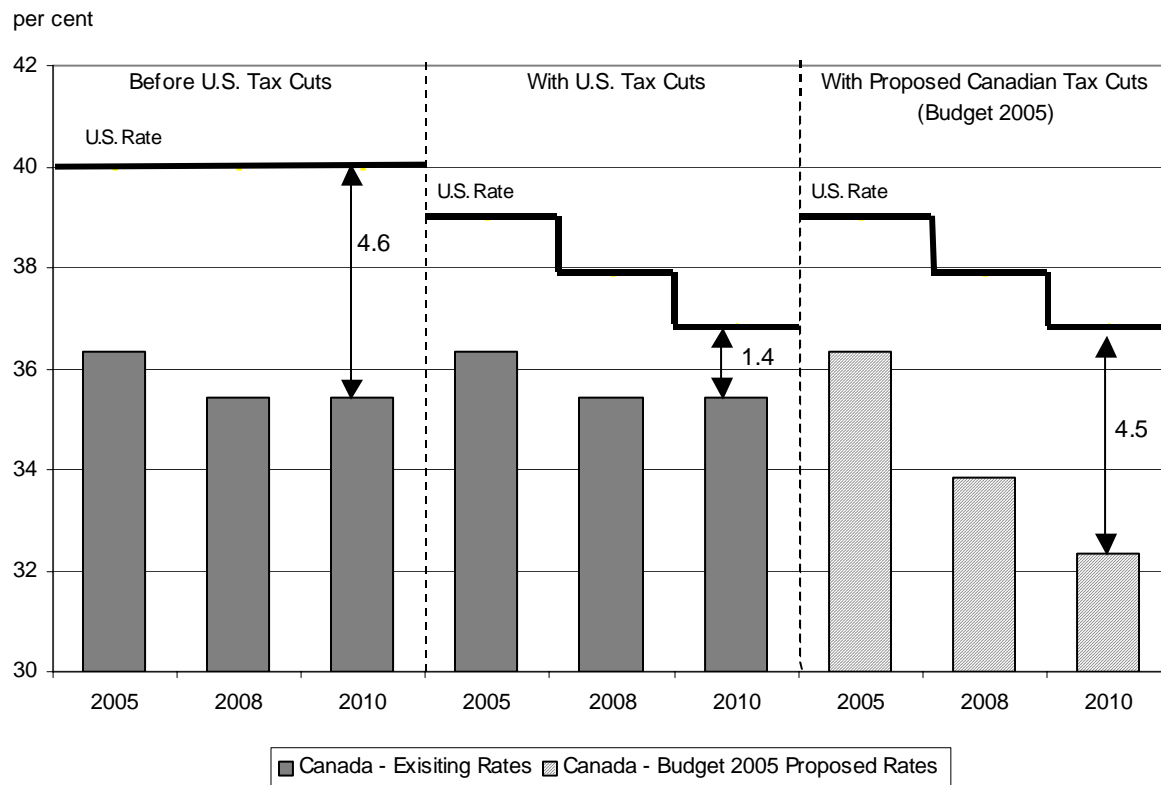
The amount of income that all Canadians may earn without paying federal income tax will increase to \$10,000 by 2009, starting with a gradual phase-in in 2006. As a result, 860,000 taxpayers will be removed from the tax rolls, including about 240,000 seniors. In addition, over 70 per cent of the tax relief will go to those earning less than \$60,000 per year. Budget 2005 also supports savings and investment by increasing the registered retirement savings plan (RRSP) annual contribution limit to \$22,000 in 2010 and making corresponding increases for employer-sponsored registered pension plans (RPP). These changes are described in detail under the second expected result, “A tax system that promotes jobs, growth, entrepreneurship, and innovation.”

Budget 2005 makes the tax system fairer, notably by improving tax assistance for persons with disabilities. It acts on the recommendations of the Technical Advisory Committee on Tax Measures for Persons with Disabilities (TAC). These changes are described under expected result 6, “Enhance tax fairness for persons with disabilities.” In addition, Budget 2005 proposed that clearly marked Emergency Medical Services vehicles be treated similarly to emergency fire and police vehicles in determining the taxable benefit to employees for personal driving.

The Five-Year Tax Reduction Plan also established a Canadian corporate tax rate advantage for investment to promote productivity and economic growth. Due to recently legislated corporate tax reductions in the U.S., Canada's advantage would be significantly diminished. In order to maintain this advantage, Budget 2005 proposed to reduce the general corporate income tax rate to 19.0 per cent from 21.0 per cent by 2010 and eliminate the corporate surtax in 2008. The

elimination of the corporate surtax is equivalent to a 1.12-percentage-point reduction in corporate income tax rates. Although these proposals were not fully implemented in the *Budget Implementation Act, 2005*, the government has announced its intention to table legislation to give full effect to this measure.

**Chart 1: Corporate Tax Rates in Canada and the U.S.—Manufacturing Income<sup>2</sup>**



In addition to competitive statutory tax rates, other aspects of the tax structure affect the tax system's contribution to growth in productivity and standard of living. Accordingly, Budget 2005 proposed modifications to capital cost allowance rates to better reflect useful life. These changes are described in detail in expected result 2, "A tax system that promotes jobs, growth, entrepreneurship, and innovation."

The Department continued to review, improve, and expand the tax treaty network, consistent with the objective of promoting a fair and competitive tax system. As a result, Bill S-17—which implemented agreements, conventions, and protocols between Canada and Gabon, Ireland, Armenia, Oman, and Azerbaijan—received first reading in October 2004 and Royal Assent in March 2005.

2. Combined average federal-provincial and federal-state income tax rates for manufacturing income, including capital tax equivalents. The Canadian federal income tax rate for manufacturing and processing (M&P) income is the same as the general rate, while some provinces have a reduced income tax rate on M&P income. These rates do not include changes made by provinces in their 2005 budgets.

As planned, the Department has taken steps toward the negotiation of tax information exchange agreements with selected jurisdictions. After consultation with the Canada Revenue Agency, priority jurisdictions were identified and contacted. A firm expression of interest was received from one of these jurisdictions, and it is expected that negotiations will begin at a mutually convenient time in the near future. Meanwhile, the Department will continue to approach the other priority jurisdictions.

To improve the efficiency of the tax system, the Department has been seeking to renew the tax collection agreements between the federal government and participating provinces and territories. As of March 31, 2005, 9 of the 12 agreements were signed. In addition, an agreement to implement the single administration of federal and Ontario corporate income taxes will be concluded as soon as possible.

As part of this same thrust, the Department has been engaged in negotiations with First Nations communities with a view to entering into tax administration and sharing agreements. As a result, eight self-governing Yukon First Nations communities have introduced personal income taxes on all residents of their settlement lands pursuant to the negotiation of a personal income tax administration and sharing agreement with Canada. A ninth agreement was negotiated in 2004.

Similarly, the Department has also been negotiating agreements with respect to sales taxes with First Nations communities. On July 1, 2004, Canada entered into sales taxation agreements to allow nine self-governing Yukon First Nations communities to impose a First Nations goods and services tax that would be applicable on all of the goods and services that are subject to the GST within their settlement lands.

Parallel to these initiatives, the Department has been facilitating tax arrangements between provincial governments and First Nations communities. Parliament enacted legislation to facilitate the establishment of sales tax arrangements between the Government of Quebec and interested Indian bands situated in Quebec.

## ***2. A tax system that promotes jobs, growth, entrepreneurship, and innovation***

An essential part of maintaining an economic advantage for Canada is a tax system that promotes jobs, growth, entrepreneurship, and innovation. Several improvements to the tax system have been made in this regard.

### ***Implementing previously announced measures***

Several measures from Budget 2003 and Budget 2004 were implemented in 2004–05. For example, Budget 2003 announced additional support for small businesses through a phased-in increase in the small business deduction from \$200,000 to \$300,000. Budget 2003 also announced the phase-out of the federal capital tax, such that this tax would be eliminated for small- and medium-sized businesses in 2004 and for all businesses by 2008. In addition, Budget 2004 accelerated the increase in the small business deduction announced in Budget 2003.

### ***New measures in 2004–05***

To better meet the retirement savings needs of Canadians, assist employers in providing competitive compensation packages to attract and retain skilled workers, and improve the tax

treatment of savings to support investment, productivity, and economic growth, Budget 2003 increased RPP and RRSP annual dollar contribution limits in steps to \$18,000 by 2005 and 2006 respectively, with corresponding increases in the maximum pension limit per year of service for defined benefit RPPs to \$2,000 by 2005.

Budget 2005 proposed further increases in the RPP and RRSP limits. The RRSP dollar contribution limit will be increased to \$22,000 by 2010, with corresponding increases in the limits for RPPs. The limits will be indexed to average wage growth for subsequent years. The new limits are set out below.

	2005	2006	2007	2008	2009	2010	2011
(dollars)							
Money Purchase RPPs (annual contribution limit)							
Budget 2003	18,000	indexed					
Budget 2005	18,000	19,000	20,000	21,000	22,000	indexed	
Defined Benefit RPPs (maximum pension benefit per year of service)							
Budget 2003	2,000	indexed					
Budget 2005	2,000	2,111	2,222	2,333	2,444	indexed	
RRSPs (annual contribution limit)							
Budget 2003	16,500	18,000	indexed				
Budget 2005	16,500	18,000	19,000	20,000	21,000	22,000	indexed

Note: The RPP limits are based on current-year earnings; the RRSP limits are based on prior-year earnings. Accordingly, the RRSP limits are lagged one year behind the corresponding RPP limits.

Bill C-33, which was adopted by the House of Commons in February 2005 and is expected to receive Royal Assent in May 2005, amends the *Income Tax Act* to allow part-time students to claim the education tax credit for education related to current employment when the costs are not reimbursed by their employers. The change is effective for the 2004 and subsequent taxation years. In addition, Department officials worked closely with officials from Human Resources and Skills Development Canada (HRSDC) and the Department of Justice Canada in the drafting of Bill C-5, which introduced the Canada Learning Bond and enhanced Canada Education Savings Grant programs delivered by HRSDC. Bill C-5 received Royal Assent in December 2004.

Budget 2005 proposed a number of corporate tax changes that promote jobs, growth, entrepreneurship, and innovation. In addition to the reduction in the general corporate income tax rate to 19.0 per cent from 21.0 per cent by 2010 and the elimination of the corporate surtax in 2008 described above, the budget proposed changes to align capital cost allowance rates with the useful life of assets:

- The rate applying to combustion turbines that generate electricity was increased from 8.0 to 15.0 per cent.
- The rate for electricity transmission and distribution assets was increased from 4.0 to 8.0 per cent.
- The rate for cables used for telecommunications infrastructure was increased from 5.0 to 12.0 per cent.
- The rate for oil and gas transmission pipelines was increased from 4.0 to 8.0 per cent, and a 15-per-cent capital cost allowance rate was set for compression and pumping equipment on such pipelines.

Budget 2005 also proposed to extend the scientific research and experimental development (SR&ED) program tax incentives to include expenditures incurred in the performance of SR&ED after February 22, 2005, in the area within 200 nautical miles from the Canadian coastline and outside the 12-nautical-mile territorial sea (this area is commonly known as Canada's exclusive economic zone). This measure can also lead to higher productivity growth. Bill C-43, which enacted these measures, is expected to receive Royal Assent in June 2005.

Budget 2005 also promotes growth by proposing to allow members of agricultural co-operatives to defer paying tax on patronage dividends they receive in the form of shares until the shares are disposed of.

### ***3. Support for the continuing renewal of the Canadian health care system***

A key element of the social advantage for Canada is a strengthened health care system. The 2003 budget announced a review of the rebate of the GST and the federal component of the HST for health care to assess and improve its application with respect to health care functions that have moved outside of hospitals. Further to extensive consultations with provincial and territorial governments, the 2005 budget proposed the extension of the application of the 83-per-cent GST/HST rebate to eligible non-profit health care facilities that provide services previously performed in hospitals. This measure, is expected to receive Royal Assent in June 2005, will result in a rebate system that is more neutral with respect to provinces' decisions to devolve services traditionally provided in a hospital setting and will therefore support provincial efforts to streamline the delivery of non-profit health care services.

### ***4. Support to communities***

Improved municipal infrastructure contributes to the social advantage of Canada. To contribute to the goals of ensuring that Canada's communities have reliable and predictable long-term funding and to provide more effective program support for pressing infrastructure and social priorities in communities, the rebate of the GST and the federal component of the HST for municipalities was increased to 100 per cent from 57.14 per cent, effective February 1, 2004. The legislation to implement the 100-per-cent GST/HST rebate was included in the *Budget Implementation Act, 2004*. Once the budget legislation was enacted in May 2004, the incremental rebate amounts could be paid to municipalities.

Bill C-33—which included changes to the *Income Tax Act* to improve the regulation of registered charities through a new compliance regime, a more accessible appeal regime, and

more transparency and accessibility of information—is expected to receive Royal Assent in May 2005.

### **5. Increase support for families with children**

Increasing support for families with children enhances Canada's social advantage. With changes implemented under the Five-Year Tax Reduction Plan and Budget 2003, the maximum annual CCTB benefit for a first child under age 7 reached \$2,958 as of July 2004. Further legislated increases in the NCB supplement component of the CCTB include increases of \$185 per child in July 2005 and \$185 per child in July 2006, in addition to indexation. With these increases, by 2007, the maximum annual CCTB benefit for a first child under age 7 will have doubled from its 1996 level. These NCB supplement enrichments are enabling provinces to replace basic child benefits provided under social assistance for the vast majority of children in Canada, thereby helping poor families move into the labour market and escape welfare dependency.

The effect of federal investments on low-income families with children in Canada, together with the actions of provincial and territorial governments, is the subject of annual reporting in the federal-provincial-territorial *National Child Benefit: Progress Report*, available at <http://www.nationalchildbenefit.ca/>.

### **6. Enhance tax fairness for persons with disabilities**

One characteristic of Canada's social advantage is the way in which the tax system treats those with disabilities. An evaluation of the Disability Tax Credit (DTC) was performed and published as part of the 2004 *Tax Expenditures and Evaluations* publication. It found that data suggests the DTC is reaching its target population but that better information is required to assess whether the DTC dollar amount is set at the right level.

Budget 2004 acted on an early proposal of the TAC to reduce barriers to employment and education by creating a disability supports deduction. As a result of this deduction, income used to pay for disability supports incurred for employment or education are not be taxed and do not affect income-tested benefits.

Budget 2004 also increased tax fairness for caregivers by allowing them to claim more of the disability-related and medical expenses they incur on behalf of dependants.

Bill C-33, which included changes to the *Income Tax Act* to implement these measures, is expected to receive Royal Assent in May 2005.

Budget 2005 acted on the final recommendations of the TAC that were published in the Committee's report in December 2004. The report is available at <http://www.disabilitytax.ca/main-e.html>. The proposals, most of which are effective for the 2005 taxation year, include measures:

- extending eligibility for the DTC to individuals who face multiple restrictions that together have a substantial impact on their everyday lives;
- extending the DTC to more individuals requiring extensive life-sustaining therapy on an ongoing basis;

- expanding the list of expenses eligible for the disability supports deduction, which was introduced in Budget 2004;
- increasing the maximum amount of the refundable medical expense supplement to \$750; and
- increasing the maximum annual Child Disability Benefit to \$2,000 per child.

Taken together, these and other measures will increase tax relief for persons with disabilities and their caregivers by \$105.0 million in 2005–06, growing to \$120.0 million by 2009–10.

In addition, Budget 2005 proposes to double, to \$10,000, the maximum amount of medical- and disability-related expenses that caregivers can claim on behalf of their dependants.

### ***7. Support for Canadians to upgrade their skills and learning***

As part of Canada's social advantage and to succeed in the knowledge-based economy, it is important to have highly skilled, innovative workers.

Bill C-33, which was adopted by the House of Commons in February 2005 and is expected to receive Royal Assent in May 2005, amends the Income Tax Act to allow part-time students to claim the education tax credit for education related to current employment, when the costs are not reimbursed by their employers. The change is effective for the 2004 and subsequent taxation years.

Officials from the Department of Finance Canada, worked closely with officials from Human Resources and Skills Development Canada (HRSDC) and the Department of Justice Canada in the drafting of Bill C-5, which received Royal Assent in December 2004, and of the regulations stemming from the bill that will govern the Canada Learning Bond (CLB) and enhanced Canada Education Savings Grant (CESG) programs, which will be delivered by HRSDC. Both programs will become operational on July 1, 2005, and CLB entitlements accumulated since January 2004 and eligible contributions made to Registered Educational Savings Plans (RESPs) since January 2005 attract the enhanced CESG.

### ***8. Contribute to the government's implementation strategy for meeting commitments under the Kyoto Protocol***

Improving and sustaining Canada's standard of living and quality of life in an increasingly competitive and integrated global economy continue to be key departmental objectives.

In support of the government's climate change objectives, Budget 2005 proposed to further accelerate the capital cost allowance (CCA) rate from 30.0 per cent to 50.0 per cent for certain high-efficiency co-generation equipment and the full range of renewable energy generation equipment currently included in Class 43.1 CCA (including wind turbines, small hydro facilities, active solar heating equipment, photovoltaics, and geothermal energy equipment). This increased rate will apply to equipment acquired during the next seven years. The effectiveness of the measure will be reviewed at the end of that period.

Budget 2005 also proposed to extend the range of equipment eligible for Class 43.1 CCA treatment to certain district energy and biogas production systems. Qualifying start-up expenses



of projects using these additional technologies will be eligible for treatment as Canadian Renewable and Conservation Expenses.

The budget also indicated that new accelerated CCA will only be considered for investments in green technology.

Budget 2005 indicated that opportunities to use the tax system to advance environmental goals will continue to be actively considered. The Budget Plan set out a framework intended to facilitate dialogue and foster a shared understanding of policy considerations that may be taken into account as proposals are developed and assessed. The government also asked the National Round Table on the Environment and the Economy to consult and make recommendations with respect to options for a vehicle feebate, with a view to encouraging Canadians to acquire more environmentally friendly vehicles.

During the year, officials from the Department also participated in discussions with respect to the tax treatment of transactions under a proposed emissions trading system, which is being developed to reduce greenhouse gas emission intensities.

### ***9. More efficient and secure borders***

As part of the goal of a global advantage for Canada, the Air Travellers Security Charge (ATSC) is designed to fund the cost of enhanced air travel security. Consistent with the government's commitment to ensure that revenue from the ATSC remains in line with costs for the enhanced air travel security system, Budget 2005 presented a review of the charge (<http://www.fin.gc.ca/budget05/bp/bpa7e.htm>) and proposed rate reductions effective March 1, 2005, as follows: to \$10 from \$12 for domestic round-trip air travel; to \$8.50 from \$10 for transborder flights; and to \$17 from \$20 for other international flights. The rate reductions will be enacted in Bill C-43, which is expected to receive Royal Assent in June 2005. The review included the results of the audit report from the Auditor General of Canada released on November 17, 2004. The ATSC will continue to be reviewed over a five-year period. Future audit reports from the Auditor General of Canada will continue to be considered as part of the review process.

## 2) Economic and Fiscal Policy

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
13,957	15,288	15,576

Human resources: FTEs

Planned	Actual	Difference
129	129	—

The Economic and Fiscal Policy program activity develops the government's fiscal framework and provides advice to the government to promote sustained economic growth. This ensures that Canada is in the best position to capitalize on both domestic and global economic opportunities.

In preparing the fall economic and fiscal update, the Department conducts a survey of private sector forecasters and meets with the chief economists of the major chartered banks and four major private sector economic forecasting firms to agree on a set of economic assumptions, which are used to develop five-year fiscal projections.

In preparing the budget, the fiscal projections are updated by the Department for the current fiscal year and for each of the next five years based on the results of the Department's most recent survey of 20 private sector forecasters.

### Expected results

#### *1. Prudent fiscal planning framework*

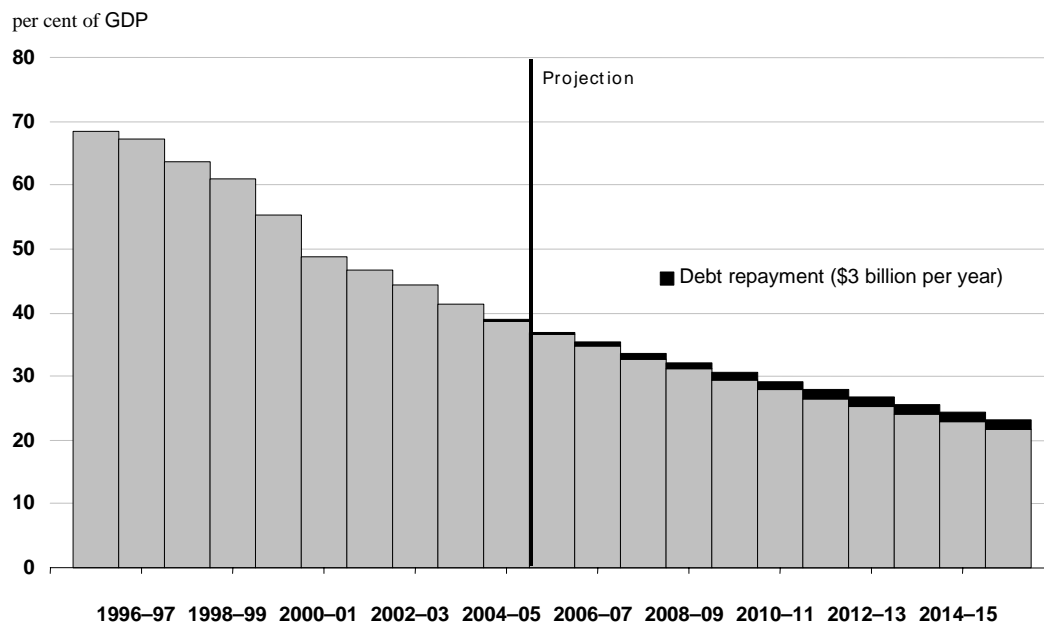
The Department is committed to prudent financial management, including delivering balanced budgets or better, reducing the burden of the federal debt, and improving expenditure efficiency. This result supports the Department's priority of a sustainable fiscal structure. Maintaining a prudent fiscal framework allows the government to reduce the amount of money that it must spend paying interest on its debt, which frees resources that can be used to address the priorities of Canadians. It reduces Canada's vulnerability to external economic shocks that drive up interest rates, and it provides flexibility to the government to address the pressures of an aging society.

Following a \$9.1-billion surplus in 2003–04, the federal government is expecting balanced budgets or better in 2004–05 and in each of the next five fiscal years. The 2004–05 fiscal year will thus mark the eighth consecutive balanced budget achieved by the Government of Canada, the first time this has happened since Confederation.

According to OECD estimates, Canada was the only G-7 country to record a total government fiscal surplus in each of the past three years, and it is expected to be the only G-7 country to do so in 2005–06.

The federal debt has declined steadily since 1996–97. This, combined with Canada's strong economic growth, has resulted in a significant decline in the federal debt-to-GDP ratio, from its peak of 68.4 per cent in 1995–96 to an estimate of 38.8 per cent in 2004–05. The government is committed to keeping this ratio on a downward track. It is estimated that the federal debt-to-GDP ratio will decline to about 30 per cent in 2009–10. Budget 2005 also reaffirmed the objective to lower this ratio to 25.0 per cent by 2014–15. The following chart shows the historical path and the projections of the federal debt-to-GDP ratio. Further information on the government's fiscal performance can be found in the *Annual Financial Report of the Government of Canada* (<http://www.fin.gc.ca/purl/afr-e.html>).

### Federal Debt-to-GDP Projections (Accumulated Deficit—Public Accounts Basis)



The Cabinet Committee on Expenditure Review has identified cumulative savings totalling almost \$11 billion over the next five years. These savings have been reinvested in core responsibilities of the government.

One of the key challenges of the fiscal-planning framework is to provide accurate economic and fiscal forecasts. To this end, the government commissioned a third-party review of its economic- and fiscal-forecasting methods. The report, which will include recommendations, is expected to be publicly released in June 2005 (see [http://www.fin.gc.ca/toce/2005/oneil\\_e.html](http://www.fin.gc.ca/toce/2005/oneil_e.html)). The Department will do its best in coming years to implement the recommendations of the report, notably those relating to improving transparency of information and the quality and analysis of data.

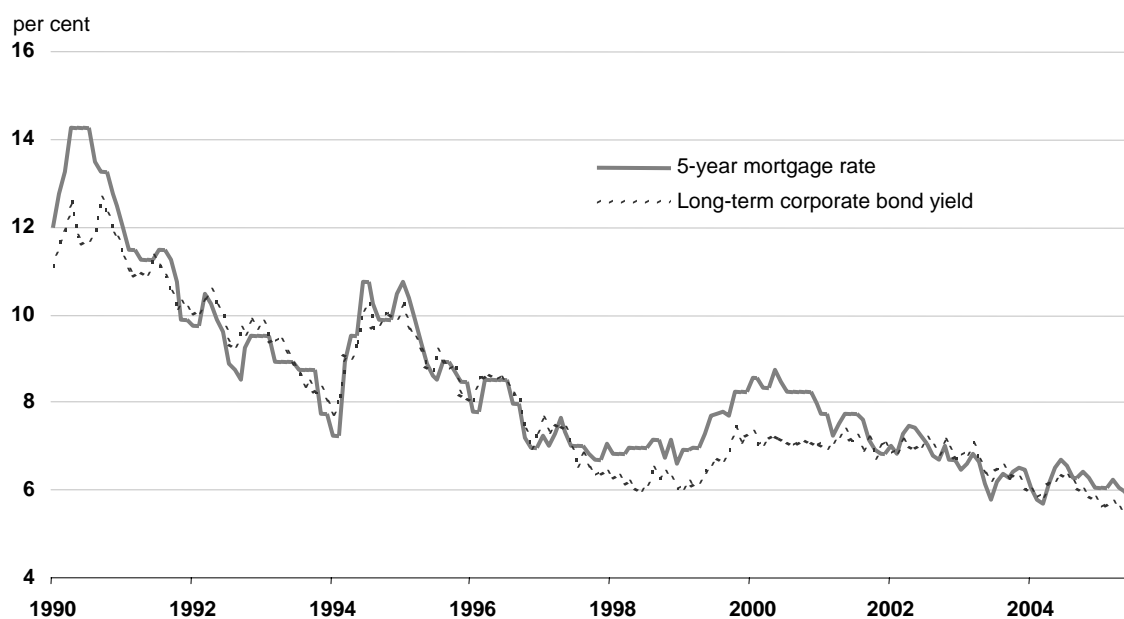
## 2. Policy options that promote long-term economic growth

This result supports the Department's priority of a more productive, competitive, and dynamic Canada by providing analysis and advice on policy options that promote long-term economic growth. Sound economic policies enable the Canadian economy to perform well despite various economic shocks. Combined with a sustainable fiscal structure, the policy of targeting low

inflation has allowed policy-makers to lower interest rates in order to support the Canadian economy when it was hit by a series of significant shocks in 2003 and 2004. Lower interest rates provide strong support to interest-sensitive sectors, such as housing, consumer spending, and business investment.

Adjusting to the rapid appreciation of the Canadian dollar was a major challenge for the Canadian economy in 2003 and 2004, particularly for Canadian exporters. Counterbalancing the effect of the higher dollar on the economy, Canada's policy of low and stable inflation has helped to support domestic demand by maintaining low interest rates. The following chart shows how interest rates have fallen to very low levels.

### Bond and Mortgage Rates



Source: Statistics Canada

Despite the effect of the stronger dollar, the Canadian economy grew at a relatively robust pace of 2.9 per cent in 2004. In its spring 2005 *World Economic Outlook*, the IMF projected Canada's real GDP growth to be 2.8 per cent in 2005 and 3.0 per cent in 2006, second only to the U.S. among G-7 countries in both years.

Showing its resilience, the Canadian economy also created 226,300 net new jobs in 2004, all of which were full-time.

The risks to the Canadian economy are largely external, relating to sustained U.S. fiscal deficits and current account imbalances. The deterioration of the U.S. fiscal situation could put upward pressure on U.S. and Canadian interest rates and dampen growth in the two countries. Moreover, continued pressure on the U.S. current account adds to the risk of substantial U.S. dollar depreciation. This could also mean additional Canadian dollar appreciation, which would pose further challenges to Canadian exporters. The Department will continue to provide advice and support sound economic policies to help maintain economic growth and prosperity in the face of these external shocks.

### 3) Financial Sector Policy

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
13,837	89,905	20,725

Human resources: FTEs

Planned	Actual	Difference
133	114	19

The Financial Sector Policy program activity is responsible for providing analysis on Canada's financial sector and on the regulation of federally chartered financial institutions (banks, trust companies, insurance companies, credit unions, and other financial institutions). It also manages the government's borrowing program and provides support to the minister regarding Crown corporation borrowing and financial market policy.

#### Expected results

##### ***1. Sustainability of the Canada Pension Plan***

Bill C-3, *An Act to amend the Canada Pension Plan and the Canada Pension Plan Investment Board Act*, came into force on April 1, 2004. All remaining CPP assets currently managed by the Government of Canada are being transferred to the CPP Investment Board over a three-year period ending April 30, 2007. The assets include a cash operating balance and a portfolio of long-term, mostly provincially issued, bonds. At March 31, 2005, the total estimated market value of the assets to be transferred was \$22.1 billion.

The operating balance, comprising about \$2.8 billion as at March 31, 2005, will be transferred to the CPP Investment Board in 12 equal monthly payments that began in September 2004. The bond portfolio (totalling \$19.3 billion as at March 31, 2005) is being transferred over a three-year period that began on May 1, 2004.

The CPP Investment Board is mandated to maximize investment returns without undue risk of loss in the best interests of CPP members. It is expected to improve the investment performance of the assets by managing them within a diversified portfolio of higher-earning market investments in a similar fashion to other large public pension plans in Canada.

##### ***2. A regulatory framework that creates an environment for a financial services sector that is internationally competitive, safe and sound, and responsive to business and consumer needs and for financial markets that meet the needs of the issuers and providers of capital***

The Department advises and develops policy, legislation, and regulations to support a leading-edge financial services sector and to achieve a more productive, competitive, and dynamic Canada. Examples of key initiatives follow.

### *Implementation of an efficient policy framework for the financial services sector*

Pursuant to the passage of Bill C-8, *An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions*, in the fall of 2001, about 140 regulations were steered through the regulatory process and passed by March 31, 2004. This was achieved through effective co-ordination, preparation, and review of the regulations with the Department of Justice Canada and the Privy Council Office, as well as through consultations with outside stakeholders. During the 2004–05 fiscal year, the *Related Party of a Retail Association Regulations*, required for the full implementation of increased organizational flexibility for the financial co-operative sector, were approved. The *Administrative Monetary Penalties Regulations*, finalizing the implementation of the administrative framework for the Office of the Superintendent of Financial Institutions (OSFI), were pre-published and will be presented for final approval soon.

The *Canada Business Corporations Act* (CBCA) generally serves as a reference point for the governance rules in the federal financial institutions legislation. The governance regime in the existing CBCA underwent a round of changes in 2001 under Bill S-11. The Department released a discussion paper on January 31, 2003, outlining proposals relating to Bill S-11 follow-up changes, as well as policyholder governance proposals. The Department also conducted extensive consultations with interested stakeholders. Budget 2005 announced the upcoming introduction of legislation to reform the governance framework of the federal financial institutions statutes. Bill C-57, *An Act to amend certain Acts in relation to financial institutions*, is expected to be introduced in June 2005.

The four principal acts that govern financial sector regulation, the *Bank Act*, the *Insurance Companies Act*, the *Trust and Loan Companies Act*, and the *Cooperative Credit Associations Act*, are subject to a five-year review cycle. The next review, including bringing into force the new legislation, must occur by October 2006. As a result, as part of Budget 2005, the Government of Canada announced the launch of a consultation process seeking the views of stakeholders and Canadians to refine the current framework to increase legislative and regulatory efficiency, improve consumer protection, and adapt it to new developments. Views on the issues raised and any other relevant matters were to be sent to the Department of Finance Canada by June 1, 2005. The government will develop and release a white paper in the fall.

In June 2003, the government released its response to the House of Commons and Senate committee reports regarding bank mergers and the public interest. The response document posed a number of policy questions relating to competition and consolidation in the financial services sector in Canada. The consultation period closed at the end of December 2003, and the submissions received have been reviewed. The Minister of Finance has met with chief executive officers of large banks, other stakeholders, and members of the opposition parties. A policy paper is expected to be released in due course.

In Budget 2005, the government moved ahead to modernize the regulatory system to improve the efficiency and effectiveness of federal financial services regulation. The government clarified the roles and responsibilities of the Canada Deposit Insurance Corporation and OSFI and eliminated overlap and duplication between the two agencies. The legislative and bylaw amendments required to implement these changes were expected to be passed in the spring of 2005.

As part of its responsibilities over the financial sector, the Department also advises the Minister of Finance in respect of federal pension policy. On April 1, 2003, Air Canada applied for protection from its creditors under the *Companies' Creditors Arrangement Act*. In financial reports that the company subsequently filed with OSFI, Air Canada indicated that its 10 defined benefit pension plans had an aggregate solvency deficiency of over \$1 billion as at January 2004. Air Canada sought changes in pension regulations to permit it to fund the solvency deficiencies in its pension plans over a 10-year period rather than the maximum 5 years permitted by the *Pension Benefits Standards Regulations*.

After ensuring that the specific changes were supported by all stakeholders, the government published the *Air Canada Pension Plan Solvency Deficiency Funding Regulations* in August 2004 and signalled that it would consider extending this type of assistance to pension plans of sponsors in financial difficulty more broadly, looking at pension plans' sustainability while responding to companies' need for flexibility.

Pursuant to this commitment, the government plans to issue a consultation paper titled *Strengthening the Legislative and Regulatory Framework for Defined Benefit Pension Plans Registered under the Pension Benefits Standards Act, 1985*, in May 2005 with a view to improving the security of pension plan benefits and ensuring the viability of defined benefit pension plans.

#### *Pursuit of improved system of securities regulation*

In Budget 2004, the government expressed its agreement with the recommendations of the Wise Persons' Committee (WPC) calling upon Canadian governments to collaborate in the establishment of a single Canadian securities regulator and a single Canadian securities law. In the course of 2004–05, the government pursued discussions with individual provinces on the WPC's recommendations. To improve Canada's business climate and to promote greater efficiency, the government stated its objective of reaching an agreement on an enhanced system of securities regulation by the end of 2005 in the 2005 budget.

#### *Development of a supportive environment for financing Canadian companies*

Budget 2005 removed the restrictions on investment in foreign property by tax-exempt entities, enhancing diversification opportunities for retirement investments for Canadians and providing pension funds with greater flexibility to supply venture capital to Canadian small businesses. Going forward, the government will continue to work with the investment, venture, and angel capital communities to ensure an efficient venture capital market for early-stage small businesses in Canada. The goal remains to be one of the top three industrial countries for venture capital investment per capita (Canada currently stands fourth) and to match the U.S. in initial public offering dollars raised per capita by 2010.

### ***3. A financial system that is secure and meets international standards for combatting financial abuses and terrorist activities***

The goal of Canada's anti-money laundering and anti-terrorist financing regime is to provide appropriate tools to law enforcement, while respecting the privacy of Canadians and conforming to international standards. Canada is in the process of implementing the revised FATF

anti-money laundering and anti-terrorist financing standards and preparing for a comprehensive mutual evaluation of its national regime by the FATF in 2007. Canada continues to be an active member of the FATF and will assume the FATF Presidency in 2006–07.

Canada's anti-money laundering and anti-terrorist financing regime was examined by the Auditor General of Canada and underwent a Treasury Board–mandated evaluation in 2004. ([http://www.fin.gc.ca/toce/2005/nicml-incba\\_e.html](http://www.fin.gc.ca/toce/2005/nicml-incba_e.html)). It will be subject to a legislatively mandated parliamentary review that will begin in 2005.

As indicated in Budget 2005, to prepare for the FATF review and to respond to the recommendations of the Auditor General of Canada and the Treasury Board evaluations, the government was planning to release a consultation paper in June 2005. The government will consult with public and private sector stakeholders on a range of proposals designed to enhance and update Canada's anti-money laundering and anti-terrorist financing regime. The consultations will serve to focus the discussions of parliamentarians in their review exercise.

The outcomes of the consultation exercise and the parliamentary review are expected to lead to amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its associated regulations.

In 2004–05, the Department worked closely with the Bank of Canada on the issuance of new high-denomination (\$20, \$50, and \$100) bank notes. All three notes were successfully launched, and the acceptance of these notes by both the public and retailers has been high. These new notes, with their state-of-the-art security features, are much harder to counterfeit and therefore contribute to the priority of strong, sustained global economic growth.

The Department has also worked with the Bank of Canada on other initiatives to protect Canada's currency against counterfeiting. These initiatives include the upgrade of the security features of the \$10 note (to be issued in May 2005), counterfeiting enforcement strategies, and communication efforts.

Overall, the Department's collaborative efforts with the Bank of Canada on currency helped to maintain the public's confidence in Canadian bank notes.



## 4) Economic Development and Corporate Finance

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
7,854	13,981	12,096

Human resources: FTEs

Planned	Actual	Difference
71	69	2

The Economic Development and Corporate Finance program activity provides policy analysis and advice to the minister on the financial implications of the government's microeconomic policy and programs and on corporate restructuring regarding Crown corporations and other corporate holdings. It also makes proposals for funding of programs and develops sectoral policy analysis.

### Expected results

#### *1. Support for research and development*

In every budget since fiscal balance was restored, the government has made key investments to help build a world-class science and technology (S&T) environment in Canada. In particular, these investments have focussed on strengthening the research capacity of Canada's higher education sector. They have helped Canada rank first in the G-7 in terms of publicly performed research as a share of the economy.

Research and development (R&D) play important roles in securing an economic advantage in the knowledge-based economy. The new knowledge realized through R&D leads to productivity improvements and is also the source of the new products and services that open new markets and improve the quality of life of Canadians. Just as importantly, by participating in leading-edge R&D activities, Canadian workers gain the advanced skills needed by innovative firms. In total, the government's expenditures on S&T are estimated at \$9.2 billion in 2004–05, the highest level ever.

Work between the Department of Finance Canada and a number of lead departments over the course of 2004–05 led to the inclusion of additional investments in Budget 2005 totalling \$810.0 million in 2004–05 and the next five years in support of research and innovation. Major initiatives included the following:

- The investment of \$165.0 million in 2004–05 in Genome Canada to support leading-edge genomics research.
- The provision of \$126.0 million over five years to support advanced particle physics research at the Tri-University Meson Facility in British Columbia.

- A \$75-million-per-year increase in funding for Canada's three federal granting councils, beginning in 2005–06.
- A \$15-million-per-year increase in funding for the indirect costs associated with federally sponsored research through the granting councils beginning in 2005–06.

In addition, Canada's scientific research and experimental development tax incentive program to promote private sector investment in R&D is one of the most advantageous systems in the industrialized world. Investment tax credits are provided to qualifying current and capital expenditures at a general rate of 20.0 per cent and an enhanced rate of 35.0 per cent for smaller Canadian-controlled private corporations.

Estimated spending on R&D in Canada increased to \$24.5 billion in 2004, a 5.1-per-cent increase over 2003. This increase was the result of greater R&D investments by all major sectors, led by the higher education sector (12.0 per cent), the federal government (5.5 per cent) and the business sector (2.2 per cent). R&D investments as a percentage of GDP were an estimated 1.90 per cent in 2004, a slight decline from 1.91 per cent the previous year but up significantly from 1.66 per cent in 1997. Both the federal government and the higher education sector are expected to continue increasing their R&D investments in future years. Canada placed 13th in the OECD in this regard in 2002, the last year for which comparable international data exists. Canada's movement from 15th to 13th place reflects, in part, data revisions by Canada and other nations. The ultimate goal is to rank 5th by 2010.

Another important objective is strengthening the ability of universities and research hospitals to engage in knowledge transformation and commercialization. This is a key element in realizing social and economic benefits from the government's investment in Canada's R&D capacity.

The commercialization performance of universities is generally measured by revenues generated from licensing and start-up companies. While Canadian universities continue to receive less income from their commercialization investments than U.S. institutions, they are increasingly making stronger commercialization performance part of their strategic plans. As a result, Canadian universities have been steadily improving their performance in these areas in recent years. For example, based on the most recent information available, the licensing revenues generated by Canadian institutions increased from \$51.5 million in 2002 to \$57.7 million in 2003. Canadian institutions created 58 start-up companies in 2003 and now hold over 890 income-yielding licences or options.

## ***2. Programs that facilitate the adaptation of all sectors to the knowledge-based economy***

As firms become more innovative and knowledge-focussed, they are able to increase their productivity and compete more effectively, contributing to a more productive and competitive Canadian economy. The government's main responsibility in supporting this process is to ensure that the necessary conditions are in place to enable all sectors of the economy to adapt to the challenges of and benefit from the opportunities presented by the global knowledge-based economy. This includes providing stable fiscal and monetary conditions, a competitive tax system, and effective regulations. An eighth consecutive balanced budget in 2004–05, the lower interest rates brought about by the significant reduction in the government's reliance on capital

market borrowing, and sustained personal and corporate tax reductions have contributed to this objective.

The government also provides strategic investments to support firms in adopting innovation as a core competitive advantage. Over the course of 2004–05, the Department worked with the Business Development Bank of Canada (BDC) to implement the Budget 2004 commitment to purchase \$250.0 million of BDC common shares to increase the amount of early- and late-stage venture capital available for innovative Canadian companies. The Department also worked closely with other federal organizations to ensure that their programming supports private sector innovation. For example, the Department worked with the National Research Council Canada to assess the progress made since 2000 in supporting the development of technology-based clusters in Atlantic Canada, leading to the renewal of the initiative for an additional five years in Budget 2005. Budget 2005 also included a renewal of funding for the Atlantic Innovation Fund that will support university research, commercialization, and innovative companies. Other budget measures that support this objective include funding for the development of the next generation of radar remote sensing satellites and initiatives to help the textile and apparel industries adjust to global competition.

Evidence that the private sector is innovating and adopting new technologies is usually measured through indicators such as business R&D activity, capital formation, and patenting activity. There are a number of positive trends that suggest that Canadian companies are improving in these important areas. Canadian business expenditures on R&D as a percentage of GDP have increased steadily over the past decade, rising from half of the OECD average to close to 70 per cent in 2002. Canadian capital investment as a percentage of GDP has also improved dramatically since 1995, rising from one of the lowest levels in the G-7 to near the top. Businesses have especially been increasing their investment in machinery and equipment (for example, by an estimated 6 per cent from 2003 to 2004). Overall, this rapid rate of investment growth suggests that Canadian businesses are adopting new technologies and innovations at a rapid rate.

The Department continually reviews its economic framework to ensure that it remains up-to-date and monitors progress in reaching its objectives. Thus, for example, while business investment in R&D has increased since 1995, it remains below the OECD average. This suggests that there remains scope for Canadian firms to reap greater benefits from the strong knowledge base created by past investments in research, particularly in the higher education sector. The Department continues to explore ways to encourage greater collaboration between firms and researchers at universities, colleges, and hospitals.

### ***3. Support to communities***

The government's New Deal for Cities and Communities is directed to providing long-term, reliable, and predictable funding for the benefit of municipalities, both large and small, in order to support and sustain Canadian society. As a first step in delivering the New Deal, Budget 2004 provided municipalities with \$7.0 billion over 10 years through a full GST rebate, effective in February 2004. A key objective of the New Deal in 2004–05 was to develop a way of sharing funds equivalent to a portion of federal gasoline tax revenues, in support of environmentally sustainable infrastructure. Infrastructure Canada was the lead department for this exercise.

The Department of Finance Canada participated in interdepartmental discussions on the development of this initiative and made recommendations to the Minister of Finance regarding the inclusion of measures in Budget 2005.

With Budget 2005, the government met its Speech From the Throne commitment to make a portion of the federal excise tax on gasoline available for cities and communities. Effective in 2005–06, Canada's cities and communities will receive a share of federal gas tax revenues worth \$600.0 million. This funding will increase until it reaches \$2.0 billion annually, equivalent to 5 cents per litre of gas tax revenues, by 2009–10. To ensure a timely transfer of funds, authority for the payment in 2005–06 was included in the budget bill. In terms of the approach for transferring the funds, the Department participated in interdepartmental discussions to develop a framework for sharing gas tax revenues. The Minister of State (Infrastructure and Communities) is responsible for negotiating individual agreements with provinces and communities in accordance with this framework.

Support for cities and communities is not just about financial support from the Government of Canada. Another objective is the development of meaningful partnerships with all levels of government and long-term strategies for improving Canada's cities and communities. This includes a commitment to provide a stronger voice to municipalities in discussions on national issues most important to them. The Department has delivered on its commitment to include the municipal sector in annual pre-budget consultations. On January 27, 2005, the Minister of Finance held an inaugural pre-budget consultation with the Federation of Canadian Municipalities.

#### ***4. Contribute to the government's implementation strategy for meeting commitments under the Kyoto Protocol***

The Department supported the government's commitment to a clean environment, which contributes to sustained global economic growth, by assessing and providing advice on the economic and fiscal implications of environmental policy options, developed by lead departments, aimed at helping Canada meet its environmental commitments. A key commitment at the global level is respecting the obligations of the Kyoto Protocol related to reducing the level of greenhouse gas emissions in Canada.

In its *2004–05 Report on Plans and Priorities*, the Department committed to continue to participate—along with other federal departments, other governments, and stakeholders—in the design of a system of covenants with large final emitters of greenhouse gases to achieve reductions in their greenhouse gas emission intensities. In 2004–05, Department officials participated in bilateral and multilateral discussions with officials from other departments on emission-reduction targets and compliance options for a potential greenhouse gas emissions trading system aimed at achieving reductions from Canada's largest emitters in a cost-effective manner. As a result of these discussions, key elements of the system—such as the overall target, compliance options, and proposed legislative framework—will be announced in the new climate change plan, *Moving Forward on Climate Change: A Plan for Honouring our Kyoto Commitment*, expected to be released in April 2005.

### **5. Sale of Petro-Canada**

In Budget 2004, the government stated its intention to sell its remaining shares in Petro-Canada in 2004–05. Based on an average of recent prices and the book value of this investment at that time, it was expected to provide approximately \$2 billion in net budgetary revenues.

During 2004–05, the Economic Development and Corporate Finance Branch managed the sale of the government's Petro-Canada shares, as proposed in Budget 2004. The sale was completed in September 2004 and yielded net budgetary revenues of \$2.6 billion, 30.0 per cent higher than the \$2.0 billion that was anticipated at the time of the budget announcement.

## 5) Federal-Provincial Relations and Social Policy

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
10,195	11,151	11,394

Human resources: FTEs

Planned	Actual	Difference
91	92	(1)

Primary responsibilities include providing analysis and advice to the minister on federal-provincial fiscal arrangements and economic relations and on Canadian social policies and programs, such as health care, employment insurance, seniors' benefits, Aboriginal programs, education programs, and cultural programs.

### Expected results

#### ***1. Review of the employment insurance premium rate-setting mechanism***

In 2004–05, the Department, in co-operation with HRSDC, completed a review leading to a new rate-setting mechanism for employment insurance premiums. As a result of this review, Budget 2005 introduced this new mechanism in time to set the rate for 2006. Bill C-43, which contains the legislative amendments, is expected to receive Royal Assent in June 2005. The rate-setting mechanism will ensure that premium rates will be set transparently on the basis of independent expert advice, will correspond to program costs, and will be relatively stable over time. This result contributes to the Department's objective of supporting and sustaining Canadian society.

#### ***2. Sustainability of the Canada Pension Plan***

In 2004–05, the Department continued consultations begun in 2003–04 with the provinces and territories to set the parameters of the 2004–06 triennial financial review of the plan by federal and provincial finance ministers. This review is required under the *Canada Pension Plan Act* and should be completed by the end of 2005. The ongoing review of the CPP, which is an important element in ensuring the plan's long-term viability, helps achieve the Department's priority of supporting and sustaining Canadian society.

Based on the most recent actuarial projections, CPP annual contributions will exceed annual benefits until at least 2022, providing a 17-year period before any portion of the accumulated investment income is needed to help pay CPP benefits. Taking into account the accumulated assets, it is expected that the plan will have sufficient manoeuvring room to absorb a range of possible unforeseen economic or demographic fluctuations without a change in the contribution rate. This ensures that the CPP is financially sustainable over the long term and that it will be able to assist working Canadians in meeting their needs both during their retirement years as well as in the event of serious disability or the loss of a spouse or partner.

Furthermore, there have been significant changes in the work and retirement patterns of Canadians since the inception of the CPP (and its equivalent in Quebec, the Quebec Pension Plan). Given these changes, the triennial review may also consider whether the current structure of the CPP best accommodates the various paths to retirement chosen by an increasing number of Canadians.

### ***3. Increase support for families with children***

Over the years, the Government of Canada, in partnership with provincial and territorial governments, has developed a strong agenda in support of Canada's children, which aligns with the Department's objective of supporting and sustaining Canadian society.

A key aspect of this agenda has been the Government of Canada's commitment to develop an Early Learning and Child Care (ELCC) initiative, which the Department has been closely involved in. Working primarily with Social Development Canada and other central agencies, the Department assisted in seeing this commitment reflected in the Budget 2005 announcement of \$5.0 billion over five years in support of the ELCC initiative. Of the \$5.0 billion, \$700.0 million has been made available over 2004–05 and 2005–06 in the form of a third-party trust to all provinces and territories, who will have the flexibility to draw down funds up to March 31, 2006. The *Budget Implementation Act, 2005*, which was tabled on March 24, 2005, and is expected to receive Royal Assent in June 2005, provides the authority to pay funds to the ELCC trust.

Discussions with provincial and territorial ministers and stakeholders, which began in 2004–05, are ongoing, and significant progress toward the implementation of the ELCC initiative is anticipated in the course of the year. The government hoped to reach agreements in principle, covering the years 2006–07 to 2009–10, with Manitoba, Ontario, Saskatchewan, Nova Scotia, Alberta, and Newfoundland and Labrador by July 2005. Agreements in principle will have to be negotiated with other provinces and territories, and the Department will have a key role to play in monitoring these discussions.

### ***4. Support for Canadians to upgrade their skills and learning***

The Department recognizes the central role of human capital development and the importance of investing in skills and learning in support of a skilled, adaptable, and innovative workforce. The Department contributes regularly to the development and implementation of policies, in collaboration with other departments, provinces, territories, and other stakeholders. These measures contribute to the Department's priority of supporting and sustaining Canadian society.

During 2004–05, the Department worked closely with HRSDC to meet the Government of Canada's commitment to launch a Workplace Skills Strategy. Beginning with Budget 2004, the Government of Canada provided, as an immediate measure, \$25.0 million over three years to initiate a new union-based Training Centre Infrastructure Fund. The Department continued to work with HRSDC on policies to move the Strategy forward, culminating in a Budget 2005 announcement of an additional \$125.0 million over three years toward the Workplace Skills Strategy.

The Department has also been significantly involved in assisting HRSDC in ensuring the timely and effective implementation of Budget 2004 commitments related to post-secondary education,

including the introduction of the Canada Learning Bond and new up-front grants for students from low-income families and students with disabilities and increases to Canada Student Loan limits. These latter two measures will be in place by the loan year beginning August 2005. The Canadian Learning Bond becomes operational on July 1, 2005.

To further support and encourage higher levels of educational achievement among Aboriginal students, the government committed an additional \$10.0 million in Budget 2005 for the Post-secondary Education Program administered by the National Aboriginal Achievement Foundation. Budget 2005 also committed \$100.0 million over five years to enhance early learning and child care opportunities for First Nations children and families on-reserve and \$120.0 million over five years for special education of First Nations children living on-reserve, building on previous investments in these areas. The Department will have to closely monitor the implementation of these measures as the Aboriginal roundtable process continues.

### ***5. Continuing renewal of Canada's health care system***

In 2004–05, in support of the continuing renewal of Canada's health care system, which contributes to the Department's priority of supporting and sustaining Canadian society, the Government of Canada committed \$41.3 billion of new federal funding for health care to provinces and territories over 10 years (2004–05 to 2013–14). The new funding supports the 10-year Plan to Strengthen Health Care signed by first ministers at their September 2004 meeting.

The Department, in close collaboration with Health Canada and other central agencies, assisted in the preparation for the first ministers meeting. The Department also took the lead in implementing the financial commitments arising from the first ministers meeting.

Bill C-39, which implemented the federal funding and review provisions related to the 10-year Plan to Strengthen Health Care, was enacted by Parliament on March 23, 2005. This legislation does the following:

- Amends the *Federal-Provincial Fiscal Arrangements Act* to increase the Canada Health Transfer (CHT) by a total of \$35.3 billion over 10 years. This commitment fully responded to the recommendations in the report of the Commission on the Future of Health Care in Canada (the Romanow Report), including the need for short-term increases, increased the CHT base to \$19.0 billion in 2005–06, and provided for an automatic escalator of 6.0 per cent annually effective in 2006–07. This funding will provide significant incremental support to provinces and territories in their efforts to renew and reform health care in Canada.
- Amends the *Federal-Provincial Fiscal Arrangements Act* to create a Wait Times Reduction Transfer. This transfer provides incremental funding of \$5.5 billion over 10 years. Initial funding of \$4.25 billion was provided through a third-party trust for 2004–05 to 2008–09, offering provinces and territories the flexibility to draw down funds as they require up to the end of 2008–09, according to their respective strategies and priorities with respect to reducing wait times. Beginning in 2009–10, the funding will be provided through a Wait Times Reduction Transfer of \$250.0 million annually to be used for both ongoing health human resources and tools to manage wait times.



- Provides for incremental funding of \$500.0 million in 2004–05 to provinces and territories for diagnostic and medical equipment.
- Provides for a parliamentary review of progress in implementing the 10-year Plan to Strengthen Health Care.

These efforts by the Department contribute significantly to ensuring timely transfers in support of provinces and territories' efforts to renew and reform Canada's health care system.

For further information on federal transfers to provinces and territories in support of health care, please visit <http://www.fin.gc.ca/FEDPROV/chte.html>.

## ***6. Transfer programs to the provinces and territories***

On October 26, 2004, the Government of Canada announced a new framework for equalization and TFF, which was first presented to premiers and territorial leaders at the September 2004 first ministers meeting. The Department, together with other central agencies, assisted in the preparation for the October 2004 first ministers meeting and has taken a leading role in implementing the commitments in the new framework in order to meet its priority of supporting and sustaining Canadian society.

The new framework will provide stability, predictability, and growth to the overall levels of funding and will ensure that equalization and TFF continue to play an essential role in ensuring that all Canadians, wherever they live, have access to reasonably comparable public services at reasonably comparable levels of taxation. The legislation for the new framework, Bill C-24, received Royal Assent on March 10, 2005.

As part of the new framework, the Government of Canada launched an independent panel of experts to review equalization and TFF. The objective of the panel is to provide advice on how the legislated equalization and TFF levels should be allocated among provinces and territories in 2006–07 and later years. This review will, among other things, evaluate current practices for measuring fiscal disparities among provinces and territories; examine alternative approaches (such as those based on aggregate macroeconomic indicators or expenditure needs); review the evolution of fiscal disparities among provinces, and the costs of providing services in the territories, to help governments and citizens evaluate the overall level of support for equalization and TFF; and advise whether the Government of Canada should establish a permanent independent body to advise it on the allocation of equalization and TFF within the framework of legislated levels. Additional information on the Expert Panel on Equalization and Territorial Formula Financing is available at <http://www.eqtf-pfft.ca>.

The Government of Canada retains full accountability and responsibility for all decisions and will continue to consult extensively with provinces and territories, as before. The mandate of the panel is an advisory one, and the government will make decisions based on advice received from the panel, provincial and territorial governments, and Canadians.

The expert panel is mandated to report back by the end of 2005, in time to provide advice on how equalization and TFF should be apportioned among provinces and territories in 2006–07 and beyond.

## 6) International Trade and Finance

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
14,452	15,748	14,938

Human resources: FTEs

Planned	Actual	Difference
119	121	(2)

The International Trade and Finance Branch is responsible for advising and supporting the Minister of Finance in international forums, such as the G-7 and G-20 finance ministers groups, the IMF, and the World Bank. It is also responsible for advice to the minister on such matters as international trade, investment, international assistance, export finance, and foreign debt.

### Expected results

#### ***1. More efficient and secure borders to enhance access for Canadian exports***

Budget 2004 provided an additional \$605.0 million over five years for the security contingency reserve to address security priorities. With the release of *Securing an Open Society: Canada's National Security Policy* in April 2004, the government committed to spend \$690.0 million of the security contingency reserve to respond to the priorities outlined in the policy. As well as addressing essential security concerns, this spending supports the goal of promoting strong, sustained global economic growth by facilitating the legitimate movement of people and goods across the border and helping to secure access to our largest export market.

The implementation of the National Security Policy was foreseen as a long-term agenda. In support of this agenda, Budget 2005 committed an additional \$1.0 billion over five years (on an accrual basis) for key national security initiatives. This brings the total investment in security since September 11, 2001, to over \$9.5 billion.

In March 2005, the prime minister and the presidents of the U.S. and Mexico agreed to a new Security and Prosperity Initiative. The work program, which was recently announced, includes elements to further support efficient and secure borders through regulatory, sectoral, and security improvements. This work plan will be updated on an ongoing basis, as required.

#### ***2. Promote reforms to increase global growth, development, and financial stability***

The Department contributes to strong, sustained global economic growth through the following initiatives:

##### ***Millennium Development Goals and Africa***

Canada is committed to working with the international community toward achieving the Millennium Development Goals. Budget 2005 provided funds that will allow Canada to meet its

commitment at the 2002 International Conference on Financing for Development in Monterrey, Mexico, to double international assistance between 2002 and 2010. Aid to Africa will be doubled by 2008–09 from its 2003–04 level.

The initiative was also taken to allocate \$342.0 million of year-end funds toward the serious health issues that afflict Africa. To reduce poverty and increase development, these additional funds for global initiatives aim to reduce the incidence and impact of deadly diseases affecting so many people in developing countries, particularly in Africa. This includes \$160.0 million for the Global Alliance for Vaccines and Immunization, \$140.0 million for the Global Fund to Fight AIDS, Tuberculosis and Malaria, and \$42.0 million to help eliminate polio worldwide.

The minister was one of 17 commissioners appointed to the Commission for Africa (CFA). On March 11, 2005, the CFA released a report outlining a comprehensive and ambitious plan to support African efforts to further their own development. The report reflects themes emphasized by the minister, including an emphasis on African leadership on its own development; debt relief; support for Africa's indigenous private sector; and fighting infectious diseases. One challenge was ensuring that the report was structured in such a way that other non-Commission countries could endorse the key goals being put forward.

In the past, year Canada and other donor governments concluded negotiations on the 14th replenishment of the International Development Association (IDA14). Donors agreed to substantially increase funding for IDA and to further increase its effectiveness by linking its operations more closely to country-owned poverty reduction strategies. IDA14 also reflects the high priority Canada and other donors have attached to poverty reduction in Africa—half of IDA's operations will be directed to Africa. Recognizing the fragile debt sustainability situation of many poor countries, Canada also supported the provision of grant financing by IDA to countries experiencing debt distress.

### *Debt relief*

Canada has also continued to show leadership on easing the debt burdens of poor countries, thereby contributing to their growth and development, through the following:

- Working to ensure that the existing debt strategy, the HIPC initiative, is being implemented effectively and contributing an additional \$34.4 million to the World Bank-administered HIPC Trust Fund to ensure adequate financing of the initiative.
- Cancelling all remaining debts owed to Canada (almost \$30 million) by four HIPCs (Ethiopia, Ghana, Madagascar, and Senegal) when they completed the HIPC process.
- Working with the G-7 toward an agreement on a proposal to reduce the debt burdens of poor countries. To contribute to these discussions, the Department developed Canada's debt proposal, put forward in February 2005. Canada helped lay the groundwork for a future G-7 agreement through its commitment to cover the debt-service obligations of eligible reforming low-income countries to IDA and the African Development Fund and through its call for donors to agree on the need to provide further IMF debt relief. Canada's proposal was structured to promote improved governance and economic reform. In addition, Budget 2005 allocated \$172.0 million over five years for debt relief for poor countries.

### *Tsunami relief*

To mitigate the effect of the devastating tsunami that affected the poorest people the most, largely in south Asia, and assist with reconstruction efforts, Department officials participated in the preparation of Canada's response package of \$425.0 million for relief related to the Indian Ocean tsunami disaster that occurred on December 26, 2004. The Department led a Canadian offer of a debt moratorium to affected countries and conducted negotiations with other G-7 countries and Paris Club creditors on a multilateral offer of a debt moratorium. This allowed resources for debt payments to be redirected toward relief and reconstruction for those countries that took up the offer. A challenge in constructing Canada's relief package was the need for timeliness, while working with limited information. The efforts of Department officials, as well as those of some other departments, were recognized through the 2005 Public Service Award of Excellence under the category of "Exemplary Contribution under Extraordinary Circumstances."

### *Proactive role in the IMF and World Bank*

The Minister of Finance is a member of the Board of Governors of the IMF and the World Bank. The Canadian objective is to ensure that the IMF and the World Bank continue to improve their activities and strengthen their effect in carrying out their respective mandates for economic and financial stability and development and poverty reduction. The Department continues to work with the G-7 and the broader international community on a variety of ongoing initiatives. In the past year these have included the following:

- Providing constructive input to the Strategic Review of the IMF and World Bank.
- Continued efforts toward the implementation of Canada's proposal for an enhanced surveillance mechanism at the IMF to allow countries to move away from IMF borrowing programs while at the same time sending a signal to markets regarding their commitment to reform. Canada's initiative has won support at the Executive Board and the G-7.
- Continued participation in discussions at the executive boards of the IMF and World Bank on country and other thematic issues related to poverty reduction with the support of the Canadian International Development Agency and Foreign Affairs Canada.
- Continued work within the executive boards of the IMF and World Bank and with the G-7 toward implementing the new IMF–World Bank debt sustainability framework. This framework takes governance conditions into consideration and focusses on preventing debt crises by guiding future borrowing and lending decisions.

### *Reform of Canadian international assistance architecture*

With respect to reforms designed to promote development, the Department led an interdepartmental process, engaging Foreign Affairs Canada, the Canadian International Development Agency, the Privy Council Office, the Treasury Board of Canada Secretariat, and others, to put in place a new management framework for the International Assistance Envelope (IAE). The new IAE management framework has been designed to achieve six main objectives: (1) provide an all-of-government priority setting for all international assistance; (2) provide decentralized management with clear accountability; (3) provide transparency in the allocation of

IAE growth; (4) provide predictability in budgeting and stability in programming; (5) provide flexibility to respond to new initiatives; and (6) provide fiscal integrity.

### *Collaboration with other governments and international and financial institutions*

To meet this objective, the Department continues to work within the IMF, World Bank, G-7, and other international groups to improve the international financial architecture, including developing a better framework for the prevention and resolution of international financial crises. Through the G-20, Canada worked to develop a set of principles to guide relations between sovereign debtors and their creditors as well as a set of principles for developing policies that are conducive to strong, sustained economic growth.

### **3. A stronger international trading system and enhanced security of access for Canadian exports in major foreign markets**

To achieve its goal of a global advantage for Canada, the Department worked with its partners to achieve a stronger international trading system.

In collaboration with other concerned departments, particularly International Trade Canada, the Department continued to participate in efforts over the past year to advance Canadian interests in a number of trade initiatives, particularly the Doha Round of multilateral trade negotiations at the WTO. Canada stands to gain significant economic benefits through increased market access to developed and developing country markets for Canadian exporters of agricultural and industrial goods and is seeking an ambitious outcome to the negotiations. The Department continued to work toward building consensus on trade-negotiating frameworks in key areas of the negotiations, such as market access, that would allow for a successful WTO Ministerial Conference in Hong Kong, China, in December 2005.

The Department worked with Canadian stakeholders to advance Canadian negotiating positions in several areas falling within its area of responsibility, including tariffs. The Department continues to lead the WTO rules negotiations aimed at improving and clarifying WTO subsidy and trade remedy rules and disciplines. Canada's objective is to provide Canadian exporters with greater security of access to foreign markets, including the U.S., without compromising the effectiveness of trade remedies to protect Canadian producers from the injurious effects of unfairly traded goods.

The Department also led Canada's participation in the North American Steel Trade Committee, which, in co-operation with the U.S. and Mexico, sought to advance trade issues of common interest in the steel sector. The Department also worked with the U.S. and Mexico on an ongoing initiative to liberalize the rules of origin of the *North American Free Trade Agreement*. More liberal rules would improve the competitiveness of Canadian industries by reducing transaction costs and facilitating cross-border movement. More liberal rules covering a range of agricultural and industrial goods were implemented on January 1, 2005, and work is ongoing on reaching an agreement with the U.S. and Mexico on further liberalization.

The Department also worked with other OECD member governments and Brazil to initiate a review of the Aircraft Sector Understanding of the OECD Arrangement on Officially Supported

Export Credits. If successful, this review will result in improved disciplines for aircraft financing and will reduce or eliminate trade disputes in this sector. Negotiations are ongoing.

#### ***4. Support opportunities for Canadian trade and investment***

The Department worked with its partners to achieve a global advantage. In collaboration with International Trade Canada and Export Development Canada, Department officials worked on a new loan guarantee program that will leverage financing from commercial lenders in support of Canadian export trade.

On the investment front, the Department's primary efforts, in collaboration with Industry Canada and International Trade Canada, were focussed on renegotiating Canada's foreign investment protection agreements (FIPA) with six of the newly acceded countries to the European Union (Hungary, the Czech Republic, the Slovak Republic, Latvia, Poland, and Romania). While Canada was able to finalize negotiations with the European Commission, discussions are still ongoing with the new member states. The Department hopes to be able to finalize these negotiations in the fall of 2005. Canada also entered into three new sets of FIPA negotiations with Peru, China, and India. These discussions are ongoing. FIPAs encourage investment by providing a legal framework for investment that ensures market access in some sectors and provides access to dispute settlement procedures when needed.

On the trade front, in December 2004, the government announced a series of initiatives to help Canada's textile and apparel industries improve their competitiveness, including tariff eliminations on textile inputs not produced in Canada. As a follow-up to this announcement, in January 2005 the Minister of Finance sent a reference to the Canadian International Trade Tribunal to investigate and report on textile inputs produced in Canada by June 30, 2005. This report will assist the government in implementing the announced tariff measures.

## 7) Public Debt

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
35,400,000	33,869,946	33,869,946

Human resources: FTEs<sup>3</sup>

Planned	Actual	Difference
52	52	—

The statutory funding of interest and service costs of the public debt and the issuing costs of new borrowings, if required.

### Expected results

#### *1. A vibrant, cost-effective retail debt program*

In 2004–05, the government continued to assess the retail debt program in the context of a much-improved fiscal situation and a broader array of investment opportunities available to Canadians. The government is looking to update and improve its retail debt strategy and not to eliminate the sale of Canada Savings Bonds (CSB).

In the context of the ongoing review, the focus on lowering program costs, improving overall program efficiency, and managing a decline in the retail portfolio consistent with the reduction in total federal debt was continued.

- The 2004–05 campaign sales are estimated at \$1.9 billion. While payroll sales increased for the fifth year to \$1.5 billion, record low interest rates, stronger equity markets, and a rising rate environment affected cash sales through financial institutions and directly from the government. Redemptions were lower than forecast, assisted by the continuation of the term extension pilot that offered holders of maturing CSB bonds an automatic 10-year extension, resulting in a 57-per-cent retention rate. In 2004–05, the overall retail debt portfolio fell by 10.0 per cent to \$19.3 billion.
- Actual expenditures are forecast to be \$97.4 million—\$6.97 million or 6.7 per cent below the budget of \$104.4 million. This represents the fifth consecutive year of reductions.
- The on-line service for payroll customers, [www.mybonds.gc.ca](http://www.mybonds.gc.ca), launched in April 2003, continued to grow, with 80,000 more Canadians registering for this service.
- The CSB advertising campaign continues to be one of the most highly recognized Government of Canada programs. Annual post-campaign communication research showed

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3. The 2004–05 *Report on Plans and Priorities* planned FTEs did not include public debt FTEs (21) or the Canada Investment and Savings Agency's FTEs (31).

that the 2004–05 advertising campaign had unaided and aided recall for the CSB television ads of 63.0 per cent and 42.0 per cent respectively.

More information is available through the *2004–05 Canada Investment and Savings Annual Report*, available at [www.csb.gc.ca](http://www.csb.gc.ca).

## ***2. A stable, low-cost debt structure and a well-functioning Government of Canada securities market***

To keep borrowing costs low, debt strategy operations and initiatives continued to focus on maintaining diversified sources of funding and a well-functioning market for Government of Canada securities. The Department's efforts in this area, which supported its priority of a sustainable fiscal structure, resulted in the following:

- the continuation of the orderly reduction of the fixed-rate portion of the market debt to 60.0 per cent by 2007–08;
- the successful execution of regular, pre-announced government bond and Treasury bill auctions in key maturity sectors of the wholesale market;
- active bond buyback operations to support the liquidity of Government of Canada bond issues; and
- continued transparency on debt program issues through the use of communications tools, including market consultations, departmental publications on debt management, and notices on the Bank of Canada's Web site.

The performance of the market for government securities is measured by the results of auctions in the primary market and the level of liquidity and trading in the secondary market. The *Debt Management Report* (<http://www.fin.gc.ca/purl/dmr-e.html>) includes a section on debt, cash, and reserves management measures.



## 8) Domestic Coinage

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
64,600	63,993	63,993

Payment of the production and distribution costs for domestic circulating coinage.

### Expected results

#### *1. Meeting the coinage needs of Canadians*

In 2004–05, the Department of Finance Canada worked closely with the Royal Canadian Mint to ensure the needs of the economy and Canadians for circulating coinage were effectively met. During the year, three commemorative coins—the poppy quarter, the lucky loonie, and the Acadie quarter—were produced by the Mint and well received by Canadians. The demand for these coins from collectors increased the amount of seigniorage earned by the Government of Canada.

## 9) Transfer Payments to Provinces and Territories

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
30,600,000	37,779,444	37,746,615

Transfer payments pursuant to statutes and agreements with provinces and territories.

### Expected results

#### 1. Transfer programs to the provinces and territories

The objectives for 2004–05 were to put in place the regulations specifying the calculation of payments under the equalization program and to introduce interim regulations to ensure that initial payments could be made as a part of Bill C-30, an act to implement certain measures of the budget, tabled in Parliament on March 23, 2004. However, due to the transition to and implementation of the new framework for equalization and TFF agreed to by first ministers on October 26, 2004, the implementation of the 2004 equalization renewal was superseded by the legislative process that concluded in Bill C-24, which implemented the new framework.

The Department has been working with the provinces and territories to implement the new framework in order to achieve its priority of supporting and sustaining Canadian society.

Bill C-24, which was enacted by Parliament on March 10, 2005, amends the *Federal-Provincial Fiscal Arrangements Act* as follows:

- It sets out a formula for the determination of equalization payments to provinces in 2004–05 totalling \$10.8 billion.
- It sets the minimum aggregate fiscal equalization payment to the provinces at \$10.9 billion for 2005–06 and allocates that amount among provinces.
- It sets the aggregate fiscal equalization payment for each subsequent fiscal year after 2005–06 at 1.035 times the fiscal equalization payment that was made in the immediately preceding fiscal year and allocates the aggregates among provinces.
- It sets the minimum aggregate territorial financing payment to the territories at \$1.9 billion for 2004–05 and \$2.0 billion for 2005–06 and allocates those amounts among the territories.
- It sets the aggregate territorial financing payment to the territories in 2006–07 and in the following fiscal years at 1.035 times the aggregate territorial financing payment payable to the territories in the immediately preceding fiscal year.

The new framework, which is subject to review in 2009–10, will provide \$33.0 billion more in equalization and TFF payments to provinces and territories over the next 10 years. This increase is relative to the 2004–05 entitlements for both equalization and TFF outlined in Budget 2004. Equalization payments will increase from \$8.9 billion in 2004–05 (according to the official October 2004 estimates) to \$12.5 billion in 2009–10, a 42-per-cent increase. The increased funding will assist Canada's equalization-receiving provinces and three territories in meeting

their commitments under the 10-year Plan to Strengthen Health care as well as their other priorities.

In addition, in 2004–05, in support of the continuing renewal of Canada's health care system, the Government of Canada committed \$41.3 billion of new federal funding for health care to provinces and territories over 10 years (2004–05 to 2013–14) in support of the 10-year Plan to Strengthen Health Care, signed by first ministers at their September 2004 meeting.

The Department continues to administer the transfer programs in an efficient and accurate manner. Payments to provinces and territories are calculated and paid in accordance with the *Federal-Provincial Fiscal Arrangements Act*, which was amended through Bill C-39 (enacting the 10-year Plan to Strengthen Health Care), and through Bill C-24 (which enacted the new framework for equalization and TFF). There are also regulations associated with these transfer payments. The Office of Auditor General of Canada reviews the administration of the transfer programs annually.

In total, over \$55.2 billion was provided in 2004–05 to provinces and territories to support them in providing health care, social assistance and social services, and other programs (including the value of tax point transfers and prior year adjustments). Please refer to Table 11 for further details on transfer payments and amounts.

Additional information on federal transfer payments to provinces and territories is available at <http://www.fin.gc.ca/access/fedprove.html>.

## 10) International Financial Organizations

Financial resources: (\$ thousands)

Planned Spending	Authorities	Actual Spending
1,248,895	2,316,524	1,454,058

Responsible for the administration of international financial obligations and subscriptions.

### Expected results

#### ***1. Promote reforms to increase global growth, development, and financial stability***

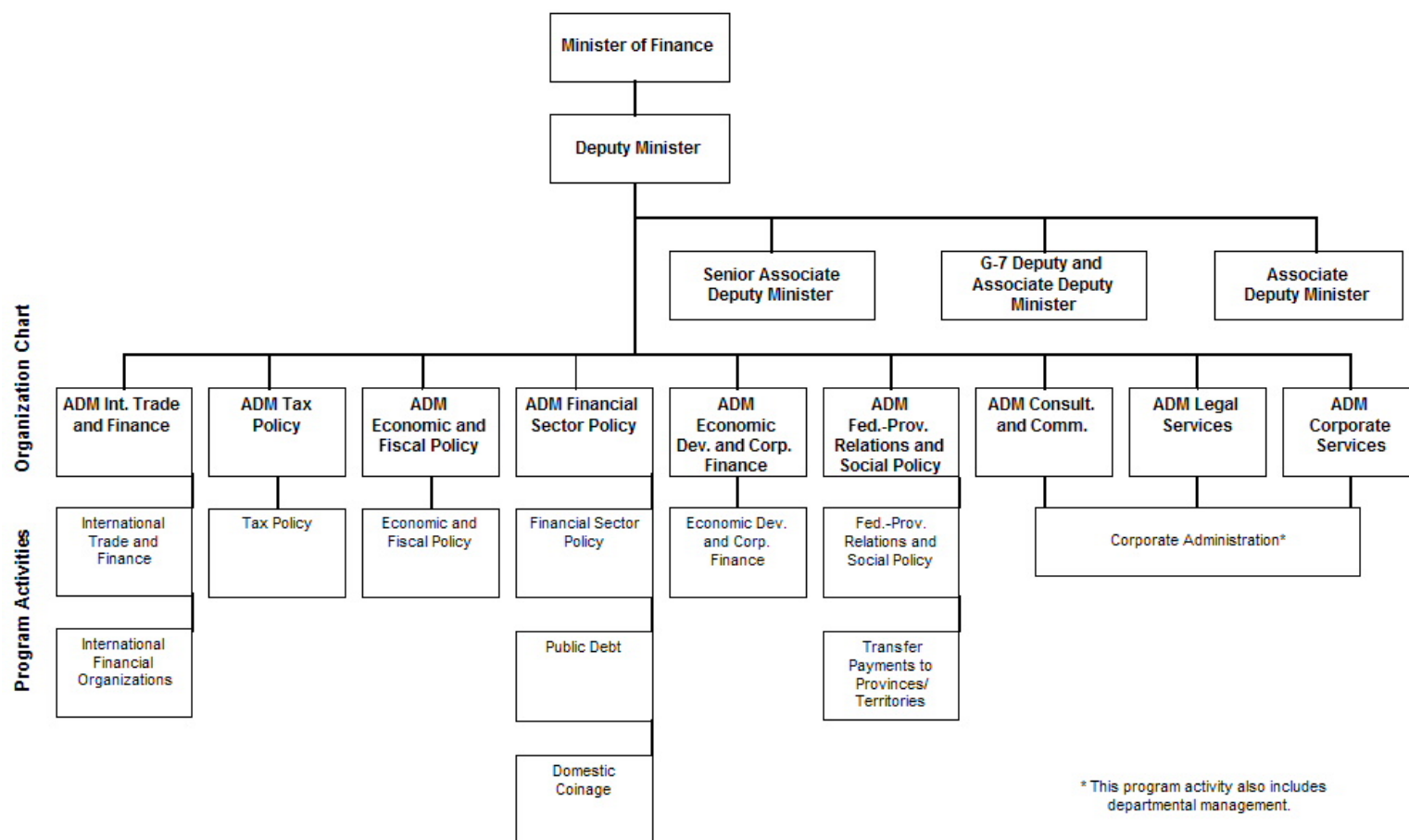
The Department is responsible for transfers to the IMF's Poverty Reduction and Growth Facility (PRGF), the IMF's low-interest lending facility to promote poverty reduction and growth in its lowest-income members. In 2004–05, the Department ensured the timely transfer of both Canada's committed loan contribution and its scheduled interest subsidy to support the PRGF's operations. The transfer payments help support the Department's priority of promoting strong, sustained global economic growth.

For details on transfer payments see Table 11 and for details on loans see Table 6.

## Section III—Supplementary Information

### Organizational Information

Organization Chart and Program Activity Architecture



## Financial Performance

This section provides a summary of the Department's financial performance, which is reported against the Department's 10 program activities in accordance with the approved program activity architecture. Corporate administration is distributed among the program activities based on the percentage share of the operating budget for 2004–05.

The majority of the financial tables present a comparison of “Main Estimates,” “Planned Spending,” “Total Authorities” and “Actual.” “Main Estimates” figures indicate the resources requested by the Department at the beginning of the fiscal year in order to deliver the programs for which it is responsible. “Planned Spending” is the amount included in the Department's *2004–05 Report on Plans and Priorities* and indicates amounts planned at the beginning of the fiscal year. “Total Authorities” include “Main Estimates,” “Supplementary Estimates” and other approved authorities. “Actual” shows what was actually spent or revenues actually received, as presented in the Department's *2004–05 Public Accounts of Canada*.

The following tables present financial data for the Department:

- 1) Comparison of Planned to Actual Spending (including FTEs)
- 2) Use of Resources by Program Activity
- 3) Voted and Statutory Items
- 4) Net Cost of Department
- 5) Contingent Liabilities
- 6) Loans, Investments, and Advances (Non-budgetary)
- 7) Sources of Respendable and Non-respendable Revenue
- 8) Resource Requirements by Branch
- 9) 2004–05 User Fee Reporting Template—*User Fees Act*
- 11) Details on Transfer Payments Programs

The remaining tables in this section report on statutory and other requirements. They include a table on major regulatory initiatives; a report on the response to parliamentary committees, audits, and evaluations; a summary of the sustainable development strategy; and a table on travel policies.

**Table 1: Comparison of Planned to Actual Spending  
(including FTEs)**

The following table provides a comparison of the “Main Estimates,” “Planned Spending,” “Total Authorities,” and “Actual Spending” for 2004–05, as well as historical figures for “Actual Spending.”

(\$ thousands)	2002–03 Actual <sup>3</sup>	2003–04 Actual <sup>3</sup>	2004–05			
			Main Estimates	Planned Spending	Total Authorities <sup>3</sup>	Actual <sup>3</sup>
Tax Policy	31,837	30,810	29,722	29,722	32,445	31,893
Economic and Fiscal Policy	16,445	15,362	13,957	13,957	15,288	15,576
Financial Sector Policy <sup>1</sup>	22,601	20,536	13,837	13,837	89,905	20,725
Economic Development and Corporate Finance	9,436	8,634	7,854	7,854	13,981	12,096
Federal-Provincial Relations and Social Policy	11,969	11,660	10,195	10,195	11,151	11,394
International Trade and Finance	17,527	14,591	14,452	14,452	15,748	14,938
Public Debt	37,619,760	35,931,598	36,200,000	35,400,000	33,869,946	33,869,946
Domestic Coinage	59,709	47,739	48,000	64,600	63,993	63,993
Transfer Payments to Provinces and Territories	27,996,473	32,358,097	31,555,000	30,600,000	37,779,444	37,746,615
International Financial Organizations <sup>2</sup>	1,597,266	1,085,544	1,248,895	1,248,895	2,316,524	1,454,058
<b>Total</b>	<b>67,383,024</b>	<b>69,524,571</b>	<b>69,141,912</b>	<b>67,403,512</b>	<b>74,208,424</b>	<b>73,241,234</b>
Less: Non-respendable revenue	5,844,666	4,926,660		106,300		6,755,020
Plus: Cost of services received without charge	11,688	14,400		12,291		17,955
Net cost of Department	61,550,046	64,612,311	69,141,912	67,309,503	74,208,424	66,504,169
<b>FTEs<sup>4</sup></b>	<b>873</b>	<b>882</b>		<b>866</b>		<b>833</b>

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

1. “Total Authorities” for the Financial Sector Policy (FSP) program activity includes an amount of \$68,572,000 in payments to depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation, and Northland Bank pursuant to the *Financial Institutions Depositors Compensation Act*. This is a statutory item that was not included in the “Main Estimates” or the “Planned Spending” for 2004–05, and there was no payment made against this authority for 2004–05 or the past two fiscal years. This item is reflected under “Special Projects” in the *2004–05 Public Accounts of Canada*. It is appropriately reflected here under the FSP program activity.

The FSP program activity authority and actual figures also includes an amount of \$6.0 million for advances pursuant to section 13(1) of the *Financial Consumer Agency of Canada Act*. The total authority and actual for the advances are reflected under “Special Projects” in the *2004–05 Public Accounts*. They are appropriately shown here under the FSP program activity.

2. The total authority and actual spending for the International Financial Organizations (IFO) program activity includes \$734,752,000 for the net loss on exchange appropriations not required for the current year. These amounts are reflected under the corporate administration business line in the *2004–05 Public Accounts of Canada*. They are appropriately shown here under the IFO program activity. These statutory amounts were not included in the “Main Estimates” or “Planned Spending” for 2004–05.

The variance for IFO is mainly due to “Grants and Contributions” under Vote 5 not being fully disbursed to HIPC, as there were some delays in HIPC reaching completion points and therefore not qualifying for debt relief. As well, the agreement between Canada and the IMF sets the total amount that Canada will make available to the PRGF. Each year, the IMF provides an estimate of the expected demand for Canadian lending. The actual amount lent will vary from this estimate due to changes in exchange rates, fluctuations in demand by PRGF borrowers, and planning decisions between the IMF and other PRGF lenders.

3. In previous DPRs, the “Total Authorities” and “Actual” figures excluded certain statutory items for easier historical comparison. The items included net loss on exchange and payments of liabilities previously transferred to revenues. These items, which are part of the corporate administration business line, have been distributed along with the remaining corporate administration activity to the Department’s 10 program activities for the 2002–03 and 2003–04 actual figures and for the “Total Authorities” and “Actual” for 2004–05.

4. In the *2004–05 Report on Plans and Priorities*, the planned FTEs of 813 did not include public debt FTEs (21) or Canada Investment and Savings Agency FTEs (31). These have been included in the DPR planned FTEs to properly reflect the total FTEs for the department of 866.



## Table 2: Use of Resources by Program Activity

The following table details how resources are used in the 2004–05 fiscal year showing the budgetary and non-budgetary items by program activity.

2004–05 (\$ thousands)							
Budgetary						Plus Non-budgetary	
	Operating	Grants and Contributions & Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
<b>Tax Policy</b>							
Main Estimates	29,927		29,927	205	29,722		29,722
<i>Planned Spending</i>	29,927		29,927	205	29,722		29,722
<b>Total Authorities</b>	<b>32,638</b>	<b>11</b>	<b>32,649</b>	<b>205</b>	<b>32,445</b>		<b>32,445</b>
<i>Actual Spending</i>	32,001	11	32,012	118	31,893		31,893
<b>Economic and Fiscal Policy</b>							
Main Estimates	14,053		14,053	96	13,957		13,957
<i>Planned Spending</i>	14,053		14,053	96	13,957		13,957
<b>Total Authorities</b>	<b>15,377</b>	<b>7</b>	<b>15,384</b>	<b>96</b>	<b>15,288</b>		<b>15,288</b>
<i>Actual Spending</i>	15,624	7	15,631	56	15,576		15,576
<b>Financial Sector Policy<sup>1</sup></b>							
Main Estimates	13,932		13,932	95	13,837		13,837
<i>Planned Spending</i>	13,932		13,932	95	13,837		13,837
<b>Total Authorities</b>	<b>83,986</b>	<b>14</b>	<b>84,000</b>	<b>95</b>	<b>83,905</b>	<b>6,000</b>	<b>89,905</b>
<i>Actual Spending</i>	14,766	14	14,780	55	14,725	6,000	20,725

2004-05 (\$ thousands)							
Budgetary						Plus Non-budgetary	
	Operating	Grants and Contributions & Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
<b>Economic Development and Corporate Finance</b>							
Main Estimates	7,908		7,908	54	7,854		7,854
<i>Planned Spending</i>	7,908		7,908	54	7,854		7,854
<b>Total Authorities</b>	<b>14,033</b>	<b>2</b>	<b>14,036</b>	<b>54</b>	<b>13,981</b>		<b>13,981</b>
<i>Actual Spending</i>	<i>12,125</i>	<i>2</i>	<i>12,128</i>	<i>31</i>	<i>12,096</i>		<i>12,096</i>
<b>Federal-Provincial Relations and Social Policy</b>							
Main Estimates	10,265		10,265	70	10,195		10,195
<i>Planned Spending</i>	10,265		10,265	70	10,195		10,195
<b>Total Authorities</b>	<b>11,218</b>	<b>3</b>	<b>11,221</b>	<b>70</b>	<b>11,151</b>		<b>11,151</b>
<i>Actual Spending</i>	<i>11,432</i>	<i>3</i>	<i>11,221</i>	<i>41</i>	<i>11,394</i>		<i>11,394</i>
<b>International Trade and Finance</b>							
Main Estimates	14,552		14,552	100	14,452		14,452
<i>Planned Spending</i>	14,552		14,552	100	14,452		14,452
<b>Total Authorities</b>	<b>15,844</b>	<b>4</b>	<b>15,848</b>	<b>100</b>	<b>15,748</b>		<b>15,748</b>
<i>Actual Spending</i>	<i>14,992</i>	<i>4</i>	<i>14,996</i>	<i>58</i>	<i>14,938</i>		<i>14,938</i>
<b>Public Debt</b>							
Main Estimates	36,200,000		36,200,000		36,200,000		36,200,000
<i>Planned Spending</i>	35,400,000		35,400,000		35,400,000		35,400,000

2004–05 (\$ thousands)							
Budgetary						Plus Non-budgetary	
	Operating	Grants and Contributions & Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
<b>Total Authorities</b>	<b>33,869,946</b>		<b>33,869,946</b>		<b>33,869,946</b>		<b>33,869,946</b>
<i>Actual Spending</i>	<i>33,869,946</i>		<i>33,869,946</i>		<i>33,869,946</i>		<i>33,869,946</i>
<b>Domestic Coinage</b>							
Main Estimates	48,000		48,000		48,000		48,000
<i>Planned Spending</i>	<i>64,600</i>		<i>64,600</i>		<i>64,600</i>		<i>64,600</i>
<b>Total Authorities</b>	<b>63,993</b>		<b>63,993</b>		<b>63,993</b>		<b>63,993</b>
<i>Actual Spending</i>	<i>63,993</i>		<i>63,993</i>		<i>63,993</i>		<i>63,993</i>
<b>Transfer payments to provinces and territories</b>							
Main Estimates		31,555,000	31,555,000		31,555,000		31,555,000
<i>Planned Spending</i>		<i>30,600,000</i>	<i>30,600,000</i>		<i>30,600,000</i>		<i>30,600,000</i>
<b>Total Authorities</b>		<b>37,779,444</b>	<b>37,779,444</b>		<b>37,779,444</b>		<b>37,779,444</b>
<i>Actual Spending</i>		<i>37,746,615</i>	<i>37,746,615</i>		<i>37,746,615</i>		<i>37,746,615</i>
<b>International Financial Organizations<sup>2</sup></b>							
Main Estimates		1,116,620	1,116,620		1,116,620	132,275	1,248,895
<i>Planned Spending</i>		<i>1,116,620</i>	<i>1,116,620</i>		<i>1,116,620</i>	<i>132,275</i>	<i>1,248,895</i>
<b>Total Authorities</b>	<b>734,752</b>	<b>1,221,696</b>	<b>1,956,448</b>		<b>1,956,448</b>	<b>360,076</b>	<b>2,316,524</b>
<i>Actual Spending</i>	<i>734,752</i>	<i>453,378</i>	<i>1,188,130</i>		<i>1,188,130</i>	<i>265,928</i>	<i>1,454,058</i>

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

1. “Total Authorities” for the Financial Sector Policy (FSP) program activity includes an amount of \$68,572,000 in payments to depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation, and Northland Bank pursuant to the *Financial Institutions Depositors Compensation Act*. This is a statutory item that was not included in the “Main Estimates” or the “Planned Spending” for 2004–05, and there was no payment made against this authority for 2004–05 or the past two fiscal years. This item is reflected under “Special Projects” in the *2004–05 Public Accounts of Canada*. It is appropriately reflected here under the FSP program activity.

The FSP program activity authority and actual figures also includes an amount of \$6.0 million for advances pursuant to section 13(1) of the *Financial Consumer Agency of Canada Act*. The total authority and actual for the advances are reflected under “Special Projects” in the *2004–05 Public Account of Canada*. They are appropriately shown here under the FSP program activity.

2. The total authority and actual spending for the International Financial Organizations (IFO) program activity includes \$734,752,000 for the net loss on exchange appropriations not required for the current year. These amounts are reflected under the corporate administration business line in the *2004–05 Public Accounts of Canada*. They are appropriately shown here under the IFO program activity. These statutory amounts were not included in the “Main Estimates” or “Planned Spending” for 2004–05.

The variance for IFO is mainly due to “Grants and Contributions” under Vote 5 not being fully disbursed to HIPC, as there were some delays in HIPC reaching completion points and therefore not qualifying for debt relief. As well, the agreement between Canada and the IMF sets the total amount that Canada will make available to the PRGF. Each year, the IMF provides an estimate of the expected demand for Canadian lending. The actual amount lent will vary from this estimate due to changes in exchange rates, fluctuations in demand by PRGF borrowers, and planning decisions between the IMF and other PRGF lenders.

### Table 3: Voted and Statutory Items

The following table explains the way Parliament votes resources to the Department, including voted appropriations and statutory authorities for both budgetary and non-budgetary items. Parliament approves the voted funding and the statutory information is provided for information purposes.

Vote or Statutory Item	Truncated Vote or Statutory Wording	2004–05 (\$ thousands)			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating Expenditures	77,821	77,821	89,363	86,050
5	Grants and Contributions <sup>1</sup>	816,000	816,000	850,400	153,176
15	Transfer Payments to Territorial Governments	1,785,000	1,800,000	1,907,103	1,874,275
(S)	Transfer Payments to Territorial Governments	—	—	88,115	88,115
(S)	Minister of Finance—Salary and motor car allowance	70	70	70	70
(S)	Contributions to employee benefit plans	12,126	12,126	13,140	13,140
(S)	Payments to International Development Association	292,420	292,420	292,420	292,420
(S)	Payments to the International Monetary Fund's Poverty Reduction and Growth Facility <sup>2</sup>	8,200	8,200	78,917	7,823
(S)	Purchase of Domestic Coinage	48,000	64,600	63,993	63,993
(S)	Payments pursuant to the <i>Halifax Relief Commission Pension Commission Act</i>	—	—	21	21
(S)	Payments to depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation, and Northland Bank pursuant to the <i>Financial Institutions Depositors Compensation Act</i> <sup>3</sup>	—	—	68,572	—
(S)	Payments of liabilities previously transferred to revenues	—	—	1,457	1,457

Vote or Statutory Item	Truncated Vote or Statutory Wording	2004–05 (\$ thousands)			
		Main Estimates	Planned Spending	Total Authorities	Actual
(S)	Refunds of amounts credited to the revenues in previous years	—	—	200	200
(S)	Spending of proceeds from the disposal of surplus Crown assets	—	—	10	—
(S)	Net loss on exchange	—	—	734,752	734,752
(S)	Public Debt—Interest and Other Costs	36,200,000	35,400,000	33,869,589	33,869,589
(S)	Statutory Subsidies (Constitution Acts, 1867–1982, and other Statutory Authorities)	31,000	32,000	31,818	31,818
(S)	Fiscal Equalization (Part I, <i>Federal-Provincial Fiscal Arrangements Act</i> )	10,884,000	9,917,000	10,761,818	10,761,818
(S)	Canada Health Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i> )	12,650,000	12,650,000	13,650,000	13,650,000
(S)	Canada Social Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i> )	7,825,000	7,900,000	7,900,000	7,900,000
(S)	Health Reform Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i> )	1,500,000	1,500,000	1,500,000	1,500,000
(S)	Youth Allowances Recovery ( <i>Federal-Provincial Fiscal Revision Act</i> , 1964)	(570,000)	(579,000)	(604,094)	(604,094)
(S)	Alternative Payments for Standing Programs (Part VI, <i>Federal-Provincial Fiscal Arrangements Act</i> )	(2,550,000)	(2,620,000)	(2,746,317)	(2,746,317)
(S)	Payment to the 2004 Public Health and Immunization Trust	—	—	400,000	400,000
(S)	The Wait Times Reduction Transfer Trusts	—	—	4,250,000	4,250,000
(S)	One-time payments to Saskatchewan related to equalization	—	—	120,000	120,000

Vote or Statutory Item	Truncated Vote or Statutory Wording	2004–05 (\$ thousands)			
		Main Estimates	Planned Spending	Total Authorities	Actual
(S)	Payment to Nova Scotia related to equalization	—	—	21,000	21,000
(S)	Diagnostic and Medical Equipment	—	—	500,000	500,000
(L10)	Issuance and payment of demand notes to the International Development Association	—	—	230,134	230,134
(S)	Issuance of demand notes to the European Bank for Reconstruction and Development—Capital Subscriptions	10,228	10,228	6,535	6,535
(S)	Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital Subscriptions	17,047	17,047	9,956	9,956
(S)	Issuance of loans to the International Monetary Fund's Poverty Reduction and Growth Facility (PRGF) <sup>4</sup>	105,000	105,000	113,451	19,302
(S)	Advances pursuant to subsection 13(1) of the <i>Financial Consumer Agency of Canada Act</i>	—	—	6,000	6,000
<b>Total</b>		<b>69,141,912</b>	<b>67,403,512</b>	<b>74,208,424</b>	<b>73,241,234</b>

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

1. The variance in Vote 5, "Grants and Contributions," is mainly due to delays in HIPC's reaching completion points and therefore not qualifying for debt relief.

2. The "Total Authorities" for the payments to the IMF's PRGF includes an amount of \$83,096,000, which was carried forward from the 2003–04 fiscal year. The payments to the IDA have a total limit of 225,000,000 SDR. Unused authority is converted into Canadian dollar at the exchange available at the beginning of the year and carried forward to the next fiscal year. There is a total of \$71,094,000 carried forward and available for use in subsequent years.

3. This statutory authority is for payments to depositors of the banking institutions that failed during the 1980s. There were no payments against this authority in 2004–05 or the past two fiscal years.

4. The agreement between Canada and the IMF sets the total amount that Canada will make available to the PRGF. Each year, the IMF provides an estimate of the expected demand for Canadian lending. The actual amount lent will vary from this estimate due to changes in exchange rates, fluctuations in demand by PRGF borrowers, and planning decisions between the IMF and other PRGF lenders.

## Table 4: Net Cost of the Department

The following table represents the net cost of the Department. It begins with the actual spending plus services received without charge less non-respendable revenue to arrive at the net cost for 2004–05.

(\$ thousands)	2004–05
Total Actual Spending	73,241,234
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada	9,150
Contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board (excluding revolving funds)	4,920
Worker's compensation coverage provided by HRSDC	1
Salary and associated expenditures of legal services provided by the Department of Justice Canada	3,884
<i>Less: Non-respendable Revenue</i>	6,755,020
<b>2004–05 Net cost of Department</b>	<b>66,504,169</b>



## Table 5: Contingent Liabilities

The following table summarizes the contingent liabilities that the Department had outstanding at the end of each fiscal year.

Contingent Liabilities	(\$ Thousands)	
	March 31, 2004	March 31, 2005
<i>Loan Guarantees</i>	13,361,576	12,243,732
<i>Claims, Pending and Threatened Litigation</i>	127,000	127,000
<b>Total</b>	<b>13,488,576</b>	<b>12,370,732</b>

## Table 6: Loans, Investments, and Advances (Non-budgetary)

The following table provides details by program activity on non-budgetary items for which the Department is responsible.

(\$ thousands)			2004-05			
	Actual 2002-03	Actual 2003-04	Main Estimates	Planned Spending	Total Authorities	Actual
International Financial Organizations						
Issuance and payment of demand notes to the International Development Association	230,133	230,133	—	—	230,134	230,134
Issuance of demand notes to the European Bank for Reconstruction and Development—Capital Subscriptions	7,718	7,086	10,228	10,228	6,535	6,535
Payments and encashment of notes issues to the European Bank for Reconstruction and Development—Capital Subscriptions	11,576	9,846	17,047	17,047	9,956	9,956
Issuance of loans to the IMF’s PRGF <sup>1</sup>	131,251	41,797	105,000	105,000	113,451	19,303
Financial Sector Policy						
Advances pursuant to section 13(1) of the <i>Financial Consumer Agency of Canada Act</i>	4,050	6,000	—	—	6,000	6,000
<b>Total</b>	<b>384,728</b>	<b>294,862</b>	<b>132,275</b>	<b>132,275</b>	<b>366,076</b>	<b>271,928</b>

1. The agreement between Canada and the IMF sets the total amount that Canada will make available to the PRGF. Each year, the IMF provides an estimate of the expected demand for Canadian lending. The actual amount lent will vary from this estimate due to changes in exchange rates, fluctuations in demand by PRGF borrowers, and planning decisions between the IMF and other PRGF lenders.

## Table 7: Sources of Respendable and Non-respendable Revenue

The following table identifies the sources of respendable and non-respendable revenue at the program activity level.

### Respendable revenue

(\$ thousands)	Actual 2002-03	Actual 2003-04	2004-05			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Tax Policy						
Sale of departmental documents	3,519	3,884	205	205	205	118
Economic and Fiscal Policy						
Sale of departmental documents	1,947	1,973	96	96	96	56
Financial Sector Policy						
Sale of departmental documents	2,047	1,622	95	95	95	55
Economic Development and Corporate Finance						
Sale of departmental documents	1,109	1,179	54	54	54	31
Federal-Provincial Relations and Social Policy						
Sale of departmental documents	1,349	1,436	70	70	70	41
International Trade and Finance						
Sale of departmental documents	1,781	1,949	100	100	100	58
Total Respendable Revenue	11,753	12,042	620	620	620	359

**Non-respendable revenue**

(\$ thousands)	Actual 2002-03	Actual 2003-04	2004-05	
			Planned Revenue	Actual
Tax Policy				
Refunds of previous years' expenditures—				
Refund of salaries, goods, and services	147	53	—	21
Adjustments to previous years' payables	—	276	—	237
Sale of other publications	46	18	—	26
Fees—Access to Information	3	2	—	2
Other fees and charges—Sundries	3,482	3,874	—	104
Proceeds from the disposal of Crown assets	3	0.2	—	3
Ottawa Civil Recreational Association	1	0.34	—	0.33
Economic and Fiscal Policy				
Refunds of previous years' expenditures—				
Refund of salaries, goods and services	81	27	—	10
Adjustments to previous years' payables	—	140	—	111
Sale of other publications	25	9	—	12
Fees—Access to Information	2	1	—	1
Other fees and charges—Sundries	1,927	1,968	—	49
Proceeds from the disposal of Crown assets	2	0.10	—	1
Ottawa Civil Recreational Association	0.33	0.17	—	0.16
Financial Sector Policy				
Cash and accounts receivable—Cash—				
Chartered Banks	12,743	17,297	—	15,827
Cash and accounts receivable—Cash—				
Short-term deposits	165,219	227,550	—	188,087
Cash and accounts receivable—Cash—				
Receiver General balance at the Bank of Canada	—	38,792	—	34,639
Loans, investments, and advances—Bank of Canada—Transfer of profit	1,807,548	1,753,889	—	1,695,959
Loans, investments and advances— <i>United Kingdom Financial Agreement Act, 1946</i> , Deferred Interest	3,276	2,521	—	1,767

(\$ thousands)	Actual 2002–03	Actual 2003–04	2004–05	
			Planned Revenue	Actual
Loans, investments and advances—Financial Consumer Agency of Canada	158	131	—	97
Other Accounts—Natural Resources— Natural Resources Revolving Fund	—	218	—	—
Other Accounts—Public Works and Government Services—Consulting and Audit Canada Revolving Fund	188	—	—	79
Other Accounts—Solicitor General— Correctional Services, CORCAN Revolving Fund	3,175	—	—	—
Miscellaneous non-tax revenues—Transfer from the following accounts, which were unclaimed or outstanding for ten years or more: Outstanding Imprest Account, Unclaimed cheques	41,392	33,187	—	32,909
Miscellaneous non-tax revenues—Unclaimed balances received from Bank of Canada in respect of chartered banks	4,272	3,759	—	3,675
Miscellaneous non-tax revenues—Mortgage Interest Premium	3,653	5,194	—	7,171
Miscellaneous non-tax revenues—Sundries	237	129	—	134
Refunds of previous years' expenditures— Refund of salaries, goods, and services	85	22	—	10
Adjustments to previous years' payables	—	115	—	110
Sale of other publications	27	8	—	12
Fees—Access to Information	2	1	—	1
Other fees and charges—Sundries	2,026	1,617	—	48
Proceeds from the disposal of Crown assets	2	0.08	—	1
Ottawa Civil Recreational Association	0.35	0.14	—	0.15
<b>Economic Development and Corporate Finance</b>				
Loans, investments, and advances— Canada Development Investment Corporation—Dividend	40,000	119,000	—	164,000
Loans, investment and advances— Petro-Canada Dividend	19,756	22,226	—	14,817

(\$ thousands)	Actual 2002–03	Actual 2003–04	2004–05	
			Planned Revenue	Actual
Miscellaneous non-tax revenues—Sale of real property to Canada Lands Company Limited	8,185	3,853	—	2,268
Miscellaneous non-tax revenues—Sale of Crown Corporations	—	—	—	2,561,657
Refunds of previous years' expenditures— Refund of salaries, goods, and services	46	16	—	5
Adjustments to previous years' payables	—	84	—	63
Sale of other publications	14	6	—	7
Fees—Access to Information	1	1	—	1
Other fees and charges—Sundries	1,097	1,176	—	27
Proceeds from the disposal of Crown assets	1	0.06	—	1
Ottawa Civil Recreational Association	0.19	0.10	—	0.09
<b>Federal Provincial Relations and Social Policy</b>				
Refunds of previous years' expenditures— Refund of salaries, goods, and services	56	20	—	7
Adjustments to previous years' payables	—	102	—	81
Sale of other publications	18	7	—	9
Fees—Access to Information	1	1	—	1
Other fees and charges—Sundries	1,335	1,432	—	36
Proceeds from the disposal of Crown assets	1	0.07	—	1
Ottawa Civil Recreational Association	0.23	0.13	—	0.11
<b>International Trade and Finance</b>				
Refunds of previous years' expenditures— Refund of salaries, goods, and services	74	27	—	10
Adjustments to previous years' payables	—	138	—	115
Sale of other publications	23	9	—	13
Fees—Access to Information	1	1	—	1
Other fees and charges—Sundries	1,763	1,944	—	50
Proceeds from the disposal of Crown assets	2	0.10	—	2
Ottawa Civil Recreational Association	0.30	0.17	—	0.16

(\$ thousands)	Actual 2002–03	Actual 2003–04	2004–05	
			Planned Revenue	Actual
<b>Public Debt</b>				
Transfer from matured debt outstanding	2,588	4,536	—	4,617
<b>Domestic Coinage</b>				
Domestic Coinage	162,710	79,647	106,300	110,569
<b>Transfer Payments to Provinces and Territories</b>				
Loans, investments, and advances— Federal-Provincial fiscal arrangements	59	59	—	59
Loans, investments, and advances— Municipal Development and Loan Board	666	470	—	307
<b>International Financial Organizations</b>				
Foreign Exchange Accounts—international reserves held in the exchange Fund Account—Transfer of profit	3,231,166	2,386,397	—	1,758,068
Foreign Exchange Accounts—IMF— Subscriptions—Transfer of Profit	93,091	71,030	—	69,541
Loans, investments, and advances—IMF—PRGF	30,930	21,616	—	17,393
Loans, investments and advances—Thailand Financial Assistance Loan	7,448	383	—	—
Net gain on exchange	193,909	121,681	—	70,190
<b>Total Non-respendable Revenue</b>	<b>5,844,666</b>	<b>4,926,660</b>	<b>106,300</b>	<b>6,755,020</b>

## Table 8: Resource Requirements by Branch

The following table presents the distribution of funding to the Department at the branch level.

2004-05 (\$ thousands)											
Branch	Program Activities										
	Tax Policy	Economic and Fiscal Policy	Financial Sector Policy <sup>1</sup>	Economic Development and Corporate Finance	Federal-Provincial Relations and Social Policy	International Trade and Finance	Public Debt	Domestic Coinage	Transfer Payments to Provinces and Territories	International Financial Organizations <sup>2</sup>	Total
<b>Tax Policy</b>											
Main Estimates	29,722										29,722
<i>Planned Spending</i>	29,722										29,722
<b>Total Authorities</b>	<b>32,445</b>										<b>32,445</b>
<b>Actual Spending</b>	<b>31,893</b>										<b>31,893</b>
<b>Economic and Fiscal Policy</b>											
Main Estimates		13,957									13,957
<i>Planned Spending</i>		13,957									13,957
<b>Total Authorities</b>		<b>15,288</b>									<b>15,288</b>
<b>Actual Spending</b>		<b>15,576</b>									<b>15,576</b>
<b>Financial Sector Policy<sup>1</sup></b>											
Main Estimates			13,837				36,200,000	48,000			36,261,837
<i>Planned Spending</i>			13,837				35,400,000	64,600			35,478,447
<b>Total Authorities</b>			<b>89,905</b>				<b>33,869,946</b>	<b>63,993</b>			<b>34,023,844</b>
<b>Actual Spending</b>			<b>20,725</b>				<b>33,869,946</b>	<b>63,993</b>			<b>33,954,664</b>
<b>Economic Development and Corporate Finance</b>											
Main Estimates				7,854							7,854
<i>Planned Spending</i>				7,854							7,854
<b>Total Authorities</b>				<b>13,981</b>							<b>13,981</b>
<b>Actual Spending</b>				<b>12,096</b>							<b>12,096</b>
<b>Federal-Provincial Relations and Social Policy</b>											
Main Estimates					10,195				31,555,000		31,565,195
<i>Planned Spending</i>					10,195				30,600,000		30,610,195
<b>Total Authorities</b>					<b>11,151</b>				<b>37,779,444</b>		<b>37,790,595</b>
<b>Actual Spending</b>					<b>11,394</b>				<b>37,746,615</b>		<b>37,758,009</b>



2004–05 (\$ thousands)											
Branch	Program Activities										
	Tax Policy	Economic and Fiscal Policy	Financial Sector Policy <sup>1</sup>	Economic Development and Corporate Finance	Federal-Provincial Relations and Social Policy	International Trade and Finance	Public Debt	Domestic Coinage	Transfer Payments to Provinces and Territories	International Financial Organizations <sup>2</sup>	Total
International Trade and Finance											
Main Estimates						14,452				1,248,895	1,263,347
Planned Spending						14,452				1,248,895	1,263,347
<b>Total Authorities</b>						<b>15,748</b>				<b>2,316,524</b>	<b>2,332,272</b>
<b>Actual Spending</b>						<b>14,939</b>				<b>1,454,058</b>	<b>1,468,997</b>

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

1. “Total Authorities” for the Financial Sector Policy (FSP) program activity includes an amount of \$68,572,000 in payments to depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation, and Northland Bank pursuant to the *Financial Institutions Depositors Compensation Act*. This is a statutory item that was not included in the “Main Estimates” or the “Planned Spending” for 2004–05, and there was no payment made against this authority for 2004–05 or the past two fiscal years. This item is reflected under “Special Projects” in the *2004–05 Public Accounts of Canada*. It is appropriately reflected here under the FSP program activity.

The FSP program activity authority and actual figures also includes an amount of \$6.0 million for advances pursuant to section 13(1) of the *Financial Consumer Agency of Canada Act*. The total authority and actual for the advances are reflected under “Special Projects” in the *2004–05 Public Accounts of Canada*. They are appropriately shown here under the FSP program activity.

2. The total authority and actual spending for the International Financial Organizations (IFO) program activity includes \$734,752,000 for the net loss on exchange appropriations not required for the current year. These amounts are reflected under the corporate administration business line in the *2004–05 Public Accounts of Canada*. They are appropriately shown here under the IFO program activity. These statutory amounts were not included in the “Main Estimates” or “Planned Spending” for 2004–05.

The variance for IFO is mainly due to “Grants and Contributions” under Vote 5 not being fully disbursed to HIPCs, as there were some delays in HIPCs reaching completion points and therefore not qualifying for debt relief. As well, the agreement between Canada and the IMF sets the total amount that Canada will make available to the PRGF. Each year, the IMF provides an estimate of the expected demand for Canadian lending. The actual amount lent will vary from this estimate due to changes in exchange rates, fluctuations in demand by PRGF borrowers, and planning decisions between the IMF and other PRGF lenders.

**Table 9A: 2004–05 User Fee Reporting Template—User Fees Act**

The following table reports on the user fees administered by the Department.

A. User Fee	Fee Type	Fee Setting Authority	Date Last Modified	2004–05					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i>	O	<i>Access to Information Act</i>	1992	6	7	732	Framework under development by the Treasury Board of Canada Secretariat (the Secretariat)  More info: <a href="http://laws.justice.gc.ca/en/a-1/8.html">http://laws.justice.gc.ca/en/a-1/8.html</a>	Statutory deadlines met	2005–06	8	902
								77.4% of the time	2006–07	8.5	902
									2007–08	9	902

**B. Date last modified:**

Not applicable.

**C. Other information:**

It is the Department's practice to waive fees when the fee is less than \$25. Exceptionally, when the circumstances warrant it additional fees may be waived.

**Table 9B: 2004–05 User Fee Reporting Template—*Policy on Service Standards for External Fees***

A. External Fee	Service Standard	Performance Result	Stakeholder Consultation
Fees charged for the processing of access requests filed under the <i>Access to Information Act</i>	Framework under development by the Secretariat More info: <a href="http://laws.justice.gc.ca/en/a-1/8.html">http://laws.justice.gc.ca/en/a-1/8.html</a>	Statutory deadlines met 77.4% of the time	The service standard is established by the <i>Access to Information Regulations</i> . Consultations with stakeholders were undertaken for amendments done in 1986 and 1992.

**B. Other information:**

The Department received three delay complaints in 2004–05. Two have been resolved, and the Department is awaiting the decision of the Office of the Information Commissioner for the one that is pending.

## Table 10: Major Regulatory Initiatives

Please note that the first two columns of the following table are taken directly from the Department's 2004–05 Report on Plans and Priorities.

Regulations	Planned Results	Performance measurement criteria	Results achieved
Legislation will be introduced to update the corporate governance provisions in the financial institutions statutes, taking into account the passage of Bill S-11 (amendments to the <i>Canada Business Corporations Act</i> ) and recent developments in the corporate sector more broadly.	Legislation/regulations will be developed.	Introduction of legislation	By the end of March 2005 the legislation was almost ready for introduction. Budget 2005 committed to the introduction of the legislation in the spring.
<i>Customs Tariff</i> —The Tariff contains a number of provisions that allow the government to respond to the competitive needs of Canadian industry and to enforce Canada's rights and meet its obligations under international agreements and arrangements to which Canada is a party.	Through the use of orders and regulations, the government will continue to respond to the competitive needs of Canadian industry and will enforce Canada's rights and meet its obligations under international agreements and arrangements.	Timely and effective responses to requests for tariff relief on inputs used in the manufacturing and service sectors. Appropriate use of trade remedy measures.	The government has implemented a number of tariff measures, including elimination of tariffs on a range of input goods and simplified NAFTA rules of origin for certain products.
<i>Excise Tax Act</i> and related regulations under Part IX of the Act (GST/HST)—Amendments to the <i>Excise Tax Act</i> and regulations made under Part IX of the Act are required from time to time to address emerging policy or technical issues.	The government will propose several technical amendments that were previously announced in press releases. They include amendment in respect of social workers' services, returnable container rules, and transactions involving agents and suppliers, including bad debt deductions.	Release of GST/HST amendments to address emerging policy or technical issues. Prepare legislation and related material to implement GST/HST amendments through various legislative vehicles and support the parliamentary process.	Amendments related to the GST/HST received Royal Assent as part of the <i>Budget Implementation Act 2004</i> , including the 100-per-cent GST rebate for municipalities. GST/HST amendments were proposed as part of the 2005 budget, including the measures related to the GST/HST health care rebate.

Regulations	Planned Results	Performance measurement criteria	Results achieved
			Draft legislation, explanatory notes and related briefing material in respect of technical amendments to the GST/HST have been prepared for tabling.
Equalization	Regulations specifying the calculation of payments under the Equalization program, effective 2004–05, will be finalized by the end of 2004–05.	Legislation set payments in lieu of regulations.	This objective was achieved as part of the implementation of and transition to the new framework.
	Interim regulations will be introduced to ensure that initial payments can be made.		This objective was achieved because legislation extending Equalization payments also extended regulations.
Implementation of tax treaties	In 2004, the government may introduce a bill to approve and implement new and amended income tax treaties between Canada and other countries.	Legislation produced.	Bill S-17: <i>An Act to implement an agreement, conventions and protocols concluded between Canada and Gabon, Ireland, Armenia, Oman and Azerbaijan for the avoidance of double taxation and the prevention of fiscal evasion</i> received Royal Assent on March 23, 2005.
Regulations emanating from Bill C-48 (Taxation of Resource Income)	The government plans to submit regulations for consideration and approval by the Governor in Council in 2004 in order to give effect to the measures in Bill C-48 (2003), which received Royal Assent on November 7, 2003.	Legislation produced.	Regulations have been developed and are expected to be published in the <i>Canada Gazette Part I</i> in 2005.

Regulations	Planned Results	Performance measurement criteria	Results achieved
2004 income tax legislation (2004 budget)	In 2004, the government plans to introduce a bill to implement income tax measures announced in the 2004 budget.	Legislation produced.	Bill C-30 received Royal Assent on May 14, 2004.  Bill C-33 is expected to receive Royal Assent in May 2005.
<i>An Act to Amend the Income Tax Act 2004</i> (technical bill)	On February 27, 2004, the government reissued the package of technical amendments that was released on December 20, 2003. The government plans to introduce in 2004 a bill to implement these measures, as modified by the 2004 release.	Legislation produced.	These amendments, combined with other outstanding measures related to foreign investment entities and non-resident trusts, will be re-released for consultation in July 2005. Tabling as a bill is expected in the fall of 2005. Amendments relating to foreign affiliates may be included in this bill or potentially in a separate bill, depending on the pace of consultations
The Budget Implementation Bill, 2004 will implement generally non-tax measures arising from the 2004 budget.	Bill C-30 was tabled on March 31, 2004.	Legislation produced.	Bill C-30 received Royal Assent on May 14, 2004.
<i>An Act to Amend the Income Tax Act, 2004 (Foreign Investment Entities and Non-resident Trusts)</i>	In 2004, the government plans to proceed with the October 2003 Ways and Means Motion to implement the 1999 budget proposals relating to Non-resident Trusts and Foreign Investment entities.	Legislation produced.	These amendments, combined with other outstanding technical amendments, will be re-released for consultation in July 2005. Tabling as a bill is expected in the fall of 2005.
2004 Income Tax proposals—other issues	The government plans, subject to the results of consultations, to re-release draft legislation relating to cross-border share-for-share exchanges in 2004. It also plans to release in the fall of 2004 draft legislation relating to the	Legislation produced.	It is expected that amendments related to these measures will be released in the summer or fall of 2005.

Regulations	Planned Results	Performance measurement criteria	Results achieved
	deductibility of interest and other expenses.		
Amendments to the <i>Excise Act, 2001</i>	Legislation to implement refinements to the new excise framework will be introduced in 2004.	Prepare legislation and related material to implement excise duties amendments through various legislative vehicles and support the parliamentary process.	Draft legislation, explanatory notes, and related briefing material in respect of technical amendments to the excise duties have been prepared for tabling.
Amendments to the <i>Air Travellers Security Charge Act</i>	In 2004, the government plans to introduce a bill to amend the <i>Air Travellers Security Charge Act</i> to implement the reduction in the charge announced in Budget 2004 and other technical amendments.	Draft legislation and prepare appropriate documentation to support the parliamentary process.	Bill C-33 is expected to receive Royal Assent in May 2005. Bill C-43 is expected to receive Royal Assent in June 2005.
Amendments to the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> and its regulations	Legislation/regulations will be introduced to respond to revised FATF recommendations following consultation.	Consultation paper expected to be released in June 2005.	Consultation paper expected to be released in June 2005.
Amendments to the <i>First Nations Goods and Services Tax Act</i> and other technical amendments	In 2004, the government may introduce amendments to the <i>First Nations Goods and Services Tax Act</i> to facilitate entering into taxation arrangements between the Government of Quebec and Indian Boards in Quebec. Other technical amendments could be made to that Act and to the <i>Income Tax Act</i> .	Legislation produced.	Bill C-33 is expected to receive Royal Assent in May 2005.

**Table 11: Details on Transfer Payments Programs (TPP)**

(\$ thousands)

1) Name of transfer payment program: Statutory Funding—Transfer Funding—Transfer Payments to Territorial Governments						
2) Start date: 1985	3) End date: Ongoing		4) Total funding: Bill C-24 changes the transfer payments to territorial governments from a voted item (Vote 15) to a statutory item.			
5) Description of transfer payment program: Provide cash payments to territorial governments to support their budgetary revenues.						
6) Objective(s), expected result(s), and outcomes: Provide territorial governments with resources to assist them in the provision of public services to their residents that are reasonably comparable to the public services provided by provincial governments, at reasonably comparable rates of taxation, while recognizing the unique circumstances in the territories.						
7) Achieved results or progress made: Timely and accurate payments are made to territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	1,503,849	1,792,054	1,800,000	1,995,218	1,962,390	(162,390)
17) Comments on variances:						
<ul style="list-style-type: none"><li>On October 26, 2004, the Government of Canada announced a new 10-year funding arrangement—the new framework for equalization and TFF—that will provide the territories with significant new funding. For 2004–05, new funding of \$133.0 million was provided under this agreement. Amounts were legislated in Bill C-24 (March 2005).</li><li>The announcement is on the Prime Minister of Canada’s Web site at <a href="http://pm.gc.ca/eng/news.asp?id=300">http://pm.gc.ca/eng/news.asp?id=300</a>.</li></ul>						
18) Significant evaluation findings and URL to last evaluation: An expert panel is studying the program and is scheduled to announce its findings in December 2005. Recent information about the panel is on the Department of Finance Canada Web site at <a href="http://www.fin.gc.ca/news05/05-020e.html">http://www.fin.gc.ca/news05/05-020e.html</a> . An internal audit was prepared in May 2002 and is available on the Department of Finance Canada Web site at <a href="http://www.fin.gc.ca/toce/2002/audit_transfers-e.html">http://www.fin.gc.ca/toce/2002/audit_transfers-e.html</a> .						

**1) Name of transfer payment program: Statutory Funding—Fiscal Equalization (Part I—*Federal-Provincial Fiscal Arrangements Act*)**

2) Start date: 1957	3) End date: Ongoing	4) Total funding: Not applicable.
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5) Description of transfer payment program: Provide payments to provincial governments, based on a formula that measures relative revenue-raising capacity in order to ensure that they have the resources required to provide public services. Equalization payments are unconditional; provinces can spend them as they see fit. In 2005–06, eight provinces will receive payments under this program.



6) Objective(s), expected result(s), and outcomes: Provide provincial governments with resources to assist them in the provision of reasonably comparable public services to their residents at reasonably comparable levels of taxation.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
<b>- Other Transfer Payments</b>	<b>10,560,152</b>	<b>7,445,576</b>	<b>9,917,000</b>	<b>10,761,818</b>	<b>10,761,818</b>	<b>(844,818)</b>
17) Comments on variances: <ul style="list-style-type: none"> <li>The official estimates computed in September and October 2004 showed a substantial decline from this original forecast. On October 26, 2004, the Government of Canada announced a new 10-year funding arrangement—the new framework for equalization and TFF. The new agreement will provide provinces with significant new funding. For 2004–05, new funding of \$1.321 billion was provided under this agreement. Amounts were legislated in Bill C-24 (March 2005).</li> <li>The announcement is on the Prime Minister of Canada's Web site at <a href="http://pm.gc.ca/eng/news.asp?id=300">http://pm.gc.ca/eng/news.asp?id=300</a>.</li> <li>Note that column 8 does not include \$140.0 million provided to Manitoba that was equalization-related. Column 11 includes \$150.0 million related to the renewal of program as per Budget 2004.</li> </ul>						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed. An expert panel is studying the program and is scheduled to announce its findings in December 2005. Recent information about the panel is on the Department of Finance Canada Web site at <a href="http://www.fin.gc.ca/news05/05-020e.html">http://www.fin.gc.ca/news05/05-020e.html</a> .						

1) Name of transfer payment program: Payment to Saskatchewan related to Equalization						
2) Start date: 2004		3) End date: 2005		4) Total funding: \$120.0 million		
5) Description of transfer payment program: Funding to Saskatchewan related to a problem with the measurement of Crown Leases (Oil and Gas) in the Equalization Program.						
6) Objective(s), expected result(s), and outcomes: Not applicable.						
7) Achieved results or progress made: Timely and accurate payments are made to the province that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	—	—	120,000	120,000	(120,000)
17) Comments on variances: The amount for 2004–05 was legislated in the 2004 budget bill (Bill C-30) and paid in June 2004.						

18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.

1) Name of transfer payment program: Statutory Funding—Canada Health Transfer (CHT)						
2) Start date: 2004		3) End date: Ongoing		4) Total funding: Not applicable.		
5) Description of transfer payment program: Provides equal per capita support for health care through cash and tax transfers to provincial and territorial governments. The CHT supports the government’s commitment to maintain the national criteria and conditions of the <i>Canada Health Act</i> (comprehensiveness, universality, portability, accessibility, and public administration).						
6) Objective(s), expected result(s), and outcomes: Provide cash payments and tax transfers to support provincial and territorial budgetary revenues to allow provinces and territories to provide broadly comparable health care services consistent with the principles of the <i>Canada Health Act</i> .						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	18,600,000 (see note)	19,325,000 (see note)	12,650,000	13,650,000	13,650,000	(1,000,000)
17) Comments on variances: <ul style="list-style-type: none"><li>On September 16, 2004, the Government of Canada announced incremental funding of \$41.0 billion to provinces and territories in support of the 10-year Plan to Strengthen Health Care. For 2004–05 new funding of \$2.125 billion was provided under this agreement. The \$1.0 billion shown in Column 13 pertains to the 10-year Plan. Amounts were legislated in Bill C-39 (March 2005).</li><li>The cash payment of \$13.7 billion does not include the value of the tax points transferred to provinces and territories. The value of the tax points was \$10.9 billion in 2004–05. This provision reflects transfers in 1967 and 1977 by the federal government of tax points to all provinces in place of certain direct cash transfers.</li><li>The announcement is on the Prime Minister of Canada’s Web site at <a href="http://pm.gc.ca/eng/news.asp?id=260">http://pm.gc.ca/eng/news.asp?id=260</a>.</li></ul>						
18) Significant evaluation findings and URL to last evaluation: An internal audit of the Canada Health and Social Transfer (CHST) was prepared in May 2002 and is available on the Department of Finance Canada Web site at <a href="http://www.fin.gc.ca/toce/2002/audit_transfers-e.html">http://www.fin.gc.ca/toce/2002/audit_transfers-e.html</a>						
Note: For completeness only, the amount for the Canada Health and Social Transfer (CHST) is shown under the CHT for 2002–03 and 2003–04. The CHST was split into the Canada Health Transfer and Canada Social Transfer on April 1, 2004.						

<b>1) Name of transfer payment program: Statutory Funding—Canada Social Transfer (CST)</b>		
2) Start date: 2004	3) End date: Ongoing	4) Total funding: Not applicable.
5) Description of transfer payment program: Provide equal per capita support through cash payments and tax transfers to provinces and territories to assist them in financing post-secondary education, social assistance, and social services, including early childhood development and early learning and child care services. The CST gives provinces and territories the flexibility to allocate payments among supported areas according to their own priorities, and supports the government's commitment to prohibit minimum residency requirements for social assistance.		

6) Objective(s), expected result(s), and outcomes: Provide cash payments and tax transfers to support provincial and territorial budgetary revenues to allow provinces and territories to provide broadly comparable social services, social assistance and post-secondary education.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05*	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
<b>- Other Transfer Payments</b>	<b>See note</b>	<b>See note</b>	<b>7,900,000</b>	<b>7,900,000</b>	<b>7,900,000</b>	<b>—</b>
17) Comments on variances: Not Applicable.						
18) Significant evaluation findings and URL to last evaluation: An internal audit of the Canada Health and Social Transfer (CHST) was prepared in May 2002 and is available on the Department of Finance Canada Web site at <a href="http://www.fin.gc.ca/toce/2002/audit_transfers-e.html">http://www.fin.gc.ca/toce/2002/audit_transfers-e.html</a> .  Note: For completeness only, the amount for the CHST is shown under the Canada Health Transfer for 2002–03 and 2003–04. The CHST was split into the Canada Health Transfer and Canada Social Transfer on April 1, 2004.  *The cash payment of \$7.9 billion does not include the value of tax points transferred to provinces and territories. The value of the tax points was \$6.7 billion in 2004–05. This provision reflects transfers in 1967 and 1977 by the federal government of tax points to all provinces in place of certain direct cash transfers.						

1) Name of transfer payment program: Statutory Funding—Health Reform Transfer (HRT)						
2) Start date: April 1, 2003		3) End date: March 31, 2005		4) Total funding: \$1.5 billion in 2004–05		
5) Description of transfer payment program: Provide cash payments to provinces and territories in order to help accelerate reform in priority areas identified in the <i>2003 First Ministers Accord on Health Care Renewal</i> —primary health care, home care, and catastrophic drug coverage.						
6) Objective(s), expected result(s), and outcomes: Provinces and territories will be able to accelerate reform of primary health care, home care, and catastrophic drug coverage. This transfer is to be included in the CHT beginning 2005–06.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	1,000,000	1,500,000	1,500,000	1,500,000	—
17) Comments on variances: Not applicable.						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.						

1) Name of transfer payment program: Statutory Funding—Statutory Acts, 1867–1982, and other statutory authorities)						
2) Start date: 1867		3) End date: Ongoing		4) Total funding: Not applicable.		
5) Description of transfer payment program: Provide a source of revenue to provinces to compensate them for revenues lost on joining Confederation, and to support provincial governments and legislatures.						
6) Objective(s), expected result(s), and outcomes: Transfer resources to provinces in accordance with the Constitution Act of 1867 and that of 1982, as well as other constitutional documents and statutes in support of financing provincial operations.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	31,141	31,734	32,000	31,818	31,818	182
17) Comments on variances: Not applicable.						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.						

1) Name of transfer payment program: Payment to Nova Scotia Related to Equalization						
2) Start date: 2004		3) End date: 2006		Total funding: \$25.0 million		
5) Description of transfer payment program: As part of Budget 2004, to provide cash payments to Nova Scotia equivalent to changing the start date of their equalization offset provision to 2000–01 (“resetting the clock”). This was in recognition that Nova Scotia’s Accord was triggered in 1993–94 by a small project, instead of an expected larger project and, consequently, the expected benefits of the provision never materialized.						
6) Objective(s), expected result(s), and outcomes: Not applicable.						
7) Achieved results or progress made: Timely and accurate payments are made to the province that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	—	—	21,000	21,000	(21,000)
17) Comments on variances: Not applicable. The amount for 2004–05 was legislated in the 2004 Budget Bill (Bill C-30) and paid in June 2004.						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.						

1) Name of transfer payment program: Wait Times Reductions Transfer						
2) Start date: 2004		3) End date: March 31, 2014		4) Total funding: \$5.5 billion over 10 years		
5) Description of transfer payment program: Support to provinces and territories to reduce wait times in priority health areas. Payments for 2004–05 through to 2008–09 will be made through a \$4.25 billion third-party trust, with ongoing annual payments of \$250.0 million for 2009–10 to 2013–14.						
6) Objective(s), expected result(s), and outcomes: The funding will support provincial and territorial efforts to reduce wait times in priority areas. First Ministers agreed to report on progress made in reducing wait times.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	—	—	4,250,000	4,250,000	(4,250,000)
17) Comments on variances: <ul style="list-style-type: none"><li>On September 16, 2004, the Government of Canada announced incremental funding of \$41.0 billion to provinces and territories in support of the 10-year Plan to Strengthen Health Care. This commitment included incremental funding of \$5.5 billion over 10 years to support provinces and territories’ efforts to reduce wait times.</li><li>The amount shown represents the initial funding provided through a third-party trust fund to province and territories, providing flexibility to withdraw funding up to March, 31, 2009 in recognition of the different priorities and strategies of each jurisdiction with respect to wait times reduction. This commitment was legislated in Bill C-39.</li><li>The announcement is on the Prime Minister of Canada’s Web site at <a href="http://pm.gc.ca/eng/news.asp?id=260">http://pm.gc.ca/eng/news.asp?id=260</a>.</li></ul>						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.						

1) Name of transfer payment program: Diagnostic and Medical Equipment Funding						
2) Start date: 2004–05		3) End date: 2004–05		4) Total funding: \$500.0 million		
5) Description of transfer payment program: One-time transfer to provinces and territories to support investments in diagnostic and medical equipment.						
6) Objective(s), expected result(s), and outcomes: Increased investment in medical and diagnostic equipment.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	—	—	500,000	500,000	(500,000)

17) Comments on variances:
<ul style="list-style-type: none"> <li>On September 16, 2004, the Government of Canada announced incremental funding of \$41.0 billion to provinces and territories in support of the 10-year Plan to Strengthen Health Care. This commitment included incremental funding to provinces and territories of \$500.0 million in 2004–05 for diagnostic and medical equipment funding. Amounts were legislated in Bill C-39.</li> <li>The announcement is on the Prime Minister of Canada's Web site at <a href="http://pm.gc.ca/eng/news.asp?id=260">http://pm.gc.ca/eng/news.asp?id=260</a>.</li> </ul>
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.

1) Name of transfer payment program: Immunization Trust						
2) Start date: 2004		3) End date: 2005		4) Total funding: \$400.0 million		
5) Description of transfer payment program: Funding to provide the provinces and territories for the purposes of supporting a national immunization strategy and assisting in the enhancement of their public health capacities.						
6) Objective(s), expected result(s), and outcomes: To support a national immunization strategy.						
7) Achieved results or progress made: Timely and accurate payments are made to provinces and territories that meet all the legislative and regulatory requirements for these payments.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: Transfer Payments to Provinces and Territories						
- Other Transfer Payments	—	—	—	400,000	400,000	(400,000)
17) Comments on variances: This transfer payment was legislated in the 2004 budget bill (Bill C-30). The amount shown represents the amount provided in trust funds to provinces and territories in May 2004.						
18) Significant evaluation findings and URL to last evaluation: An evaluation of this transfer program has not been completed.						
Total for Program Activity Transfer Payments to Provinces and territories	30,695,142	29,594,364	33,799,000	41,129,855	41,097,026	(7,298,026)

1) Name of transfer payment program: Statutory Funding—Payments to International Development Association (IDA)		
2) Start date: 1960–61	3) End date: Ongoing	4) Total funding: Not applicable.
5) Description of transfer payment program: Support for IDA is part of Canada’s international assistance effort, which reflects values that all Canadians cherish: humanitarianism, social justice, generosity, and peace. Finally, strong links with other countries, through institutions such as IDA, widen Canada’s network of partners and professional contacts and ultimately help strengthen trade, investment, and diplomatic ties.		
6) Objective(s), expected result(s), and outcomes: <ul style="list-style-type: none"><li>Responsible administration of financial obligations to IDA, which are negotiated every three years with other donors.</li></ul>		

- The efficient use of Canadian and other donors' resources to promote growth and equitable development in the world economy.
- Results of IDA operations are detailed in the Report on Operations under the *Bretton Woods and Related Agreements Act*, which is tabled annually in Parliament

7) Achieved results or progress made: Proper administration of financial obligations to IDA.

	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: International Financial Organizations						
<b>- Total Contributions</b>	<b>430,944</b>	<b>147,743</b>	<b>292,420</b>	<b>292,420</b>	<b>292,420</b>	—

17) Comments on variances: Not applicable

18) Significant evaluation findings and URL to last evaluation: Evaluations undertaken on an ad-hoc basis by institution.

**1) Name of transfer payment program: Payments to the IMF PRGF**

2) Start date: December 1987		3) End date: May 2006		4) Total funding: Not applicable.		
5) Description of transfer payment program: The PRGF is the IMF's low-interest lending facility for low-income countries. Loans under the PRGF carry an annual interest rate of 0.5 per cent, with repayments made semi-annually, beginning 5½ years and ending 10 years after the disbursement. Canada's payments help finance the difference between the market-related interest rate paid to PRGF Trust lenders and the rate of interest of 0.5 per cent per year paid by the borrowing members.						
6) Objective(s), expected result(s), and outcomes: The PRGF was established to make the objectives of poverty reduction and growth more central to the IMF's lending operations in its poorest member countries. These loans, and the associated oversight of the lending program by the IMF, play an important role mobilizing resources for poverty reduction.						
7) Achieved results or progress made: An independent review of the PRGF conducted in 2004 confirmed that the design of the programs supported by PRGF lending has become more accommodating to higher public expenditure, in particular pro-poor spending.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: International Financial Organizations						
- Total Contributions	11,666	—	8,200	78,917	7,823	377
17) Comments on variances: Variation due to exchange rate fluctuation.						
18) Significant evaluation findings and URL to last evaluation: No evaluation of PRGF conducted.						

1) Name of transfer payment program: Vote 5—Contributions and Grants to meet commitments made by Canada under multilateral debt reduction agreements						
2) Start date: 1991–92	3) End date: Ongoing		Total funding: Not applicable.			
5) Description of transfer payment program: Compensate Canadian creditor agencies whose scheduled receipts from debtor countries have been reduced by Canadian participation in Paris Club debt or debt service reduction agreements and to contribute to international efforts to relieve the unsustainable debt burdens of the world’s poorest countries.						
6) Objective(s), expected result(s), and outcomes: Continue to represent Canada at the Paris Club; implement multilateral debt rescheduling agreements between Canada and beneficiary countries in a timely manner; and work with other multilateral and bilateral development partners to resolve the debt distress of developing countries.						
7) Achieved results or progress made: Canada participated in Paris Club negotiations and was involved in implementing multilateral debt rescheduling agreements with beneficiary countries as well as in resolving debt issues faced by a number of developing countries.						
	8) Actual Spending 2002–03	9) Actual Spending 2003–04	10) Planned Spending 2004–05	11) Total Authorities 2004–05	12) Actual Spending 2004–05	13) Variance(s) between 10 and 12
14) Program Activity: International Financial Organizations						
- Total Grants	481,030	59,001	726,000	760,400	92,474	633,526
- Total Contributions	88,671	73,047	90,000	89,959	60,661	29,339
- Total Vote 5	569,701	132,048	816,000	850,359	153,135	662,865
17) Comments on variances: Mainly due to delays in HIPCs reaching completion points and therefore not qualifying for debt relief.						
18) Significant evaluation findings and URL to last evaluation: No evaluation of debt forgiveness programs is undertaken.						
15) Total for Program Activity International Financial Organizations	1,012,311	279,791	1,116,620	1,221,696	454,378	663,243



**Table 12: Response to Parliamentary Committees, Audits and Evaluations for 2004–05**

Response to parliamentary committees
<p><b>A. Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities (HUMA)</b></p> <p><b>1. Government Response to Second and Third Reports</b></p> <p>The ministers of finance and HUMA were asked to respond to this report. The Minister of Finance responded to the recommendations (1 to 6) dealing with the setting of premium rates. The responses were consistent with the proposals set out in the 2005 budget.</p> <p><b>2nd Report:</b> <i>HUMA—Restoring Financial Governance and Accessibility in the Employment Insurance Program: Part One—Committees of the House of Commons</i></p> <p><b>3rd Report:</b> <i>HUMA—Restoring Financial Governance and Accessibility in the Employment Insurance Program—Committees of the House of Commons</i></p> <p><b>Response:</b> <i>Government Response to the Second and Third Reports: Study on Employment Insurance Funds—Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities</i></p> <p><b>B. Standing Committee on Finance</b></p> <p><b>1. Government response to first report</b></p> <p>The report dealt with duties and tariffs on textile inputs and made three recommendations to reduce tariffs. In December 2004, the government announced a package of initiatives that addressed the recommendations made in the report.</p> <p><b>1st Report:</b> <i>First Report—Standing Committee on Finance (FINA)</i></p> <p><b>Response:</b> <i>Government Response to the First Report of the Standing Committee on Finance entitled Duty Remission and The Zero-rating of Tariffs on Textile Inputs: The Canadian Apparel Industry</i></p> <p><b>2. Government response to second report</b></p> <p>The report made a number of recommendations with respect to the reduction or elimination of excise taxes and duties on wine-makers, small brewers and jewellers. The Minister sent a letter to the Chair, indicating that the government responded in the 2005 budget, in which it proposed that it would phase-out the jeweller tax. It also stated that the limited fiscal resource narrow the range of tax relief measures that can be funded. The recommendations with respect to beer and wine will, however, remain under consideration.</p>

**2nd Report:** *Study on Small Business Tax Measures*

**3. Government response to fourth report**

The report tax made a number of recommendations relating to the capitalization needs of Canada's agricultural co-operatives. The minister sent a letter to the Chair on March 9, 2005, indicating that the government responded to the recommendations in Budget 2005.

**4th Report:** *Study on Small Business Tax Measure—Canada's Agriculture Cooperatives*

**Response to the Auditor General of Canada**

Seven recommendations were made to the Department of Finance Canada between April 1, 2004, and March 31, 2005. Three were contained in Chapter 2 of the Auditor General's November 2004 Report. Four were contained in Chapter 3 of the Commissioner of the Environment and Sustainable Development's (CESD's) 2004 Report. The seven recommendations and the Department's respective responses are listed below, as is the hyperlink to the relevant pages on the Office of the Auditor General of Canada (OAG) Web site, which displays the full chapters including recommendations and responses.

[November 2004 Chapter 2—Implementation of the National Initiative to Combat Money Laundering](#)

**Recommendation 1**

**2.29 Recommendation:** The government should establish an effective management framework to provide direction and co-ordinate anti-money-laundering efforts at the federal level. It should also consider establishing an anti-money-laundering advisory committee with representatives of government, industry, and law enforcement to regularly discuss issues of common interest and develop approaches for dealing with emerging issues.

**Finance Canada's response:** As noted in the chapter, the Department of Finance chairs the current interdepartmental group at the assistant deputy minister level and its working-level extension. While these forums have been successful in co-ordinating initiative-wide efforts, reporting the results of these efforts, and discussing and resolving common issues, the Department of Finance will examine the roles of these interdepartmental groups and make any improvements or changes as required.

As well, the Department of Finance will review international best practices (including the UK and U.S. models) in considering the merits of establishing a formal advisory committee for the overall Initiative with broad representation from government, industry, and law enforcement.

**Recommendation 2**

**2.46 Recommendation:** The government should carry out a review to identify changes that would improve the value of FINTRAC disclosures and the means to bring about those changes.

**Finance Canada’s response:** As noted in the chapter, the Department of Finance is chairing a working group of several Initiative partners to examine ways to improve the effectiveness of FINTRAC’s disclosures.

The working group may identify possible operational improvements that could be made. Should there be proposed legislative amendments, the Department of Finance would look to the upcoming legislative reviews of Bills C-36 and C-22 as the appropriate venues for parliamentarians to consider recommended changes.

### Recommendation 3

**2.92 Recommendation:** The government should establish effective mechanisms for monitoring the results of disclosures, including the extent to which disclosures are used and the impact they have on the investigation and prosecution of money-laundering and terrorist-financing offences. It should report summary information on these results to Parliament regularly.

**Finance Canada’s response:** Many of the initiative partners have already begun to put in place various tracking systems that will provide greater feedback on the use and impact of FINTRAC disclosures. As well, FINTRAC is currently discussing methods to track disclosures with provincial and municipal police forces.

The Department of Finance will consider the value of how often to report to Parliament. Additional reporting would have to complement the existing reporting requirements of Initiative partners, the upcoming agenda of parliamentary reviews, and the requirements for periodic evaluations of the Canadian anti-money-laundering and anti-terrorist financing regime by the Financial Action Task Force.

[CESD 2004 Chapter 3—Sustainable Development Strategies—Using the Tax System and Managing Office Solid Waste](#)

### Recommendation 4

**3.44 Recommendation:** To demonstrate that it intends to maintain the essence of its three *2001–2003 Sustainable Development Strategy* commitments on examining ways to use the tax system, Finance Canada should

- develop clear and concrete expectations for their implementation;
- articulate the key steps for implementation;
- identify key areas where the tax system hinders the integration of the economy and the environment through a systematic review, based on risk; and
- inform Parliament and Canadians about its expectations, its key steps for implementation, and the results of its review.

**Finance Canada’s response:** The Department provides analysis and advice on policies, particularly economic policies that support Canada's economic and social goals, including the environment. In keeping with this role, the Department made commitments in its *2001–03 Sustainable Development Strategy* to examine certain areas of the tax system and policy options, and evaluate all environment-related tax proposals received from stakeholders. These commitments have been fulfilled. The Department has undertaken analysis of a wide range of

aspects of the tax system that may affect the interaction of the economy and the environment, and this analysis has informed decision making by the government in respect of tax and environmental policies.

Going forward, the Department has committed in target 2a.5 of its *2004–06 Sustainable Development Strategy* to “continue to evaluate research concerning environment-related tax measures” and to “assess the potential of proposals received from stakeholders for using the tax system to assist the Government in meeting its environmental objectives.” These commitments describe how the Department’s analysis integrates sustainable development considerations. The Department will continue to develop analysis as it has done in the past to meet its commitments.

Resources will be focussed on evaluating research concerning environmental related tax measures and assessing the potential of proposals received to assist in meeting environmental objectives, where such measures and proposals are judged to hold the greatest potential to help the government achieve its objectives. The Department will continue to report in its departmental performance report on the range of activities undertaken, subject to the confidentiality concerns referenced in the Department’s response to recommendation 3.60.

## **Recommendation 5**

**3.53 Recommendation:** To facilitate informed decision making, Finance Canada should ensure that potential environmental impacts are adequately analyzed for all proposed tax measures and policy options, and integrated with economic and social impacts.

**Finance Canada’s response:** The Department is committed to integrating environmental considerations into the analysis and advice it prepares to support decision making in accordance with the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals. In May 2003, the Department put in place an enhanced strategic environmental assessment process to ensure that advice to the minister on all proposals includes an assessment of potential environmental effects. All policy proposals submitted to the minister for decision are subject to an initial screening to determine whether they are likely to have important positive or negative environmental effects. If so, a strategic environmental assessment is conducted. The guidelines for implementing the Cabinet Directive indicate that departments conducting assessments are encouraged to seek the advice of environmental specialists in other expert federal departments where appropriate, which the Department will continue to do as it has done in the past.

## **Recommendation 6**

**3.56 Recommendation:** Finance Canada should monitor, assess, and report progress on implementing its tax commitments against clearly established expectations.

**Finance Canada’s response:** At the outset of each year, the Department reports on planned activities with respect to its sustainable development commitments in its report on plans and priorities. Following the end of each year, the Department reports on its activities in the departmental performance report, which includes a detailed supplementary document setting out activities undertaken in support of its sustainable development strategy commitments.

The Department's ability to report in greater detail about analysis planned or conducted with respect to specific tax changes is restricted by the confidentiality concerns referenced in the Department's response to recommendation 3.60.

## Recommendation 7

**3.60 Recommendation:** To improve its reporting against its tax commitments, Finance Canada should consider publicly disclosing the analysis of the potential environmental impacts of

- tax measures that are implemented, and
- where feasible, tax measures examined but not implemented.

**Finance Canada's response:** The Department is committed to releasing a public statement of environmental effects in accordance with the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals when a detailed assessment of environmental effects has been conducted in respect of a new measure.

To further improve transparency, the Department has also committed to publicly issue a framework setting out the general parameters and criteria that guide the Department in assessing proposals from stakeholders to change existing tax measures or implement new tax measures to further sustainable development objectives. This document will make it easier for stakeholders to understand the Department's assessment process with respect to tax policy proposals in general.

The Department's ability to report on its analysis of specific tax measures or proposals in greater detail is constrained by the need to avoid influencing decision making by economic agents who may attempt to either take advantage, or avoid the impacts, of a possible future tax measure. Furthermore, the normal confidentiality of the policy development process must also be respected to ensure that ministers have the benefit of candid advice in their deliberations. Similar factors are also recognized in the established principles of Cabinet confidence and in the various discretionary exemptions available under the *Access to Information Act*

## Internal audits or evaluations

### Audits

Audit of administrative controls over the domestic debt.

### Evaluations

Disability Tax Credit

[http://www.fin.gc.ca/taxexp/2004/taxexp04\\_4e.html#The%20Disability](http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html#The%20Disability)

Taxation and Economic Efficiency: Results From a General Equilibrium Model

[http://www.fin.gc.ca/taxexp/2004/taxexp04\\_4e.html#Taxation](http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html#Taxation)

A Framework for Evaluation of Environmental Tax Proposals

<http://www.fin.gc.ca/budget05/bp/bpa4e.htm>

Expansion of the GST/HST Health Care Rebate

<http://www.fin.gc.ca/budget05/bp/bpc3e.htm#gst>

*Year Five Evaluation of the National Initiatives to Combat Money Laundering and Interim Evaluation of Measures to Combat Terrorist Financing*

[http://www.fin.gc.ca/toce/2005/nicml-incba\\_e.html](http://www.fin.gc.ca/toce/2005/nicml-incba_e.html)

Emergency Preparedness and Critical Infrastructure Protection Program Evaluation

Review of Canada Savings Bonds

<http://www.fin.gc.ca/activty/CGEY-e.html>

Governance Evaluation: Debt and Reserves Management

<http://www.fin.gc.ca/activty/goveval-e.html>

Treasury Governance Framework

[http://www.fin.gc.ca/treas/Goveev/TMGF\\_e.html](http://www.fin.gc.ca/treas/Goveev/TMGF_e.html)

## Table 13: Sustainable Development Strategies

*Sustainable development* is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, and it is a key commitment of all federal departments. In 1995, the *Auditor General Act* was amended to require each department to prepare and update a sustainable development strategy (SDS). These strategies are tabled in the House of Commons, and the Commissioner of the Environment and Sustainable Development monitors the progress toward their implementation.

An SDS is intended to outline a department's goals and action plans for integrating sustainable development into its policies, programs, and operations over three-year planning periods. The first Department of Finance Canada SDS, which was tabled in the House of Commons in 1997, helped to show how the federal government's fiscal and economic plans contributed to sustainable development in Canada, outlined the Department's approach and contribution to international sustainable development issues, and showed how the Department would improve environmental performance in its operations.

The Department's updated SDS for 2001–03 built upon the 1997 strategy and the progress achieved by the Department and the government in promoting sustainable development. Like its first strategy, the Department's 2001–03 strategy focussed on those areas where the Department can make unique and important contributions to sustainable development in Canada and around the world. The Department's updated strategy for 2004–06 was completed in December 2003. It is built upon the solid foundation provided by the previous two versions. The Department's 1997–2000, 2001–03, and 2004–06 strategies can be found at <http://www.fin.gc.ca/purl/susdev-e.html>.

The Department has implemented a renewed management strategy for the SDS. This consists of a departmental SD champion, a core working group of officials with representatives from all branches, and documented reviews of SD progress and planning by a senior management committee. The Department has also continued to raise awareness of the departmental process for fulfilling the Department's obligations under the Cabinet Directive on Strategic Environmental Assessment.

### ***Strategic outcomes***

The Department of Finance Canada confirmed two key goals in its 2004–06 SDS: to promote intergenerational equity through effective fiscal management and to continually strive to more fully integrate economic, social, and environmental considerations and objectives into policy making.

### ***Key issues***

To help focus on these goals, the 2004–06 SDS identifies four themes or key issues on which to base departmental actions over the next three years: Building the Future, Integrating the Economy and the Environment, Integrating Sustainable Development into the Global Economy, and Greening Operations. The Department's action plan for sustainable development sets out a number of objectives and targeted actions in each of these four areas over the planning period.

The following describes the Department's four key issues and how they relate to the two broad SD goals:

**Building the future:** Highlights how the Department contributes to intergenerational equity by demonstrating the SD effects of the government's key priorities in areas where the Department has a mandated responsibility. Commitments in this area include improving fiscal health, solidifying major social programs, and implementing some of the government's key environmental SD priorities.

**Integrating the economy and the environment:** Involves building on the Department's analytical foundation and broadening its knowledge base in support of progress in integrating environmental and economic considerations into tax, spending, and related policies. Commitments in this area include expanding analytical abilities, conducting further analytical work on environmental issues, such as climate change, and raising awareness of the departmental process for implementing the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals.

**Sustainable development in the global economy:** Involves participating in efforts to address globalization of the world economy and the links to environmental concerns and international competitiveness. Commitments in this area include continuing to examine the linkages between trade and the environment and increasing knowledge of the relationship between financial services and international environmental practices. The Department will also continue to participate in preparing for and negotiating international environmental agreements.

**Greening operations:** Involves identifying and acting to address the negative environmental impacts of the Department's operations and promoting best practices.

### ***Targets and reporting***

A detailed outline of the Department's objectives, targets, and results for over 25 planned activities in 2004–05 to implement the 2004–06 SDS is available at <http://www.fin.gc.ca/purl/susdev-e.html>.



## **Table 14: Travel Policies**

### **Comparison to the TBS *Special Travel Authorities***

The Department of Finance Canada follows the TBS Special Authorities.

### **Comparison to the Treasury Board Travel Directive, Rates and Allowances**

The Department of Finance Canada follows the TBS Travel Directive, Rates and Allowances.

## Section IV—Other Items of Interest

### Resources

The Department has 991 employees.<sup>4</sup> Of this total, economists and policy analysts represent 32 per cent and managers 14 per cent. Among our population:

- the average age is 42;
- 88 per cent have the capability of operating in both English and French;
- 50.5 per cent are women;
- 36.1 per cent have identified French as their first official language; and
- 9.0 per cent have identified themselves as belonging to a visible minority.

### Department of Finance Canada Human Resources Plan

The Department's ongoing Human Resources (HR) Plan, launched in September 2000 with the objective of making the Department the workplace of choice in the federal Public Service, continues to underline HR management as a key priority for all managers. Members of the Executive Committee serve as leaders to provide strategic direction for Plan initiatives on the following fronts:

- performance management and upward feedback;
- career development strategy;
- succession planning;
- professional learning and networking;
- supportive working environment;
- awards and recognition;
- recruitment;
- official languages;
- employment equity and respect in the workplace;
- physical work environment and technological tools; and
- annual town hall meeting and departmental seminar.

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4. The Department of Finance Canada is in a unique position: the staff of its Corporate Services Branch (CSB) are employees of the Department of Finance Canada, but they provide services to the Treasury Board of Canada Secretariat and the Public Service Human Resources Management Agency of Canada. While the costs of CSB are prorated among the three organizations and reflected in their respective financial reports, all CSB employees are included for the purpose of presenting a demographic profile of the Department of Finance Canada.

In the spring of 2004, the deputy minister launched an exercise to review the HR Plan to ensure it reflects the current departmental context and public service environment. A representative committee of employees and managers, co-chaired by two senior executives, sought the input of employees through an internal survey, focus groups, and consultation with HR leaders and management and executive committees. Recommendations were made for action in the four priority areas of employee development, official languages, communications, and work-life balance. An approved Plan, including performance indicators of future success, will be communicated prior to the fourth annual town hall in September 2005.

In addition to the HR Plan renewal exercise, a number of initiatives were undertaken during 2004–05 to address the Department’s responsibilities relating to public service modernization in the areas of labour management and staffing. The major change for this period was related to changes to the *Public Service Labour Relations Act*, formerly the *Public Service Staff Relations Act*. The major activities included the following:

- setting up management-union consultations;
- setting up a conflict management system for informal resolution (the same system will be used for informal resolution on staffing); and
- briefings on changes to the Act.

The components related to staffing are expected to come into force in December 2005. Activities related to this will be reflected in the 2005–06 DPR.

## List of Statutory Reports and Other Departmental Reports

Annual Financial Report of the Government of Canada and Fiscal Reference Tables

Annual Report to Parliament on the Operations of the Exchange Fund Account

Canada Investment and Savings Annual Report (<http://www.csb.gc.ca>)

Canadian Federal Budget

Debt Management Report

Debt Management Strategy

Departmental Performance Report

Economic and Fiscal Update

Economy in Brief—Quarterly

Fiscal Monitor—Monthly

Government of Canada Securities—Quarterly

*Report on Operations under the* Bretton Woods and Related Agreements Act

*Report on Operations under the* European Bank for Reconstruction and Development Agreement Act

Report on Plans and Priorities

Sustainable Development Strategy

Tax Expenditures and Evaluations

## Contacts for Further Information and Web Sites

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