

Department of Finance Canada

2013–14

Departmental Performance Report

Original signed by

The Honourable Joe Oliver, P.C., M.P.
Minister of Finance

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Foreword

Departmental Performance Reports are part of the Estimates family of documents. Estimates documents support appropriation acts, which specify the amounts and broad purposes for which funds can be spent by the government. The Estimates document family has three parts.

Part I (Government Expenditure Plan) provides an overview of federal spending.

Part II (Main Estimates) lists the financial resources required by individual departments, agencies and Crown corporations for the upcoming fiscal year.

Part III (Departmental Expenditure Plans) consists of two documents. Reports on Plans and Priorities (RPPs) are expenditure plans for each appropriated department and agency (excluding Crown corporations). They describe departmental priorities, strategic outcomes, programs, expected results and associated resource requirements, covering a three-year period beginning with the year indicated in the title of the report. Departmental Performance Reports (DPRs) are individual department and agency accounts of actual performance, for the most recently completed fiscal year, against the plans, priorities and expected results set out in their respective RPPs. DPRs inform parliamentarians and Canadians of the results achieved by government organizations for Canadians.

Additionally, Supplementary Estimates documents present information on spending requirements that were either not sufficiently developed in time for inclusion in the Main Estimates or were subsequently refined to account for developments in particular programs and services.

The financial information in DPRs is drawn directly from authorities presented in the Main Estimates and the planned spending information in RPPs. The financial information in DPRs is also consistent with information in the Public Accounts of Canada. The Public Accounts of Canada include the Government of Canada Consolidated Statement of Financial Position, the Consolidated Statement of Operations and Accumulated Deficit, the Consolidated Statement of Change in Net Debt, and the Consolidated Statement of Cash Flow, as well as details of financial operations segregated by ministerial portfolio for a given fiscal year. For the DPR, two types of financial information are drawn from the Public Accounts of Canada: authorities available for use by an appropriated organization for the fiscal year, and authorities used for that same fiscal year. The latter corresponds to actual spending as presented in the DPR.

The Treasury Board *Policy on Management, Resources and Results Structures* further strengthens the alignment of the performance information presented in DPRs, other Estimates documents and the Public Accounts of Canada. The policy establishes the Program Alignment

Architecture of appropriated organizations as the structure against which financial and non-financial performance information is provided for Estimates and parliamentary reporting. The same reporting structure applies irrespective of whether the organization is reporting in the Main Estimates, the RPP, the DPR or the Public Accounts of Canada.

A number of changes have been made to DPRs for 2013–14 to better support decisions on appropriations. Where applicable, DPRs now provide financial, human resources and performance information in Section II at the lowest level of the organization's Program Alignment Architecture.

In addition, the DPR's format and terminology have been revised to provide greater clarity, consistency and a strengthened emphasis on Estimates and Public Accounts information. As well, departmental reporting on the Federal Sustainable Development Strategy has been consolidated into a new supplementary information table posted on departmental websites. This new table brings together all of the components of the Departmental Sustainable Development Strategy formerly presented in DPRs and on departmental websites, including reporting on the Greening of Government Operations and Strategic Environmental Assessments. Section III of the report provides a link to the new table on the organization's website. Finally, definitions of terminology are now provided in an appendix.

Minister's Message

I am pleased to present the *2013–14 Departmental Performance Report*, which provides details on the Department of Finance Canada's achievements against the performance expectations outlined in the *2013–14 Report on Plans and Priorities*.

Since 2006, there has been significant evidence of our country's growing prosperity. Canadian households have seen a near 10 per cent increase in their after-tax, inflation-adjusted incomes and a more than 45 per cent increase in net worth. And today we stand among just a handful of nations in the world with a Triple-A credit rating and a stable outlook among the major credit rating agencies.



However, we cannot rest on this record of success. Canada's economy has been restrained by weak export markets and softness in commodity prices. Indeed, the risks to global growth that have lingered throughout the recovery are still present.

Given this ongoing, uncertain global economic environment, our government will continue to pursue the objectives of our Economic Action Plan—namely, job creation, economic growth and return to balanced budgets in 2015.

Both *Economic Action Plan 2013* and *Economic Action Plan 2014* built on a strong foundation that provided affordable measures to create jobs, promote growth and support long-term prosperity, while bolstering the fundamental strengths and resilience of the Canadian economy.

In doing so, we achieved results by meeting the following program priorities:

- ▶ **Sound fiscal management:** Our government is on track to return to balanced budgets in 2015. The deficit has been reduced by more than 90 per cent since the height of the global economic and financial crisis, from \$55.6 billion in 2009–10 to \$5.2 billion in 2013–14. In 2015–16, including the measures announced in *Economic Action Plan 2014*, our government expects to realize a surplus of \$6.4 billion, after setting aside \$3 billion for contingencies.
- ▶ **Sustainable economic growth:** The Canadian recovery continues to advance, thanks to sustained growth in the domestic economy. As a result, Canada has had one of the best performances among G7 countries. The Canadian economy has posted one of the strongest job creation records in the G7 over the recovery, with over 1.1 million jobs created since July 2009. Moreover, the International Monetary Fund's and the Organisation for Economic

Co-operation and Development's most recent outlooks suggest that Canada will be among the strongest growing economies in the G7 over this year and the next.

- ▶ **Sound social policy framework:** While direct program spending has declined for four consecutive years, federal transfers that provide important income support to individuals, such as Old Age Security, and major transfers to other levels of government, including those for social programs and health care, will continue to grow over the forecast horizon. In fact, major transfers to other levels of government¹ are expected to increase from \$60.5 billion in 2013–14 to \$73.8 billion in 2018–19.
- ▶ **Effective international influence:** The Department of Finance Canada continued its role as co-chair of the G20 Framework for Strong, Sustainable and Balanced Growth, taking a leadership role in negotiating G20 commitments to address key risks to the global economy. The Department's work in monitoring macroeconomic developments has allowed Canada to promote coordinated policies with international partners to take decisive actions. The Department also continued to support the expansion of the government's bilateral and regional trade agenda and to implement tariff measures enhancing the competitiveness of Canadian industries.

The Department of Finance Canada has a long-standing reputation for the highest standards of excellence and remains committed to establishing and advancing best practices in economic and fiscal governance.

Working with our partners at home and abroad, I am confident that we will achieve our shared goals of long-term economic prosperity and strong public finances for all Canadians.

1. Includes Equalization, Territorial Formula Financing, Canada Health Transfer, Canada Social Transfer, Total Transfer Protection, Wait Times Reduction Transfer, Alternative Payments for Standing Programs, Youth Allowances Recovery, Statutory Subsidies, payments under the 2005 offshore accords, Gas Tax Fund, and assistance for sales tax harmonization.

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: Joe Oliver

Institutional Head: Paul Rochon

Ministerial Portfolio: Department of Finance

Enabling Instruments: The Minister of Finance has direct responsibility for a number of acts and is assigned specific fiscal and tax policy responsibilities relating to other acts that are under the responsibility of other ministers, including the:

- ▶ *Financial Administration Act;*
- ▶ *Income Tax Act;*
- ▶ *Payment Clearing and Settlement Act;*
- ▶ *Federal-Provincial Fiscal Arrangements Act;*
- ▶ *Customs Act;*
- ▶ *Customs Tariff;*
- ▶ *Excise Act, 2001;*
- ▶ *Excise Tax Act;*
- ▶ *Proceeds of Crime (Money Laundering) and Terrorist Financing Act;* and
- ▶ *Special Import Measures Act.*

Key legislation and acts are available on the [Department of Justice Canada's website](#).ⁱ

Year of Incorporation / Commencement: 1867

Organizational Context

Raison d'être

The Department of Finance Canada contributes to a strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people. Finance Canada also plays a central role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal organizations and acts as an effective conduit for the views of participants in the economy from all parts of Canada.

Responsibilities

Created in 1867, the Department of Finance Canada was one of the original departments of the Government of Canada and had as its primary functions bookkeeping, administering the collection and disbursement of public monies, and servicing the national debt. Today, the Department helps the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social, security, international and financial sector policies and programs. It plays an important central agency role, working with other departments to ensure that the government's agenda is carried out and that ministers are supported with high-quality analysis and advice.

The Department's responsibilities include the following:

- ▶ Preparing the federal Budget and the Update of Economic and Fiscal Projections;
- ▶ Preparing the Annual Financial Report of the Government of Canada and, in cooperation with the Treasury Board of Canada Secretariat and the Receiver General for Canada, the Public Accounts of Canada;
- ▶ Developing tax and tariff policy and legislation;
- ▶ Managing federal borrowing on financial markets;
- ▶ Designing and administering major transfers of federal funds to the provinces and territories;
- ▶ Developing financial sector policy and legislation; and
- ▶ Representing Canada in various international financial institutions and organizations.

The Minister of Finance is accountable for ensuring that his responsibilities are fulfilled both within his portfolio and with respect to the authorities assigned through legislation. The Minister has direct responsibility for a number of acts and is assigned specific responsibilities in other acts that are under the responsibility of other ministers.

Strategic Outcome and Program Alignment Architecture

1. Strategic Outcome: A strong economy and sound public finances for Canadians

1.1 Program: Economic and Fiscal Policy Framework

1.1.1 Sub-Program: Taxation

1.1.2 Sub-Program: Economic and Fiscal Policy, Planning, and Forecasting

1.1.3 Sub-Program: Economic Development Policy

1.1.4 Sub-Program: Federal-Provincial Relations and Social Policy

1.1.5 Sub-Program: Financial Sector Policy

1.1.6 Sub-Program: International Trade and Finance

1.2 Program: Transfer and Taxation Payment Programs

1.2.1 Sub-Program: Fiscal Arrangements with Provinces and Territories

1.2.2 Sub-Program: Tax Collection and Administration Agreements

1.2.3 Sub-Program: Commitments to International Financial Organizations

1.2.4 Sub-Program: Receipts from and Payments to Individuals and Organizations

1.3 Program: Treasury and Financial Affairs

1.3.1 Sub-Program: Federal Debt Management

1.3.2 Sub-Program: Major Federal-Backed Entities Borrowing

1.3.3 Sub-Program: Prudential Liquidity and Reserves Management

1.3.4 Sub-Program: Domestic Currency System

Internal Services

Organizational Priorities

Organizational Priorities

| Priority | Type ² | Programs |
|---|-------------------|--|
| Sound fiscal management The Department of Finance Canada will ensure effective management of the fiscal framework, including responsible management of the federal budget and the federal debt, ensuring the stability of the financial services sector and the competitiveness, efficiency, fairness and simplicity of Canada's tax system. | Ongoing | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework • 1.3 Treasury and Financial Affairs |
| Summary of Progress | | |
| What progress has been made toward this priority? <ul style="list-style-type: none"> • <i>Economic Action Plan 2014</i> provided affordable measures to create jobs and opportunities while maintaining the government's commitment to return to balanced budgets in 2015. Since the height of the global economic and financial crisis, the deficit has been reduced from \$55.6 billion in 2009–10 to \$5.2 billion in 2013–14. • The Department of Finance Canada monitored progress toward the government's target of achieving a federal debt-to-GDP (gross domestic product) ratio of 25 per cent by 2021. • The Department closely monitored economic developments in Canada's major trading partners, particularly the United States and Europe, to formulate first-rate policy advice and to develop contingency plans. • <i>Economic Action Plan 2014</i> announced a number of measures to address international aggressive tax avoidance, improve tax integrity and strengthen tax compliance, and enhance the fairness of the tax system. Efforts to ensure the integrity of the tax system and strengthen tax compliance protect the government's revenue base. By protecting the tax base, these measures also help keep Canadian tax rates low and competitive, thereby improving incentives to work, save and invest in Canada. • The Department continued to ensure that sufficient funding for government debt management operations was raised in a timely manner and in quantities sufficient to meet operational needs. The government achieved its expected result of providing timely, cost-effective and well-managed funding for Crown corporations and other entities. All cash requirements of major federal-backed entities were met on time. | | |

2. Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the RPP or DPR.

| Priority | Type ² | Program |
|--|-------------------|--|
| Sustainable economic growth Strong, sustainable growth requires sound macroeconomic, tax and structural policies that support the drivers of productivity and growth: business investment and innovation, human capital formation, renewed public infrastructure, and a safe and sound financial system. The Department of Finance Canada will continue to play a leadership role by promoting measures that support competitiveness and business innovation; financial sector stability; training and skills development; and a competitive, efficient, fair and simple tax system. | Ongoing | <ul style="list-style-type: none"> 1.1 Economic and Fiscal Policy Framework |
| Summary of Progress | | |
| What progress has been made toward this priority? <ul style="list-style-type: none"> The Department of Finance Canada provided policy analysis, research and advice on the fiscal and economic implications associated with sectoral, regional and microeconomic policy issues, policies and programs. The Department continued to help advance the government's labour market skills and training agenda in line with the government's commitment to help ensure that federal funding responds to the hiring needs of employers. To this end, <i>Economic Action Plan 2014</i> announced the launch of the Canada Job Grant in 2014 as part of the renewed and transformed Labour Market Agreements. The Department led the implementation of the Venture Capital Action Plan, including the creation of a large-scale venture capital fund of funds. The Department continued to monitor and assess economic and fiscal developments in Canada and abroad and to anticipate and prepare for evolving uncertainties associated with economic and financial market outcomes, in particular the risks associated with the vulnerabilities in the Canadian housing market. The Department worked on legislative and regulatory proposals to reinforce the stability of the financial sector, strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, support retirement savings, and protect Canadian consumers. High-quality research and analysis were conducted, and policy proposals were evaluated in relation to a variety of issues, including the financial consumer protection framework and target benefit plans. The Department continued to support the government's long-term commitment to keeping taxes low and examining ways to provide further tax relief for Canadians. <i>Economic Action Plan 2014</i> proposed new measures to improve the fairness and integrity of the tax system, which helps keep taxes low. These measures included eliminating tax benefits that arise from the graduated rate taxation of certain trusts and estates, making the tax system fairer, and closing tax loopholes to improve the integrity of the tax system and ensure that a select few businesses and individuals do not take undue tax advantage. | | |

| Priority | Type ² | Programs |
|--|-------------------|--|
| Sound social policy framework A sound social policy framework requires managing current and emerging pressures related to social policy and major transfer payment programs, to ensure that those programs are sustainable and effective for all Canadians. | Ongoing | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs |
| Summary of Progress | | |
| What progress has been made toward this priority? <ul style="list-style-type: none"> • The Department of Finance Canada completed discussions with provinces and territories on the implementation of the renewal of the Equalization and Territorial Formula Financing programs. At the December 2012 Finance Ministers' Meeting, the Government of Canada proposed a small set of technical changes to the Equalization and Territorial Formula Financing programs for the 2014 legislative renewal. The renewal, which was implemented in <i>Economic Action Plan 2013 Act, No. 1</i> and subsequent regulatory amendments, applies to the calculation of Equalization and Territorial Formula Financing, beginning with payments for 2014–15. • The Department provided analysis and collaborated with other government departments to review and develop policy proposals that are consistent with, and deliver on, the government's social policies and programs. In 2013–14, the Department contributed to key government policy actions, including the introduction of the Canada Apprentice Loan, creation of the <i>Victims Bill of Rights</i>, renewal of the government's plan on official languages, tackling of prescription drug abuse, and enhanced protections for victims of cyberbullying. • The Department also contributed to the development of a stable and predictable funding model for First Nations' on-reserve primary and secondary education and the statutory funding provisions in the <i>First Nations Control of First Nations Education Act</i> that was introduced in Parliament in April 2014. The Department also reviewed and analyzed a range of other Aboriginal issues. | | |

| Priority | Type ² | Programs |
|---|-------------------|--|
| Effective international engagement Effective international influence requires active engagement with key economic partners on bilateral, regional and multilateral issues to leverage Canada's strengths and to promote Canadian interests. This effort includes promoting Canada's trade and investment interests, fostering effective and innovative aid policies aimed at reducing global poverty, and working toward a more stable and secure international financial system. | Ongoing | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs |

Summary of Progress

What progress has been made toward this priority?

- In 2013–14, the Department of Finance Canada, on behalf of Canada, continued to co-chair the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth. As co-chair, Canada played a leadership role in coordinating policy responses to promote global economic growth and financial stability. The Department provided extensive analysis and advice to the Working Group and supported the negotiation of commitments from G20 countries under the Framework process.
- The Department helped advance the government's bilateral and regional trade agenda, most notably in finalizing an agreement in principle with the European Union, concluding free trade negotiations with Korea, and supporting ongoing negotiations with Trans-Pacific Partnership countries.
- The Department and its partner agencies continued to work closely with the international community on the elaboration and implementation of the G20 financial sector reform agenda, the aim of which is to increase the resiliency of the global financial sector.
- The Department worked closely with other government departments, in particular Foreign Affairs, Trade and Development Canada, to support the alignment of international economic and development priorities with domestic priorities.
- The Department also worked with Foreign Affairs, Trade and Development Canada to coordinate the funding and delivery of Canada's international assistance programming and Canada's priorities at the various multilateral development banks.

| Priority | Type ² | Strategic Outcome and Programs |
|--|-------------------------|---|
| Sound financial and human resources management in an environment of budgetary restraint Continued fiscal restraint creates a greater need for sound and efficient management of the Department of Finance Canada's operational budget and human resources through strengthened budget forecasting and strategic recruitment, employee development, performance management and staff retention. | Previously committed to | <ul style="list-style-type: none"> • The strategic outcome • All programs |

Summary of Progress

What progress has been made toward this priority?

- The Department of Finance Canada has fully implemented the majority of its spending review commitments in 2013–14 and remains on track to implement the remaining savings measures within the identified time frames.
- The Department focused its efforts on implementing its Corporate Human Resources Plan, including implementing strategic recruitment, employee development, performance management and retention strategies. Preparatory work and training in advance of the implementation of the Treasury Board *Directive on Performance Management* has also been an area of focus.
- The Department also finished implementing the actions identified in its 2011 Public Service Employee Survey Action Plan.

| Priority | Type ² | Strategic Outcome and Programs |
|--|-------------------------|---|
| Robust information technology (IT) platform and information management (IM) system Given the nature of the Department of Finance Canada's work and the need for effective information security safeguards, the Department will ensure a robust IT platform and IM system to manage security concerns in a manner that addresses work environment requirements. | Previously committed to | <ul style="list-style-type: none"> • The strategic outcome • All programs |
| Summary of Progress | | |
| What progress has been made toward this priority? <ul style="list-style-type: none"> • Significant progress was made by the Department of Finance Canada to increase the security posture of its dual network and desktops. Formal security assessments were undertaken, and residual risks were identified for mitigation or acceptance. • The Department has been working toward the implementation of a collaborative client-focused approach to IM, a key element of the Treasury Board <i>Directive on Recordkeeping</i>, to which all departments must adhere by March 2015. | | |

Risk Analysis

Generally, the operating environment was as predicted in the Department of Finance Canada's *2013–14 Report on Plans and Priorities*, as Canada experienced positive, although modest, growth. *Economic Action Plan 2013* built on past progress to secure the recovery and promote competitiveness and prosperity.

While the domestic economy remained resilient, the global economic recovery continued to be uneven and uncertain. Within this context, the Department's program priorities and associated plans were designed to mitigate the risks to the Canadian economy, while seizing opportunities to strengthen economic growth and job creation and to advance Canada's leadership internationally.

In particular, the Department of Finance Canada continued to manage the economic volatility risks by ensuring that the infrastructure, resources and authorities needed to respond to an evolving economic and financial sector environment were in place. For example, the Department continued training and the recruitment of personnel with specialized knowledge, continued to monitor high-frequency indicators, undertook daily monitoring of financial market activities, and undertook regular external evaluation of treasury operations. In conjunction with other Senior Advisory Committee members and other government agencies, resources were allocated to the examination of systemic vulnerabilities, and measures were reviewed and developed, including legislative and regulatory measures, to mitigate risk. The Department continued to monitor risks

to the global economic outlook and consulted with international partners, particularly in the G7 and G20 Finance Ministers' forums and the G8 and G20 Leaders' forums, on appropriate responses. The Department also managed the increased requirement for coordinated international decision making to deal with the uncertain world economic conditions, while ensuring that responsible agencies take effective coordinated action to support the soundness, integrity and reputation of the Canadian financial system.

The table below describes the key external and internal risks that influenced the Department's expected results and priorities for 2013–14, the risk response strategies, and the implication for the Department's performance. Each risk was evaluated by assigning a numeric score for both the likelihood (rating of 1 to 3) of the risk and its potential impact (rating of 1 to 3). The Risk Level, which is obtained by multiplying the scores for likelihood and for impact, can vary from a minimum of 1 to a maximum of 9.

Key Risks

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|--|--|--|
| <p>Given the involvement of the Department in international fora (e.g., G8 and G20) to deal with uncertain world economic conditions, there is a risk that the requirement for coordinated international decision making will increase and significantly affect the priorities and workload of the Department. (Risk Level: 4)</p> | <p>To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:</p> <ul style="list-style-type: none"> • Continued regular monitoring of global economic conditions: The Department has focused its monitoring on access to market intelligence, interaction with external authorities, and engagement with international organizations to support the timely provision of analysis and advice to key decision makers. • Maintained, improved and promoted regular and informal communication with the network of Finance and Economic Counsellors: The email-based reporting network, established in 2011–12, has been widely adopted and continues to ensure regular and automatic distribution of country reporting to relevant colleagues across the Department and to the Minister's office. • Maintained a high level of engagement in international organizations and with partners to influence decisions: In 2013–14, the Department, in support of the Minister of Finance, continued to co-chair the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth, which is the key international mechanism for economic cooperation. As co-chair, Canada played a leadership role in coordinating policy responses to promote global economic growth and financial stability. • Promoted alignment of international priorities with domestic priorities through regular collaboration and interaction with other relevant Government of Canada departments: The Department of Finance Canada worked closely with other departments, in particular Foreign Affairs, Trade and Development Canada, to support the alignment of international economic and development priorities with domestic priorities. | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|--|---|--|
| <p>Given uncertain world economic conditions, there is a risk that volatility of the state of the economic recovery will challenge the Department's ability to provide accurate strategic advice and policy recommendations. (Risk Level: 3)</p> | <p>To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:</p> <ul style="list-style-type: none"> • Continued to monitor high-frequency indicators to provide the most up-to-date information on the speed of recovery: The Department continued to monitor high-frequency data for Canada and other countries in order to evaluate economic developments and provide assessments of risks to the global and Canadian outlooks. • Conducted private sector surveys of the Canadian economic outlook and assessed potential risks: The Department undertook three surveys of private sector forecasters in 2013–14 (June, September and December 2013). The Department continues to assess potential risks to the economic outlook. • Continued to meet regularly with leading private sector economists to discuss the economic outlook and whether the average private sector economic forecast represents a reasonable basis for budgetary planning: The Minister of Finance met with private sector economists on January 27, 2014, prior to the release of <i>Economic Action Plan 2014</i>, and on October 28, 2013, prior to the release of the Update of Economic and Fiscal Projections, to discuss the economic forecast as well as the risks associated with those projections. During these meetings, private sector economists agreed that the survey results formed a reasonable basis for fiscal planning. • Provided policy options to the Minister of Finance, based on expected economic conditions: The Department continues to provide policy options to the Minister, consistent with projected economic conditions. | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|---|---|---|
| <p>Given the uncertainty of the pace of global economic recovery as well as continued weakness and volatility in a number of important financial markets, there is a risk that the Department will not have the infrastructure, resources and authorities needed to address, on an urgent basis, an evolving and uncertain economic and financial sector environment. (Risk Level: 3)</p> | <p>To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:</p> <ul style="list-style-type: none"> • Continued training and development of personnel and the recruitment of personnel with specialized knowledge: The Department ensured that employees had learning plans to develop specialized knowledge, particularly in regard to the financial sector environment and legal developments in the financial industry. In addition, information meetings and training days on specific topics were organized frequently, as were monthly divisional and quarterly meetings. • Coordinated the implementation, accountability and reporting of stimulus measures: The Department ensured reporting of stimulus measures, as required. • Promoted prudent investment and risk limits and undertook daily monitoring of financial market activities and risks and regular external evaluation of treasury operations: The Department promoted prudent investment and risk limits as demonstrated by the sound management of cash and foreign exchange reserves. Prudent investment strategies were maintained for the management of liquid financial assets. The framework for the morning auction of Receiver General cash balances was updated to be consistent with global standards, to reduce risk and to manage cash balances more efficiently. The investment strategy for the Exchange Fund Account continued to focus on holdings of debt issued by high credit quality counterparts. The Department conducted daily monitoring of financial market activities and risks via financial market reporting. • Examined new initiatives that may need to be developed to respond to the evolving economic situation: Recent international turmoil has demonstrated the need for the government to ensure that it is equipped with a broad range of flexible tools to safeguard financial stability and to address potential problems in financial markets as they arise. To do so, resources were allocated to the examination of systemic vulnerabilities in a number of areas. An ongoing contingency plan was adapted to face eventualities, and measures are constantly reviewed and | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework • 1.3 Treasury and Financial Affairs • 1.4 Internal Services |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|---|--|---|
| | <p>developed, including legislative and regulatory measures, to mitigate risk.</p> <ul style="list-style-type: none"> Monitored the use and effectiveness of legal authorities to ensure that they meet the stated objectives and, where appropriate, address unforeseen events by proposing new authorities: The Department has been working to harmonize the legislation governing financial institutions with the <i>Civil Code of Québec</i> to ensure that federal legislation will yield the same results and afford the same protection in common law provinces as in Quebec. Two legislative initiatives were also enacted to enable Canada to divest Ridley Terminals Inc. and portions of the Dominion Coal Blocks. The legislative enactments ensure that necessary authorities are in place for a sale and that sales are conducted in a manner that reflects Canada's interests and the government's policy objectives. | |
| <p>Given the nature of the Department's work and the need for security safeguards, there is a risk that a security breach either related to the physical or IT work environment or to the misuse of privileged information, a conflict of interest situation, or a breach of privacy will impact the delivery of critical services. (Risk Level: 6)</p> | <p>To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:</p> <ul style="list-style-type: none"> Increased security posture of the dual network, desktops and applications: The Department continued to increase the security posture of the dual network by pursuing stabilization and performance improvements, migrating to the enhanced enterprise Government of Canada – Secure Remote Access, completing the infrastructure implementation required to enable full disk encryption, upgrading all Windows XP workstations to Windows 7, and enhancing IT security incident response capabilities. Relocated the departmental servers to a modern, robust data centre: Projects to migrate server capabilities to Shared Services Canada's enterprise-wide services were initiated. Delivered mandatory training to all new employees on security of information: Security of Information Awareness sessions were organized for all new employees. Additional security awareness training sessions will continue to be offered to new employees twice a year and as required. | <ul style="list-style-type: none"> 1.1 Economic and Fiscal Policy Framework 1.2 Transfer and Taxation Payment Programs 1.3 Treasury and Financial Affairs 1.4 Internal Services |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|------|---|--|
| | <ul style="list-style-type: none"> • Posted resource material on the departmental intranet to help employees keep up to date with policies and legislation on privacy, information management, access to information, security, and values and ethics: The Department continued to post new and updated resource material related to privacy, information management, access to information, security, and values and ethics on the intranet, as required. Efforts to increase awareness have proven to be effective. An increase has been noted in the level of interest toward security in general, and security measures in particular, during the reporting period. The number of requests received for security-related services in support of managers' operational functions also increased in 2013–14. • Continued implementation of the approved Action Plan to enhance employee awareness of their obligations under the <i>Values and Ethics Code for the Public Sector</i>, the <i>Treasury Board Policy on Conflict of Interest and Post-Employment</i>, and the <i>Department of Finance Code of Conduct</i>, and continued the review of mandatory annual Confidential Reports as required under the pre-existing <i>Conflict of Interest Code for the Department of Finance</i>: All actions in the Values and Ethics Plan and the Results Framework were achieved. Employee awareness of values and ethics has been enhanced through messages from the Deputy Minister and the Champion of Values and Ethics. The Champion has also endorsed the <i>Let's Talk Values and Ethics</i> video, which features several employees commenting on various facets of public service values and how these values are reflected in their daily work. | |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|---|--|---|
| <p>Given fiscal constraint and other operating constraints, there is a risk that the Department will have a reduced ability to hire new talent, which could affect the Department's ability to provide quality policy advice and services to produce the fall update, budget and other key documents. (Risk Level: 5)</p> | <p>To mitigate this risk, the Department of Finance Canada implemented strategies consisting of the following risk responses:</p> <ul style="list-style-type: none"> • Analyzed the consequences of restraint, and integrated forecasted impacts into business planning: The annual business planning process incorporates priority setting and risk mitigation activities to facilitate decision making and resource allocation. Through these processes, resource constraints were identified, and available resources were deployed in the areas of highest priority. • Assessed and prioritized operations and activities in light of constraints, and ensured that authorities were delegated to the appropriate level and that resources were deployed in the highest-priority areas: A variety of measures were implemented to ensure that resources were dedicated to the highest-priority areas and that departmental and government priorities were met. Detailed work plans were developed and adjusted by Branches. In some cases, employees were temporarily reassigned to work on priority files, processes were streamlined, efficiencies were created, and employees were focused on making better use of technology. • Continued to implement and monitor the Department's Human Resources Action Plan and associated Recruitment and Staffing Strategy: The 2013–14 Human Resources Action Plan and associated Recruitment and Staffing Strategy were implemented and monitored throughout the year, with some activities continuing in 2014–15. • Ensured an effective, collective management of the Executive (EX) cadre and the strategic recruitment, development and retention of non-EX employees, as well as succession planning throughout the Department, taking into account fiscal constraints: The Department's EX cadre was managed collectively through the Executive Committee. The Department participated in the Treasury Board of Canada Secretariat's 2013–14 Executive Talent Management Exercise, which included consideration for succession planning. Talent management and succession planning | <ul style="list-style-type: none"> • 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs • 1.3 Treasury and Financial Affairs • 1.4 Internal Services |

| Risk | Risk Response Strategy | Link to Program Alignment Architecture |
|------|---|--|
| | <p>were discussed informally for executives at the EX-01 to EX-03 levels during the Executive Committee's Performance and Talent Management Review in June 2013, and in January 2014, for executives at the EX-04 and EX-05 levels.</p> <ul style="list-style-type: none"> Assessed and improved departmental approaches to managing corporate knowledge and information: Tools and procedures, including retention and disposition schedules, are in place to manage information resources of business value. Physical records are located in a secure location. Plans are underway to deploy a corporate-wide electronic documents and records management solution (GCDocs). This federal government-approved solution is being managed and implemented by Public Works and Government Services Canada, and will manage information up to the "Protected B" level. Continued to implement the Department of Finance's Canada Performance Management Program: The Department continued to align with the Treasury Board <i>Directive on Performance Management</i> and to make improvements to its performance management program. All human resources advisors received training in performance management and are able to provide advice and guidance to managers regarding performance management. Information sessions were provided to employees and managers in advance of the April 1, 2014, implementation of the new directive. Enhanced use of development programs to encourage retention and respond to capacity gaps: Recruitment and retention of non-EX employees are realized through the Department's four development programs. Changes to the Economist Development Program guide were approved in 2013–14 to provide clarity for academic requirements. Capacity gaps in the Economic and Social Science Services (EC) group were addressed through the 2013–14 university recruitment campaign. | |

Actual Expenditures

Budgetary Financial Resources (dollars)

| 2013–14 Main Estimates | 2013–14 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | Difference (actual minus planned) |
|---------------------------|-----------------------------|---|--|---|
| 87,611,841,751 | 87,611,841,751 | 85,652,267,921 | 85,578,872,179 | (2,032,969,572) |

Human Resources (Full-Time Equivalents [FTEs])

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 757 | 781 | 24 |

Budgetary Performance Summary for Strategic Outcome and Programs (dollars)

| Strategic Outcome(s), Program(s) and Internal Services | 2013–14 Main Estimates | 2013–14 Planned Spending | 2014–15 Planned Spending | 2015–16 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | 2012–13 Actual Spending (authorities used) | 2011–12 Actual Spending (authorities used) |
|--|------------------------------|--------------------------------|--------------------------------|--------------------------------|---|--|--|--|
| Strategic Outcome: A strong economy and sound public finances for Canadians | | | | | | | | |
| 1.1 Economic and Fiscal Policy Framework | 73,407,718 | 73,407,718 | 86,840,289 | 62,858,538 | 94,370,788 | 90,992,374 | 81,328,189 | 93,032,942 |
| 1.2 Transfer and Taxation Payment Programs | 60,227,888,029 | 60,227,888,029 | 61,060,094,306 | 63,614,948,001 | 60,239,842,909 | 60,171,246,077 | 57,360,555,306 | 55,976,735,366 |
| 1.3 Treasury and Financial Affairs | 27,260,500,000 | 27,260,500,000 | 26,419,500,000 | 27,368,000,000 | 25,258,792,413 | 25,258,792,413 | 26,148,248,975 | 28,016,246,650 |
| Subtotal | 87,561,795,747 | 87,561,795,747 | 87,566,434,595 | 91,045,806,539 | 85,593,006,110 | 85,521,030,864 | 83,590,132,470 | 84,086,014,958 |
| Internal Services Subtotal | 50,046,004 | 50,046,004 | 49,296,145 | 38,697,794 | 59,261,811 | 57,841,315 | 50,468,976 | 55,915,042 |
| Total | 87,611,841,751 | 87,611,841,751 | 87,615,730,740 | 91,084,504,333 | 85,652,267,921 | 85,578,872,179 | 83,640,601,446 | 84,141,930,000 |

In 2013–14, actual spending for the Department of Finance Canada was \$2 billion less than planned spending. This variance is mainly due to lower than planned interest expenditures on the government's debt instruments.

Variances between actual spending and planned spending for the Economic and Fiscal Policy Framework Program, the Transfer and Taxation Payment Programs Program, and Internal Services were minor and therefore had no impact on the total departmental variance from planned spending.

Alignment of Spending With the Whole-of-Government Framework

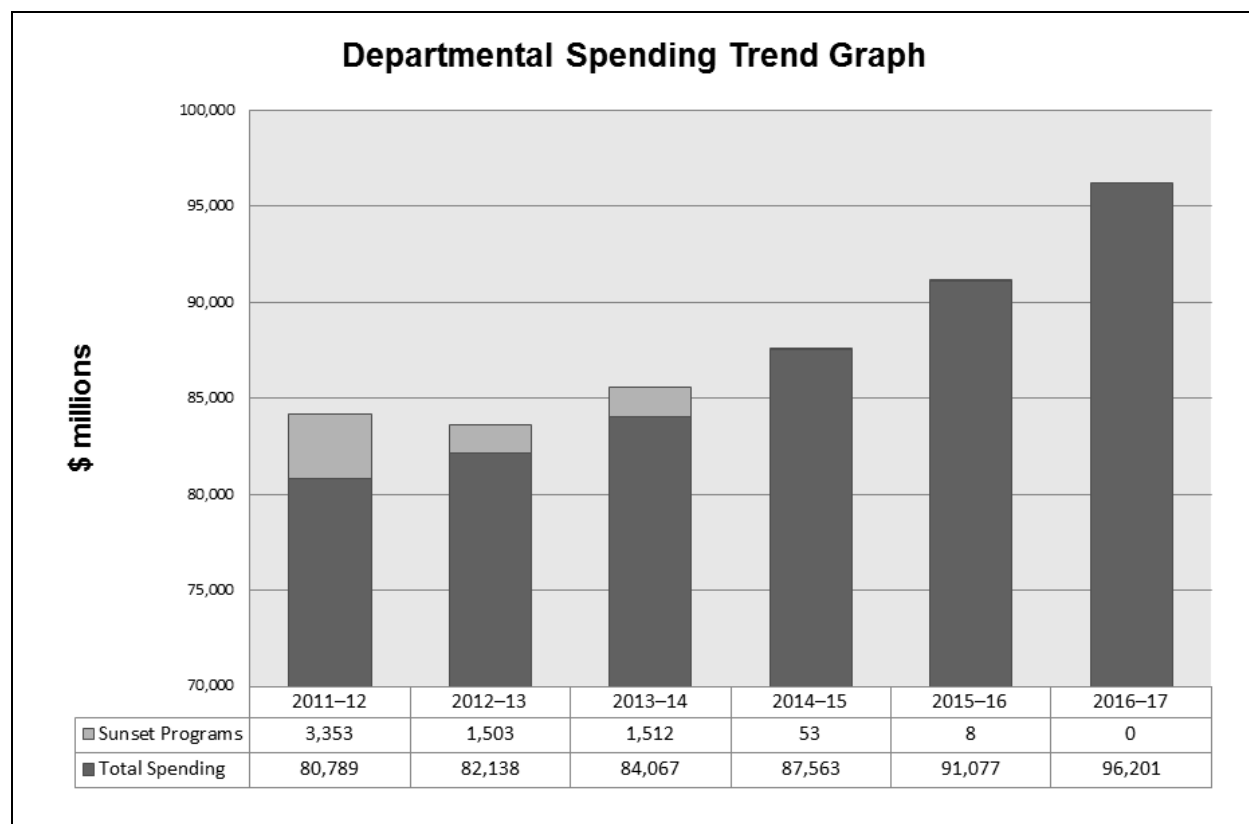
Alignment of 2013–14 Actual Spending With the [Whole-of-Government Framework](#)ⁱⁱ (dollars)

| Strategic Outcome | Program | Spending Area | Government of Canada Outcome | 2013–14 Actual Spending |
|--|--|--------------------|------------------------------|-------------------------|
| A strong economy and sound public finances for Canadians | 1.1 Economic and Fiscal Policy Framework | Economic Affairs | Strong Economic Growth | 90,992,374 |
| | 1.2 Transfer and Taxation Payment Programs | All spending areas | All outcomes | 60,171,246,077 |
| | 1.3 Treasury and Financial Affairs | Economic Affairs | Strong Economic Growth | 25,258,792,413 |

Total Spending by Spending Area (dollars)

| Spending Area | Total Planned Spending | Total Actual Spending |
|-----------------------|------------------------|-----------------------|
| Economic Affairs | 44,310,600,747 | 42,259,997,668 |
| Social Affairs | 42,748,385,000 | 42,758,223,196 |
| International Affairs | 502,810,000 | 502,810,000 |
| Government Affairs | 0 | 0 |

Departmental Spending Trend



In the graph above, numbers from 2011–12 to 2013–14 represent actual expenditures, whereas the numbers from 2014–15 to 2016–17 represent planned expenditures according to the *2014–15 Report on Plans and Priorities*.

The general upward trend depicted in the graph reflects legislated increases in annual transfer payments and forecasted increases in interest expenditures on the government's debt instruments.

Sunset programs represent, on average, less than 1 per cent of the spending shown.

Estimates by Vote

For information on the Department of Finance Canada's organizational Votes and statutory expenditures, consult the [Public Accounts of Canada 2014 on the Public Works and Government Services Canada website](#).ⁱⁱⁱ

Section II: Analysis of Programs by Strategic Outcome

Strategic Outcome: A strong economy and sound public finances for Canadians

Program 1.1: Economic and Fiscal Policy Framework

Description

This Program is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada related to the areas of economic, fiscal and social policy; federal-provincial relations; financial affairs; taxation; and international trade and finance. The work conducted by this Program involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors, including the Cabinet and the Treasury Board; Parliament and parliamentary committees; the public and Canadian interest groups; departments, agencies and Crown corporations; provincial and territorial governments; financial market participants; the international economic and finance community; and the international trade community. In addition, this Program includes policy advice on the development of Memoranda to Cabinet, negotiation of agreements, drafting of legislation, and sponsoring of bills through the parliamentary process, which are subsequently administered by other programs within the Department and by other government departments and agencies. The aim of this Program is to create a sound and sustainable fiscal and economic framework that will generate sufficient revenues and provide for the management of expenditures in line with the Budget Plan and financial operations of the Government of Canada.

Budgetary Financial Resources (dollars)

| 2013–14 Main Estimates | 2013–14 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | 2013–14 Difference (actual minus planned) |
|---------------------------|-----------------------------|---|--|--|
| 73,407,718 | 73,407,718 | 94,370,788 | 90,992,374 | 17,584,656 |

Human Resources (Full-Time Equivalents [FTEs])

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 510 | 467 | (43) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|---|--|---|
| An economic, social and fiscal framework that supports financial stability, sustainable growth, productivity, competitiveness and economic prosperity. | Federal budget balance. | In line with Government of Canada commitments. | Met. The April 2013 to March 2014 results were consistent with the government's plan to return to balanced budgets in 2015. |
| | Real gross domestic product (GDP) growth. | In line with G7 counterparts. | Met. Canada had among the highest rates of real growth in the G7 in 2013. At 2.0 per cent, Canada was second only to the United States (2.2 per cent) among G7 countries. |
| | Stability of financial services sector. | No target. The long-term goal is to contribute to low and stable interest rates. | <p>In 2013–14, the Department fostered a strong and effective financial sector regulatory and supervisory framework to support a stable financial sector that meets the needs of Canadians.</p> <p>The World Economic Forum ranked Canada's banking system as the soundest in the world for the sixth year in a row, and five Canadian banks were among the top 20 in <i>Bloomberg's</i> 2013 list of the world's strongest banks, more than any country.</p> <p>Canada was also the subject of a Financial Sector Assessment Program Update by the International Monetary Fund, which found that the regulatory and supervisory framework continues to demonstrate strong compliance with international standards and is well coordinated across the federal oversight bodies.</p> |

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to fulfill its central agency role by providing briefings and analysis to the Minister of Finance and other senior officials on domestic and international economic and fiscal developments. These briefings and analysis informed the development of all aspects of macroeconomic policy for which the Department is responsible, including tax policy, regulation of the mortgage and broader financial sectors, federal-provincial relations, and the government's overall revenue and expenditure policies as contained in the federal budgets.

Overall, *Economic Action Plan 2013* and *Economic Action Plan 2014* continued to build on efforts since 2006 to provide affordable measures to create jobs and opportunities, and marked progress toward achieving the government’s objective of returning to balanced budgets in 2015. More information can be found on [Canada’s Economic Action Plan website](#).^{iv}

Throughout 2013–14, the Canadian financial sector remained stable. The Department implemented a number of measures to promote a stable, efficient and competitive financial sector and to ensure that domestic financial markets function well. To this end, the Department made significant progress in a number of priority areas by supporting progress internationally and domestically on implementing G20 commitments related to financial stability—notably, ending “too-big-to-fail,” supporting the central clearing of over-the-counter derivatives, developing measures to increase market discipline in residential lending and reduce taxpayer exposure to the housing sector, and building resilient financial institutions.

In September 2013, the governments of British Columbia, Ontario and Canada signed an agreement in principle to establish a Co-operative Capital Markets Regulatory System. One of the purposes of the system is to strengthen Canada’s capacity to identify and manage systemic risk on a national basis.

Actual spending in 2013–14 for the Economic and Fiscal Policy Framework Program exceeded planned spending by \$17.6 million. The principal contributing factor to this variance is \$14.2 million in payments to the Canadian Securities Regulation Regime Transition Office, which was not included in the *2013–14 Report on Plans and Priorities* because the office was subject to a statutory dissolution date of July 12, 2013, and had sufficient funding on hand to conclude its mandate. However, the office’s governing statute was subsequently amended and the statutory dissolution date was removed. Additional funding was provided through a contribution agreement (\$4.2 million) and through the office’s statutory funding authority (\$10 million) over the balance of 2013–14. The remaining variance is attributable to government priorities funded through the Supplementary Estimates and by expenditures related to parental and maternity allowances, entitlements on cessation of service or employment, and adjustments made to terms and conditions of service or employment. The variance in FTEs is explained by the impact of cost containment measures and by staff turnover.

Sub-Program 1.1.1: Taxation

Description

This Sub-Program develops and evaluates federal taxation policies and legislation, and negotiates international tax treaties and tax information exchange agreements as well as tax elements of comprehensive land claim and self-government agreements with Aboriginal governments. It also provides advice and recommendations for changes aimed at improving the tax system while raising the required amount of revenue to finance government priorities. It focuses on the following areas: personal income tax, business income tax, sales and excise tax, and Aboriginal tax policy. It is also involved with multilateral international tax policy matters, federal-provincial tax coordination, federal-provincial tax collection and reciprocal taxation agreements, federal-Aboriginal Tax Administration Agreements, and tax policy research and evaluation. Improvements to the competitiveness, efficiency, simplicity and fairness of Canada's tax system increase incentives for Canadians and Canadian businesses to realize their full potential, thereby encouraging investment, promoting economic growth, and increasing Canadians' standard of living. These improvements also strengthen Canadians' confidence in the tax system.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 22,423,128 | 21,793,470 | (629,658) |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 167 | 153 | (14) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|---------------|--|
| The Minister of Finance, the Deputy Minister and senior officials have access to policy analysis, research and advice on Canada's tax system in order to raise the necessary revenue for government priorities in a competitive, efficient and fair manner, thus supporting the government's tax policy agenda. | Percentage of briefing requests completed for the Minister, the Deputy Minister and/or senior staff. | 100 per cent. | 100 per cent. Briefings for the Minister, the Deputy Minister and senior officials were of high quality and consistently delivered on time. |
| | Percentage of briefings completed on measures identified for consideration in the budget. | 100 per cent. | 100 per cent. The high volume of briefings on the tax system is related to (1) the increased use of the tax system to implement the government's economic and social policy agenda, and (2) the importance of ensuring the integrity of the tax system to protect the government's revenue base. |

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to support the government's long-term commitment to keeping taxes low and examining ways to provide further tax relief for Canadians. *Economic Action Plan 2014* announced a number of actions that help keep taxes low by improving the integrity of the tax system and addressing international aggressive tax avoidance. These actions include:

- ▶ Preventing the avoidance of Canadian tax through derivative “insurance swap” arrangements;
- ▶ Ensuring that the offshore regulated bank provisions are not inappropriately used to circumvent the foreign accrual property income rules;
- ▶ Ensuring that non-residents cannot avoid Canadian withholding tax or thin capitalization rules by entering into back-to-back loan arrangements;
- ▶ Inviting comments from stakeholders on a proposed rule to prevent treaty shopping; and
- ▶ Seeking public input on issues related to international tax planning by multinational enterprises and on other issues relating to cross-border integrity.

The Department also continued to negotiate international tax treaties and Tax Information and Exchange Agreements with other countries to combat tax avoidance and evasion. In February 2014, the government announced that Canada and the United States had signed an intergovernmental agreement to improve cross-border tax compliance through enhanced

information exchange on a reciprocal basis under the Canada-United States Tax Treaty. The [Intergovernmental Agreement](#)^v takes into account the objectives and provisions of the U.S. *Foreign Account Tax Compliance Act*, while supporting Canada's objectives of improving the integrity and fairness of the Canadian tax system.

To enhance domestic tax integrity and the fairness of the tax system, *Economic Action Plan 2014* announced a consultation on the income tax framework for non-profit organizations to ensure that the tax exemption for non-profit organizations is properly targeted. *Economic Action Plan 2014* also introduced measures to eliminate tax benefits that arise from the graduated rate taxation of certain trusts and estates.

Regarding tax compliance burden, the Department continued to work with the Canada Revenue Agency to make it easier for businesses and individuals to comply with their tax obligations. Legislative and regulatory changes announced in *Economic Action Plan 2014* included a reduction in the remittance frequency for source deductions and a simplification of tax filing for individuals by eliminating the requirement to apply for the Goods and Services Tax or Harmonized Sales Tax Credit.

During 2013–14, the Department prepared tax legislation and related materials and supported the passage of legislation through Parliament to implement the measures announced in *Economic Action Plan 2013*. It also supported the progress of the *Technical Tax Amendments Act, 2012* in Parliament. This Act received royal assent on June 26, 2013, and includes many measures that serve to protect the integrity of the tax system.

The variance between actual and planned spending and the variance in FTEs for this Sub-Program can be explained by the impact of cost containment measures and by staff turnover.

Sub-Program 1.1.2: Economic and Fiscal Policy, Planning, and Forecasting

Description

This Sub-Program analyzes Canada's economic and fiscal situation, as well as the fiscal position of other levels of government and of governments in other countries, and advises on the government's economic policy framework, its budget planning framework, and spending priorities. This Sub-Program is responsible for monitoring and preparing forecasts of Canada's economic and fiscal position and plays a lead role in the management of the government's fiscal framework. The Sub-Program also provides analytical support on a wide range of economic and financial issues related to the government's macroeconomic and structural policies. This Sub-Program is necessary to help ensure that fiscal planning in the Government of Canada is

transparent and supports long-term fiscal sustainability. Sound fiscal planning provides significant benefits to Canadians and businesses in Canada. It gives the government the strength to withstand fiscal and economic challenges and ensures that the costs of investments and services are not passed on to future generations. Sound economic and fiscal policies also enable the Canadian economy to better respond to various economic shocks.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 18,628,329 | 19,532,739 | 904,410 |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 74 | 68 | (6) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|--------------------------|--|
| The Minister of Finance, the Deputy Minister and senior officials have access to policy analysis, research and advice in support of fulfilling their duties related to the Government of Canada's economic and fiscal agenda. | Degree of compliance with deadlines of briefings to the Minister, the Deputy Minister and/or senior staff following regular economic and statistical releases and reports (e.g., house cards, Deputy Ministers' breakfast briefing). | 100 per cent compliance. | 100 per cent compliance. During the course of 2013–14, the Department provided ongoing briefings and analysis to senior officials, the Deputy Minister and the Minister of Finance on both domestic and international economic and fiscal developments. These briefings and analysis informed the development of all aspects of macroeconomic policy for which the Department is responsible, including tax policy, regulation of the mortgage and broader financial sectors, federal-provincial relations, and the government's overall revenue and expenditure policies as contained in the federal budgets. |
| | Degree of compliance with deadlines of ad hoc briefings requested by the Minister, Deputy Minister or senior staff. | 100 per cent compliance. | 100 per cent compliance. The Department responded to ad hoc requests in a timely and effective manner. |

| | | | |
|--|--|---|---|
| | Provision of ad hoc briefings as deemed necessary by branch management. | No target, as materials are generated on an as-needed basis according to the environment. | When deemed necessary, the Department provided ad hoc briefings to the Minister and senior officials on various economic and fiscal issues. |
| | Degree of compliance with deadlines for regular consultations with the private sector to produce a forecast. | 100 per cent compliance. | 100 per cent compliance. The Department undertook three surveys of private sector forecasters in the 2013–14 fiscal year (June, September and December 2013), ahead of the Update of Economic and Fiscal Projections and <i>Economic Action Plan 2014</i> . |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada continued to ensure the effective management of the fiscal framework. The Department projected revenue flows and assessed the implications of funding requests, with a view to meeting the government’s commitment to return budgets to balance in 2015. *Economic Action Plan 2014*^{vi} committed to return to balanced budgets in 2015 and provided affordable measures to create jobs and opportunities.

During the fiscal year, the Department analyzed economic and fiscal developments in Canada and advised the Minister of Finance on the implications for the government’s fiscal framework. It also provided the Minister with analysis on a wide range of economic and financial issues related to the government’s policies, such as developments in the housing market, skills-jobs mismatch, the financial situation of the middle class, and the Canada-U.S. price gap. The Department undertook three surveys of private sector forecasters in the 2013–14 fiscal year and continues to assess potential risks to the economic outlook.

The Department also conducted transparent and timely fiscal planning. In 2013–14, the Department was responsible for the monthly publication of the Fiscal Monitor, the Annual Financial Report of the Government of Canada, the Fiscal Reference Tables, the fall Update of Economic and Fiscal Projections, and *Economic Action Plan 2014*.

Given the complex interactions between international and domestic economic and policy developments, the Department closely monitored economic developments in our major trading partners, particularly the United States and Europe.

The Department took the lead role in facilitating the annual economic surveillance of Canada carried out by the International Monetary Fund, which focuses on Canada’s macroeconomic and microeconomic policies and identifies areas of success and vulnerability. The International

Monetary Fund reports have generally been very supportive of the Canadian government's economic and fiscal policy.

The Department's ability to interpret economic data and understand the implications of sector-specific policy actions on broader macroeconomic outcomes depends on access to good quality, timely data to aid in policy development, and having well-informed staff that are able to make use of this resource. The Department will ensure that it continues to have access to quality data and that appropriate training is provided so that analysts are able to interpret and make use of the data.

The variance between actual spending and planned spending for this Sub-Program is explained by government advertising programs approved through the Supplementary Estimates. The variance in FTEs is explained by the impact of cost containment measures and by staff turnover.

Sub-Program 1.1.3: Economic Development Policy

Description

This Sub-Program is responsible for fulfilling the challenge function of the Department of Finance Canada by monitoring major economic policy issues and proposals under development in the applicable departments, as well as providing policy advice to the Minister regarding the financial implications and relevance of the government's microeconomic policies and programs and proposals for the funding of programs. The Sub-Program focuses on monitoring research, economic developments and proposals, and developing regional and sectoral policy analysis in the areas of the knowledge-based economy, defence, transportation, public infrastructure, environment, energy and resources, agriculture, fisheries, and privatization. It also plays a lead role in advising on corporate restructuring affecting Crown corporations and other corporate holdings. To prepare the government's annual budget and estimate the size of the budget balance, the Department needs to assess and make recommendations on numerous proposals for new program spending emanating from line departments and the private sector. This activity is critical if the government is to make choices that contribute to advancing economic growth.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 5,394,535 | 6,949,515 | 1,554,980 |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 46 | 46 | 0 |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|---|---|
| The Minister of Finance, the Deputy Minister and senior officials have access to policy analysis, research and advice required to fulfill their duties related to the Government of Canada's sectoral and microeconomic policies and programs, and proposals for the funding of these programs. | Issues related to sectoral and microeconomic policies and programs are reflected in budget decisions, economic and fiscal updates and other related announcements. | No target, as materials are generated on an as-needed basis according to the environment. | Briefings pertaining to proposals and developments of a sectoral or regional nature, including those related to agriculture, forestry, manufacturing, infrastructure, the Canadian public-private partnership market, transport, innovation, defence, energy, environment, regional development agencies, and the small business sector were prepared for the Minister of Finance, the Minister of State (Finance), the Deputy Minister, and senior officials. The Sub-Program provided analysis and recommendations leading to the inclusion of a significant number of new policy measures in <i>Economic Action Plan 2014</i> . |
| | Frequency of contact with the research community, stakeholders and other government departments. | No target, as contacts take place on an as-needed basis according to the environment. | The Department maintained relationships with departments and key stakeholders to support its research and analysis, and its advice and recommendations to the Minister. Significant stakeholder consultations took place in the implementation of the Venture Capital Action Plan and the Department-led negotiations with provincial governments and private investors, leading to the creation of a large-scale venture capital fund of funds. The Department also maintained engagement and regular contact with key stakeholders on relevant policy issues, including industrial development; the performance of sectors such as transportation, |

| | | | |
|--|--|--|---|
| | | | agriculture, fisheries, automotive, aerospace, information and communications technology; natural resources and tourism; the environment; business marketplace frameworks; and defence. |
|--|--|--|---|

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to fulfill its challenge function by managing funding requirements of other departments and agencies and by supporting the development of policy proposals that are economically sound and fiscally responsible. Ministers and senior officials were provided with analysis, research and advice on the fiscal and economic implications associated with sectoral, regional and microeconomic policy issues, policies and programs related to agriculture, forestry, manufacturing, infrastructure, public-private partnerships, transport, innovation, defence, energy, environment, regional development agencies, and the small business sector, among others. The Department also conducted research and provided analysis and advice to the Minister of Finance and senior government officials to assist in preparation for meetings of the Cabinet and its committees, the annual budget and fiscal updates.

The Department continued to play a key role in the design and delivery of the *Economic Action Plan 2012* commitment to venture capital through the implementation of the Venture Capital Action Plan, by leading the federal contribution to a sustainable, private sector-led venture capital sector in Canada. The Department conducted significant stakeholder consultations and supported the Minister's private sector Expert Panel in the selection processes for high-performing venture capital funds, managers of large-scale venture capital funds of funds, and leading business accelerators and incubators. In addition, the Department-led negotiations with provincial governments and private investors led to the creation of a large-scale venture capital fund of funds.

The Department also continued to advance the Corporate Asset Management Review, through which the government has identified assets that have the potential to generate more wealth and jobs for Canadians if they were owned by the private sector. In this regard, the Department participated in preparations for the divestitures of Ridley Terminals Inc. and portions of the Dominion Coal Blocks. The Government also proposed, through *Economic Action Plan 2014*, changes to the Royal Canadian Mint's legislated mandate and governance to align its activities with the government's objective of ensuring a cost-effective supply of coins for Canadians.

Actual spending for this Sub-Program exceeded planned spending by \$1.6 million due to the Venture Capital Action Plan funded through the Supplementary Estimates.

Sub-Program 1.1.4: Federal-Provincial Relations and Social Policy

Description

This Sub-Program is responsible for coordinating federal-provincial fiscal arrangements between Canada and the provinces and territories that enable the funding of national priorities and support reasonably comparable services at reasonably comparable tax rates across the country. It is also responsible for fulfilling the challenge function of the Department by providing policy analysis and advice to the Minister regarding the fiscal and economic implications of the government's social policies and programs related to health care, immigration, employment insurance and pensions, post-secondary education, Aboriginal and cultural programs, as well as programs for seniors, persons with disabilities, veterans and children. The Sub-Program conducts research and provides analysis and advice to the Minister and senior government officials to assist in preparation for meetings of the Cabinet and its committees, the annual budget, fiscal updates, and responsibilities with respect to Employment Insurance and the Canada Pension Plan legislation. It is also responsible for preparing legislation and regulations under the responsibility of the Minister of Finance. Long-term, predictable, stable, transfer support for provinces and territories and improvements to the social policy framework contribute to improved public services for Canadians, support the quality of Canada's communities, health care, education and social safety net programs, and promote equality of opportunity for all citizens. At the same time, Canada's productivity and economic prosperity are enhanced by these supports and programs.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 6,646,566 | 6,106,285 | (540,281) |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 54 | 47 | (7) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|--|---|---|
| The Minister of Finance, the Deputy Minister and senior officials have access to policy analysis, research and advice in support of fulfilling their duties related to the Government of Canada's social policy agenda as well as to the government's policy framework for transfer payments to provinces and territories. | Issues related to social policy and major transfer programs are reflected in budget decisions, economic and fiscal updates, and other related announcements. | No target, as materials are generated on an as-needed basis according to the environment. | Provincial and territorial finance ministers were presented with their transfer amounts for 2014–15 at the December 2013 Finance Ministers' Meeting. The Department produced briefings for the Minister and senior officials on major transfers and social policies and programs related to health care; immigration; employment insurance; youth employment; post-secondary education; justice issues; Aboriginal programs; arts, sport and cultural programs; and programs for seniors, persons with disabilities, and veterans. The Sub-Program provided analysis and recommendations leading to the inclusion of a significant number of new policy measures in <i>Economic Action Plan 2014</i> . |
| | Frequency of contact with, and engagement of, the research community, stakeholders, provincial and territorial officials, and other government departments. | No target, as contacts take place on an as-needed basis according to the environment. | The Department routinely engaged provincial and territorial officials both bilaterally and multilaterally. Internet-based conferencing enabled a higher frequency of meetings. The Department also continued to engage with other departments and agencies to improve the policy and administration of transfer payments and to further the government's social policy priorities. |
| | Number of Cabinet Committee and policy/analytic briefing notes prepared for the Minister, the Deputy Minister and/or senior officials. | No target, as materials are generated on an as-needed basis according to the environment. | The Department prepared a significant number of briefing notes on a wide range of policy proposals discussed at regular weekly Cabinet Committee meetings, as well as analytical notes to the Minister, Deputy Minister and senior officials on a wide range of social policy and transfer issues. |
| | Percentage of priorities and tasks identified in Branch annual work plan achieved. | 100 per cent. | 100 per cent. All commitments and tasks were completed on time. |

Performance Analysis and Lessons Learned

The Department of Finance Canada provided analysis and advice on the fiscal and economic implications of the government's social policies and programs related to the retirement income system; Aboriginal peoples; immigration; programs for seniors, persons with disabilities, veterans and children; social housing; justice; and public safety, health, and cultural programs.

The Department was engaged in the process of developing economically sound, efficient and fiscally responsible policy proposals that are consistent with, and deliver on, the government's priorities related to social policy and major transfer payments. By ensuring effective communication with other government departments and central agencies at all levels of officials, the Department has been proactive in identifying potential pressures and has been responsive in addressing emerging and urgent issues and policy development.

To support Canada's long-term economic growth, the Department continued to help advance the government's labour market skills and training agenda, collaborating with other government departments on the reform of the three major labour market transfers to provinces and territories, in line with the government's commitment to help ensure that federal funding responds to the hiring needs of employers. To this end, *Economic Action Plan 2014* announced the launch of the Canada Job Grant in 2014 as part of the renewed and transformed Labour Market Agreements.

In 2013–14, the Department also contributed to key labour market initiatives that support access to skills and training; contribute to a fast, flexible economic immigration system; and help increase the participation of under-represented groups. These initiatives include the introduction of the Canada Apprentice Loan, the review of the Temporary Foreign Worker Program, the renewal of the Targeted Initiative for Older Workers, and the refocusing of federal investments in youth employment to provide real-life work experience in high-demand fields.

In 2013–14, the Department participated in four meetings of the Working Group on Financial Arrangements with Aboriginal Affairs and Northern Development Canada, the Treasury Board of Canada Secretariat, and the Assembly of First Nations, following the commitment at the Crown-First Nations Gathering in January 2012. The Department also provided direction on strategic and fiscal issues at the Federal Steering Committee on Self-Government and Comprehensive Claims, which engages federal departments and agencies on modern treaty implementation.

The *Actuarial Report (26th) on the Canada Pension Plan*,^{vii} released in November 2013, confirmed the long-term sustainability of the Canada Pension Plan, and provided the planning basis for the 2013–15 Triennial Review process, which was launched in December 2013. As part of this review, the government committed to discussing the impact of the increase in age of

eligibility for Old Age Security on the Canada Pension Plan disability and survivor benefits with provinces and territories. To inform these discussions, in 2013–14, the Department began preparatory work in this area, in collaboration with Employment and Social Development Canada.

As part of the normal renewal cycle for the Equalization and Territorial Formula Financing programs, the Department had regular discussions with provincial and territorial officials at the Fiscal Arrangements Committee, the Transfers Sub-Committee and the Senior Financial Arrangements Committee Working Group on the development and implementation of new legislation and regulations for these programs. In addition, the Department used web-based presentations and conference calls to increase the exchange of information between federal officials and their provincial and territorial counterparts.

At the Finance Ministers' Meeting of December 2013, provincial and territorial finance ministers were presented with their transfer amounts for 2014–15. Following the meeting, the Department issued a [news release](#).^{viii}

The variance between actual and planned spending and the variance in FTEs for this Sub-Program can be explained by the impact of cost containment measures and by staff turnover.

Sub-Program 1.1.5: Financial Sector Policy

Description

This Sub-Program ensures the overall stability, soundness, efficiency, and competitiveness of Canada's financial sector in support of strong, sustainable growth in the Canadian economy. This Sub-Program provides analysis of Canada's financial services sector and financial markets, and develops the legislative and regulatory framework governing federally regulated financial institutions (banks, trust companies, insurance companies, and co-operative credit associations) and federally regulated defined benefit pension plans. This Sub-Program is also responsible for issues related to anti-money laundering and anti-terrorist financing. It plays a lead role in conducting Canada's relations and negotiating Canada's commitments with foreign governments in the area of trade in financial services.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 11,665,936 | 27,953,694 | 16,287,758 |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 98 | 89 | (9) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|---|---|
| The Minister of Finance, the Deputy Minister and senior officials have access to policy analysis, research and advice on the financial sector to foster confidence and support stable, efficient and competitive financial institutions and markets, thus supporting the Government of Canada's financial sector policy agenda. | Provision of briefings (proactive and reactive) to the Minister, the Deputy Minister and/or senior staff. | No target, as materials are generated on an as-needed basis according to the environment. | The Minister, the Deputy Minister, and senior staff were provided proactive and reactive briefings on a variety of topics related to the financial sector, including financial stability issues, housing finance, financial institutions' performance, financial market developments, the Government of Canada's treasury activities, the establishment of a co-operative capital markets regulator, payments system governance, the domestic and international anti-money laundering and anti-terrorist financing regimes, pension fund solvency, financial consumer issues, over-the-counter derivatives reform, and the financial services components of international trade negotiations. |
| | Ongoing monitoring, evaluation and assessment of the Canadian and international financial sector, including financial markets. | No target, as materials are generated on an as-needed basis according to the environment. | The Department regularly monitored and provided assessments of the implementation of internationally agreed financial sector reforms. The Department also assessed the potential implications of a U.S. fiscal crisis on the Canadian financial system. The Department conducted daily monitoring and reporting of financial market developments and risks. |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada continued to monitor economic and fiscal developments in Canada and abroad. It anticipated and prepared for evolving uncertainties associated with economic and financial markets outcomes, in particular the risks associated with the vulnerabilities in the Canadian housing market. Through the Senior Advisory Committee, the Department worked closely with its partner agencies to identify key vulnerabilities to financial stability and potential responses.

The Department worked on legislative and regulatory proposals to reinforce the stability of the financial sector, strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, support retirement savings, and protect Canadian consumers. It conducted high-quality research and analysis and evaluated policy proposals related to a variety of issues, including the federal capital markets regulatory framework; means to improve market discipline in, and reduce taxpayer exposure to, the housing sector; the establishment of a bail-in regime to support the recapitalization of a non-viable bank; the governance of the payments system; measures to support the growth of smaller institutions; the financial consumer protection framework; and Target Benefit Plans.

The Department also supported the government's collaborative efforts with the governments of British Columbia and Ontario to jointly establish a Co-Operative Capital Markets Regulatory System. An agreement in principle between the government and these two provinces was signed in September 2013, and the Department has subsequently supported their collaborative efforts to secure the participation of additional provinces and territories.

The Department worked with other Canadian authorities and with the International Monetary Fund concerning the 2013 Financial Sector Assessment Program Update for Canada by providing information and arranging meetings with other government agencies and the private sector. The [assessment](#), published in February and March of 2014, found that “the regulatory and supervisory framework demonstrates strong compliance with international standards and is well coordinated across federal oversight bodies.”^{ix}

The Department and its partner agencies continued to work closely with the international community on the elaboration and implementation of the G20 financial sector reform agenda. Work in this area included:

- ▶ Evaluating Canada's resolution framework against the Financial Stability Board's (FSB's) *Key Attributes of Effective Resolution Regimes for Financial Institutions* and implementing the commitments set out in *Economic Action Plan 2013* to advance work on the design of a bail-in regime for Canada's systemically important domestic banks;

- ▶ Expanding on the 2012 legislative amendments to support central clearing of over-the-counter derivatives and progressing on the implementation of Canada’s commitments regarding reform of the over-the-counter derivatives markets; and
- ▶ Supporting the work of the FSB Standing Committee on Standards Implementation to enhance the effectiveness of the periodic country-specific peer review process, providing input into thematic reviews on resolution regimes and the FSB principles for reducing reliance on credit rating agency ratings, and providing input into the terms of reference for forthcoming peer reviews on China and the Netherlands.

Despite Canada’s relatively strong financial sector performance, the recent international financial turmoil has demonstrated the need for the government to ensure that it is equipped with a broad range of flexible tools to safeguard financial stability and to address potential problems in financial markets as they arise. To do so, resources were allocated to the examination of systemic vulnerabilities in a number of areas, in particular the housing sector, and other potential risks to the financial sector. An ongoing contingency plan was adapted to face eventualities, and legislative and regulatory measures were developed and reviewed to mitigate risk.

Actual spending for this Sub-Program exceeded planned spending primarily because of \$14.2 million in payments to the Canadian Securities Regulation Regime Transition Office, which were not included in the *2013–14 Report on Plans and Priorities* because the office was subject to a statutory dissolution date of July 12, 2013, and had sufficient funding on hand to conclude its mandate. However, the office’s governing statute was subsequently amended and the statutory dissolution date was removed. Additional funding was provided through a contribution agreement (\$4.2 million) and through the office’s statutory funding authority (\$10 million) over the balance of 2013–14. The balance of the \$2 million increase over planned spending is attributable to government priorities funded through the Supplementary Estimates process. The variance in FTEs is explained by the impact of cost containment measures and by staff turnover.

Sub-Program 1.1.6: International Trade and Finance

Description

The aim of this Sub-Program is to promote sustainable international economic growth and financial stability, to secure access to key markets for Canadian exporters and investors, and to reduce tariffs where possible in order to enhance the competitiveness of domestic industries and expand commercial opportunities for them. This Sub-Program also manages the Department’s participation in international financial institutions such as the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development, and international economic coordination groups such as the G7, the G20, and the Asia-Pacific Economic

Cooperation forum. Canada's economic performance and future prosperity depend on a strong and stable global economy, as well as trade and investment flows supported by high standards of multilateral, regional, and bilateral trade and investment agreements. Canadian leadership and influence on international economic, financial, development, and trade issues increase financial and economic stability.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 8,649,224 | 8,656,671 | 7,447 |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 71 | 64 | (7) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|--|--|
| The Minister of Finance, the Deputy Minister and senior management have access to policy analysis research and advice on promoting a strong and stable economy, including support for global poverty reduction, as well as trade and investment flows in support of domestic competitiveness. | Number of Cabinet Committee and policy/analytic briefing notes/ binders prepared for the Minister, the Deputy Minister and/or senior officials. | No target, as outcomes depend on international environment and demand. | In 2013–14, comprehensive briefing books containing policy analysis and advice for the Minister and senior officials were prepared for all meetings of the G7, the G20, the International Monetary Fund, the Organisation for Economic Co-Operation and Development, and the Asia-Pacific Economic Cooperation forum. The Minister, the Deputy Minister, key decision makers and senior staff were provided frequent proactive and reactive briefings on a variety of topics related to international trade and finance: pressing and developing global economic risks; trade-related and international development matters; international economic, trade, border and development issues; and Canada's engagement with regional development banks. |

| Expected Results | Performance Indicators | Targets | Actual Results |
|------------------|--|--|---|
| | | | Extensive analysis and advice were provided to the G20 Deputy chairing the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth and to support negotiating commitments from G20 countries under the Framework process. |
| | Issues related to Canada's international engagement, including trade relations, development assistance and international economic coordination are addressed in budget decisions, and other ministerial decisions and announcements. | No target, as issues are addressed on an as-needed basis according to the environment. | A number of international trade and economic issues were addressed in <i>Economic Action Plan 2014</i> . Among other things, <i>Economic Action Plan 2014</i> continued to modernize Canada's trade legislation to support Canadian competitiveness, including by the elimination of tariffs. |
| | Percentage of commitments and tasks identified in the branch annual business plan that are addressed. | 100 per cent. | 100 per cent. All commitments and tasks were completed on time and with a high degree of quality. |

Performance Analysis and Lessons Learned

The Department of Finance Canada's capacity to monitor macroeconomic developments continued to be enhanced in 2013–14. New intelligence monitoring products were developed and distributed to senior officials across the government. Areas of analysis included developments in global capital markets and emerging sovereign debt pressures, emerging market volatility, the impacts of Japan's economic policies, European monetary policy, the European banking sector, progress of peripheral countries supported by International Monetary Fund programs, and the geopolitical crisis in Ukraine involving Russia. As co-chair of the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth, Canada played a lead role in consulting and negotiating commitments from G20 countries to address short- and medium-term risks and vulnerabilities. Significant progress was made on the G20 Framework process in 2013–14. Canada drafted an Action Plan that was endorsed by Leaders at the St. Petersburg Summit in September 2013—a key deliverable for the Summit. The Department was active in a G20 working group that examined the issues of quota, surveillance, and the role of the institution in promoting a sound and stable international monetary system.

The Department advised Foreign Affairs, Trade and Development Canada in the update of aid effectiveness policies and the creation of repayable contribution agreements with international partners, which improve Canada's ability to achieve global development goals, while also demonstrating fiscal restraint. The Department supported Canada's leadership role at major multilateral development banks by engaging with other shareholders, providing advice to executive directors and following through on commitments for recapitalization and replenishment. The Department helped advance the government's bilateral and regional trade agenda, most notably in finalizing an agreement in principle with the European Union, concluding free trade negotiations with Korea, and supporting ongoing negotiations with Trans-Pacific Partnership countries. In addition, the Department continued to implement tariff measures announced in *Economic Action Plan 2013*, through legislation and regulation processes.

The ongoing and elevated risk emanating from the evolving situation in the Eurozone, emerging markets volatility, and the geopolitical crisis in Ukraine underscored the importance of high-level engagement and dialogue at international forums, and quickly responding to complex economic developments and emerging risks. Strengthening analytical capacity has been key to ensuring that the Minister and senior officials are well briefed and effectively promote Canada's position internationally.

Actual spending exceeded planned spending because planned spending did not include operating resources received through the Supplementary Estimates process for the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth. This increase was offset by the impact of cost containment measures and by staff turnover, which explains the variance in FTEs.

Program 1.2: Transfer and Taxation Payment Programs

Description

The Department of Finance Canada's mandate includes the supervision, control and direction of all matters relating to the financial affairs of Canada that are not by law assigned to the Treasury Board or any other minister. This Program includes the administration and payment of transfers to provinces and territories, including Equalization, Territorial Formula Financing, the Canada Health Transfer and the Canada Social Transfer, in support of health and social programs. In addition, it includes the administration of taxation payments to provinces and territories as well as to Aboriginal governments in accordance with legislation and negotiated agreements. Also included in this Program are commitments and agreements with international financial organizations aimed at supporting the economic advancement of developing countries. In addition, from time to time, the federal government will enter into agreements or enact legislation to respond to unforeseen pressures. These commitments can result in payments,

generally statutory transfer payments, to a variety of recipients, including individuals, organizations and other levels of government.

Budgetary Financial Resources (dollars)

| 2013–14 Main Estimates | 2013–14 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | 2013–14 Difference (actual minus planned) |
|---------------------------|-----------------------------|---|--|--|
| 60,227,888,029 | 60,227,888,029 | 60,239,842,909 | 60,171,246,077 | (56,641,952) |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 0 | 0 | 0 |

Note: FTEs for this Program and its associated Sub-Programs are not shown separately, but are instead incorporated into the FTEs of other associated programs.

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|---|---|
| Design and administration of the provision of payments to Canadian provinces and territories in support of providing their residents with public services, and to international organizations to help promote the economic advancement of developing countries. | Regulations amended to reflect changes made to the Equalization program in budget legislation. | According to statutory requirements, or as determined by environment. | 100 per cent. |
| | Timely provision of information for Government of Canada reports. | No target, as materials are generated on an as-needed basis according to environment. | The Department of Finance Canada responded to information requests in a timely manner. |
| | Percentage of reporting requirements met, including reporting to Parliament, the Office of the Auditor General of Canada, internal auditors, the International Monetary Fund, the Organisation for Economic Co-Operation and Development, etc. | 100 per cent of requests fulfilled on time and in an accurate manner. | 100 per cent. The Department responded to information requests in a timely and accurate manner. |

Performance Analysis and Lessons Learned

In 2013–14, the *Federal-Provincial Fiscal Arrangements Act* and the *Federal-Provincial Fiscal Arrangements Regulations, 2007* were amended to extend the Equalization and Territorial Formula Financing programs to 2018–19, and to implement technical improvements to programs, which were announced at the December 2012 Finance Ministers' Meeting and confirmed in *Economic Action Plan 2013*. The regulatory amendments came into force on December 6, 2013.

The Department of Finance Canada continued to work with provinces and territories to improve the application and administration of Tax Collection Agreements (TCAs), in particular by providing a follow-up report to Finance Ministers on the periodic review of TCAs. The Department also worked with the Office of the Auditor General of Canada on the annual audit of payments made under TCAs and Comprehensive Integrated Tax Coordination Agreements (CITCAs) and on the annual reports on Tax Administration Agreements (TAA) with Aboriginal governments. In addition to making accurate and timely payments, the Department ensured that TCAs, CITCAs and TAAs were managed in accordance with legislation and the terms of the respective agreements with provinces, territories and Aboriginal governments (for example, by providing required documentation and by updating TCAs for new provincial and territorial tax programs).

In compliance with legislative requirements, the Minister of Finance tabled, in Parliament, reports on operations at the European Bank for Reconstruction and Development, the International Monetary Fund and the World Bank Group. The *Report on Operations Under the “European Bank for Reconstruction and Development Agreement Act”* was tabled on March 28, 2014, and *Canada at the IMF and World Bank Group 2012–2013: Report on Operations Under the “Bretton Woods and Related Agreements Act”* was tabled on December 2, 2013.

Actual spending for the Transfer and Taxation Payment Programs Program was \$57 million lower than planned spending: actual spending on Payment to Provinces Regarding Sales Tax Harmonization was \$320 million lower than planned because of the elimination of the Harmonized Sales Tax in British Columbia. However, this decrease was offset by transfer payments that were not included in the *2013–14 Report on Plans and Priorities*, owing to final calculations not being complete prior to its publication, the incorporation of updated data in the calculation of certain transfer payments, and the passage of the legislation for the 2013–14 Total Transfer Protection payments, which were announced in December 2012.

Sub-Program 1.2.1: Fiscal Arrangements with Provinces and Territories

Description

In accordance with the *Federal-Provincial Fiscal Arrangements Act*, and other related acts and regulations, this Sub-Program administers transfer payments to provinces and territories as set out in legislation, including Equalization, Territorial Formula Financing, and support for health and social programs through the Canada Health Transfer and the Canada Social Transfer. Long-term, predictable, stable transfer support for the provinces and territories contributes to improved public services for Canadians and supports the quality of life in Canada’s

communities. In addition, from time to time, the federal government may provide additional, time-limited, targeted support to provinces and territories in areas of shared priorities.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 59,720,078,029 | 59,531,144,502 | (188,933,527) |

Note: The “2013–14 Actual Spending” column includes Equalization, Canada Health Transfer, Canada Social Transfer, Territorial Formula Financing, Wait Times Reduction Transfer, Total Transfer Protection payments, Payment to Ontario Related to the Canada Health Transfer, offshore accords and cumulative Best-of Guarantee payments to Nova Scotia, Alternative Payments for Standing Programs, Youth Allowances Recovery, Statutory Subsidies, Payment to Provinces Regarding Sales Tax Harmonization, and Incentive for Provinces to Eliminate Taxes on Capital.

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|--|-------------------------|--|
| Management of transfer payments to Canadian provinces and territories on time, and in accordance with legislation and regulations. | Alignment of payments made with commitments. | 100 per cent alignment. | 100 per cent alignment. All payments were made on time and in accordance with legislation and regulations. |

Performance Analysis and Lessons Learned

In 2013–14, the federal government provided \$62 billion to provinces and territories for the Canada Health Transfer, the Canada Social Transfer, Equalization and Territorial Formula Financing, an increase of \$2.9 billion from 2012–13.

The Department of Finance Canada ensured that payments to provincial and territorial governments were made on time and in accordance with legislation and regulations. The Department will continue to ensure the timeliness and accuracy of these payments.

The Department’s Internal Audit and Evaluation Division completed the Audit of the Control Framework for the Transfer Payments Process in December 2012. The audit concluded that “key controls related to the transfer payments process are operating effectively as designed. This includes effective controls regarding approval of transfer payments transactions to provinces and territories in accordance with legislative requirements; the accurate and timely recording of these

transactions; internal controls over financial reporting; and maintenance of recipient information master files.” The [audit report](#)^x is available on the Department’s website.

The Office of the Auditor General of Canada is conducting its 2013–14 financial audit, to be completed in the second quarter of 2014–15.

The main reason why actual spending for this Sub-Program was lower than planned spending was that the Payment to Provinces Regarding Sales Tax Harmonization transfer payment was \$320 million less than planned because of the elimination of the Harmonized Sales Tax in British Columbia. However, this decrease was offset by transfer payments that were not included in the *2013–14 Report on Plans and Priorities*, owing to final calculations not being complete prior to its publication, the incorporation of updated data in the calculation of certain transfer payments, and the passage of the legislation for the 2013–14 Total Transfer Protection payments announced in December 2012.

Sub-Program 1.2.2: Tax Collection and Administration Agreements

Description

This Sub-Program manages the payment of amounts to provinces, territories and Aboriginal governments in accordance with the terms and conditions established in the Tax Collection and Tax Administration Agreements, the *Federal-Provincial Fiscal Arrangements Act* and the *First Nations Goods and Services Tax Act*. This includes payments related to provincial and territorial personal income tax and corporate income tax as well as Aboriginal sales and income taxes.

Tax Collection Agreements with provinces and territories allow the federal government to streamline service and reduce compliance and administrative costs by having a single tax form and a single tax collector. Tax Administration Agreements with Aboriginal governments allow the federal government to vacate and share a negotiated portion of its Goods and Services Tax and personal income tax room with Aboriginal governments and to administer Aboriginal tax regimes.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 0 | 0 | 0 |

Note: No financial resources are shown for this Sub-Program because it relates to Tax Collection Agreements and Tax Administration Agreements whereby the federal government administers certain taxes on behalf of participating provinces, territories and Aboriginal governments, and then transfers amounts to those governments on whose behalf the taxes were administered.

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|--|-------------------------|---|
| Management of payments related to tax collection and administration agreements with provinces, territories and Aboriginal governments. | Alignment of payments made with the terms and conditions of existing tax collection and administration agreements. | 100 per cent alignment. | 100 per cent alignment. The Department calculated estimates of the amounts payable to provinces, territories and Aboriginal governments, applying agreed-upon methodologies; prepared interim and final recalculations, as applicable, of the amounts payable to each province, territory and Aboriginal government; provided information to provinces, territories and Aboriginal governments as specified in the relevant agreements; and prepared payment requisitions to ensure accurate and timely payments. |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada made all payments related to tax collection and administration agreements with provinces, territories and Aboriginal governments in a timely manner and in accordance with the terms and conditions of existing agreements.

The Department also made assistance payments to Prince Edward Island and Quebec in accordance with the terms and conditions of existing Comprehensive Integrated Tax Coordination Agreements.

Through the Revenue Allocation Sub-Committee, the Department continued to work with the provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and Prince Edward Island on issues related to Harmonized Sales Tax revenue entitlements.

Following reviews of the First Nations Goods and Services Tax Administration Agreements and the First Nations Personal Income Tax Administration Agreements, changes were implemented to simplify the agreements and to decrease the administrative burden.

Regarding Tax Administration Agreements with Aboriginal governments, the Department participated in more than 10 negotiation tables and entered into one new agreement. The Department also facilitated sales tax arrangements between provinces (in particular, Manitoba and Saskatchewan) and Indian bands.

Sub-Program 1.2.3: Commitments to International Financial Organizations

Description

This Sub-Program administers Canada's international financial commitments associated with Paris Club and the Canadian Debt Initiative (CDI) debt rescheduling agreements and for financial support to international organizations. It administers transfer payments to Export Development Canada (EDC) and the Canadian Wheat Board (CWB) in order to compensate these agencies when their scheduled receipts from debtor countries have been reduced by Canada's participation in Paris Club debt or debt service reduction agreements and/or the CDI. It also administers Canada's commitments under the Multilateral Debt Relief Initiative (MDRI). These payments compensate the International Monetary Fund, the World Bank and the African Development Fund for cancelling debt owed to them by heavily indebted poor countries. The objective of bilateral and multilateral debt relief is to reduce the debt load of developing countries, put them back onto a path of financial sustainability, and free up resources in their national budgets to support their development objectives. This Sub-Program also administers the issuance and encashment of demand notes and capital subscriptions for Canada's commitments with international financial institutions, such as the International Development Association (IDA) and the European Bank for Reconstruction and Development (EBRD), to enable these institutions to fulfill their mandate.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 502,810,000 | 502,810,000 | 0 |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|-------------------------|--|
| Management of payments to international organizations and Canadian creditors, consistent with Government of Canada commitments. | Alignment of payments made compared to commitments. | 100 per cent alignment. | 100 per cent alignment. Payments were made appropriately and in a timely manner, consistent with Government of Canada commitments. |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada’s management of payments to international organizations and Canadian creditors was consistent with Government of Canada commitments. Canada honoured all requests from the International Monetary Fund and followed through on its commitments to provide funding for the replenishment of the World Bank concessional windows (the International Development Association). All contributions were processed appropriately and in a timely manner.

Sub-Program 1.2.4: Receipts From and Payments to Individuals and Organizations

Description

From time to time, the Government will enter into agreements or legislation to provide targeted support to individuals and organizations such as Waterfront Toronto and Harbourfront Centre to address unforeseen priorities arising from current events. This Sub-Program manages the payment of such commitments in accordance with the agreed terms and conditions.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 5,000,000 | 137,291,575 | 132,291,575 |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|---|---|--|
| Management of payments to organizations and Canadian creditors consistent with Government of Canada commitments. | Value of payments made compared to commitments. | Payments made each fiscal year equal commitments in the corresponding federal budget. | All planned Harbourfront Centre Funding Program payments were issued, and the 100 per cent target was met. |

Performance Analysis and Lessons Learned

Budget 2011 renewed the Harbourfront Centre Funding Program at \$5 million per year for five years, through to the end of 2015–16. This program covers a portion of Harbourfront Centre's operational costs, allowing Harbourfront Centre to provide the general public with continued access to cultural, educational and recreational activities.

The final payments for the Toronto Waterfront Revitalization Initiative were issued in 2012–13, and the related projects were closed out in 2013–14. The program has now sunset.

The budgetary financial resources outlined above include planned and actual spending of \$5 million in payments to Harbourfront Centre.

This Sub-Program also includes the accounting impacts of foreign exchange translation relating to certain financial instruments to which the Government of Canada is a counterparty. In 2013–14, this amount was \$132.3 million. Given the nature of foreign exchange rate fluctuations, these amounts were not specifically forecast in the *2013–14 Report on Plans and Priorities*.

Program 1.3: Treasury and Financial Affairs

Description

This Program contributes to the Government of Canada's effective debt and other cost management on behalf of Canadians. It provides direction for Canada's debt management activities, including the funding of interest costs for the debt and service costs for new borrowings. In addition, the Program manages investments in financial assets needed to establish a prudent liquidity position. This Program supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed

entities, such as Crown corporations. This Program is also responsible for the system of circulating Canadian currency (banknotes and coins) to ensure efficient trade and commerce across Canada.

Budgetary Financial Resources (dollars)

| 2013–14 Main Estimates | 2013–14 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | 2013–14 Difference (actual minus planned) |
|---------------------------|-----------------------------|---|--|--|
| 27,260,500,000 | 27,260,500,000 | 25,258,792,413 | 25,258,792,413 | (2,001,707,587) |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 25 | 28 | 3 |

Note: FTEs for Sub-Programs 1.3.2, 1.3.3 and 1.3.4 are incorporated into the FTEs of Sub-Program 1.3.1.

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|--|--|---------------|---|
| Prudent and cost-effective management of the government's treasury activities and financial affairs. | Percentage of program line targets achieved. | 100 per cent. | 100 per cent of program line targets were achieved. |
| | Alignment of contingency plans to potential financial and operational risk events. | 100 per cent. | 100 per cent alignment of contingency plans with potential financial and operational risk events. |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada achieved prudent and cost-effective management of the government's treasury activities and financial affairs by exercising sound control of financial and operational risks and making provisions to further enhance risk management practices in the future. The Department also continued discussions with treasury officials in other jurisdictions on risk planning and overall contingency planning.

Regarding treasury and financial affairs of the government, one of the Department of Finance Canada's objectives is to ensure the effective cost of borrowing for Crown corporations and to be able to provide advice on governance arrangements and the scope of their activities. This was

successfully managed in 2013–14 through ongoing dialogue and regular exchanges between Crown representatives and Department of Finance Canada officials, other departments and Crown corporations.

The importance of developing appropriate contingency plans was key to fostering sound control of financial and operational risks. The continued development of new methods to enhance the control and management of these risks, such as the prudential liquidity plan, which safeguards the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed, will continue to be important.

Actual spending in the Treasury and Financial Affairs Program was \$2.0 billion lower than planned spending. Two factors accounted for this decrease: a change in accounting policy for unamortized premiums and discounts arising from the buyback of bonds, discussed below; and lower interest rates in 2013–14 than were expected by private sector economists at the time of the 2012 Update of Economic and Fiscal Projections.

Sub-Program 1.3.1: Federal Debt Management

Description

The government's debt management program includes the payment of interest costs on existing debt instruments and the servicing costs for new borrowings. The *Financial Administration Act*, Part IV, provides authority to the Minister of Finance to borrow in financial markets. The debt instruments of the government include bonds, treasury bills, Canada Savings Bonds, pension plans and accounts payables.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 27,134,000,000 | 25,490,889,678 | (1,643,110,322) |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 25 | 28 | 3 |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|--|---|
| Funding for government financial and debt management operations is sufficient and provided in a timely and cost-effective manner. | Percentage of operational needs for funds met. | 100 per cent met. | 100 per cent of operational needs for funds were met. |
| A Government of Canada securities market that allows for funds to be raised efficiently. | Frequency of consultations with market participants. | One per year. | One consultation with market participants. |
| | Frequency of bond schedule publications. | Four per year (prior to each quarter). | Four per year. A schedule of bond operations was released prior to the start of each quarter. |
| | Number of maturity sectors in which bonds and treasury bills are issued. | More than one. | Bonds and treasury bills were issued in nine maturity sectors. |

Performance Analysis and Lessons Learned

In 2013–14, the Department of Finance Canada ensured that the government’s borrowing was cost-effective and that treasury management was in keeping with the leading risk management practices.

The government’s medium-term debt management strategy ensured that funds continued to be raised and managed in a prudent and cost-effective manner. A description of the medium-term debt management strategy and projections for a number of debt management metrics can be found in the government’s [Debt Management Strategy](#).^{xi}

Funding for government debt management operations was raised in a timely manner and in quantities sufficient to meet operational needs.

Borrowing operations were successful in raising funds in a stable and cost-effective manner. All auctions were fully covered. A schedule of bond operations was released prior to the start of each quarter. The government issued securities in all of the key maturity sectors (3-month, 6-month, 12-month treasury bills, 2-year, 3-year, 5-year, 10-year and 30-year nominal bonds, and 30-year Real Return Bonds).

In addition, the framework for the morning auction of Receiver General cash balances was updated, bringing it in line with global standards, reducing risk to the program and enhancing the efficient management of the government's cash balances.

The variance between actual and planned spending for this Sub-Program was partially due to the change in the government's accounting policy for unamortized premiums and discounts arising from the buyback of bonds recorded in the *Public Accounts of Canada 2014*. This accounting change resulted in a \$0.7 billion downward adjustment to Interest on Unmatured Debt, which was not anticipated at the time the forecast was prepared. Further information on this change can be found in Note 2 of the Consolidated Financial Statements of the Government of Canada, in Volume I of the *Public Accounts of Canada 2014*.

Further, spending on Interest on Unmatured Debt was lower since interest rates in 2013–14 were lower than what had been expected by private sector economists at the time of the 2012 Update of Economic and Fiscal Projections. Spending on Interest and Other Costs was also lower, reflecting a decrease in debt charges as a result of amendments introduced in the *Pension Reform Act*.

Sub-Program 1.3.2: Major Federal-Backed Entities Borrowing

Description

This Sub-Program governs the borrowing activities for the major government entities that are backed by the full faith and credit of the government such as Crown corporations and similar entities. It ensures their borrowing is cost-effective and in keeping with the principles of prudent risk management. Major federal-backed entities borrowing enables the government as a whole to reduce the overall cost of interest on government debt.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 0 | 0 | 0 |

Note: No financial resources are shown for this Sub-Program because the associated resources are non-budgetary (loans, investments and advances) and excluded in accordance with reporting guidelines.

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|--|-------------------------|--|
| Timely, cost-effective and well-managed funding for Crown corporations. | Percentage of cash requirements of major federal government-backed entities met on time. | 100 per cent met. | 100 per cent of cash requirements of major federal government-backed entities were met on time. |
| | Percentage of borrowing costs in line with government costs for equivalent terms. | 100 per cent alignment. | 100 per cent alignment. The cost of all borrowings was in line with government costs for equivalent terms. |

Performance Analysis and Lessons Learned

The Department of Finance Canada worked closely with Crown corporations and other federal entities that engage in borrowing and lending activities backed by the full faith and credit of the government. The cost of borrowings for Crown corporations was in line with government costs for equivalent terms.

The government achieved its expected result of providing timely, cost-effective and well-managed funding for Crown corporations and other entities. All cash requirements of major federal -backed entities were met on time.

The Department has also fully implemented four of eight recommendations from a [treasury evaluation of the Crown Borrowing Program](#).^{xii} In addition, another three recommendations are on track to be implemented according to schedule, and one is delayed pending internal testing by IT services.

Sub-Program 1.3.3: Prudential Liquidity and Reserves Management

Description

Prudential liquidity and reserves management involves maintaining domestic cash deposits at the Bank of Canada and financial institutions and the acquisition and management of cash reserves, loans, investments and advances in the Foreign Exchange Account of the government. This Sub-Program safeguards the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted and promotes foreign currency liquidity and orderly conditions for the Canadian dollar in the foreign exchange markets, if needed.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 0 | (338,173,237) | (338,173,237) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|--|---|
| Management of a reserves portfolio that ensures timely access to liquidity for interventions, which may be required in response to market crises. | Size of reserves portfolio. | At or above the minimum level approved by the Minister of Finance. | Met. The level of liquid reserves was maintained at or above the level approved by the Minister. |
| | Percentage of portfolio share held in liquid assets. | At or above the minimum level approved by the Minister of Finance. | Met. The Department achieved its expected result of maintaining a high-quality reserves portfolio. The percentage of the portfolio held in liquid assets was at, or above, the minimum level approved by the Minister. |
| | Proportion of high credit ('AA' to 'AAA') quality assets. | At or above the minimum level approved by the Minister of Finance. | Met. The reserves portfolio maintained mostly high-credit, quality assets at, or above, levels approved by the Minister, in accordance with the Statement of Investment Policy. |
| Management of prudential liquidity in support of operational requirements. | Percentage of operational requirements met. | 100 per cent met. | 100 per cent met. The Department worked closely with the Bank of Canada to build up domestic cash balances and liquid foreign reserve assets to implement the government's prudential liquidity plan over a three-year period, ending March 2014. |

Performance Analysis and Lessons Learned

The liquidity of the portfolio was increased to meet the requirements of the prudential liquidity plan and, through the reallocation of investments, to further raise the portfolio's overall liquidity. The level of liquid reserves was maintained at or above the level approved by the Minister of Finance.

The Department of Finance Canada worked closely with the Bank of Canada to build up domestic cash balances and liquid foreign reserve assets to implement the government's prudential liquidity plan over a three-year period, ending March 2014. Beginning in February 2013, the Department increased the pace of funding for the prudential liquidity plan, which enabled the government to achieve the target level by summer 2013, nine months ahead of schedule.

To alleviate financial and operational risks, the Department maintained a high credit quality reserves portfolio. The credit quality of investments was closely monitored and maintained within limits approved by the Minister.

As a result of these measures, there were no disruptions to program operations arising from financial and operational risk events.

This Sub-Program encompasses accounting and financial transactions relating to Canada's foreign reserve assets, commitments to the International Monetary Fund, and other domestic and foreign currency transactions, including collateral management and hedging activities, to reduce financial risk. Year-to-year variance on amounts relating to these transactions can be attributed to changes in foreign market conditions (notably, exchange rates and interest rates and their impact on reserves and International Monetary Fund program activities) and to unplanned transactional activities of the government involving foreign exchange. Owing to the difficulty in predicting these transactions, the Department does not forecast these expenditures.

Sub-Program 1.3.4: Domestic Currency System**Description**

This Sub-Program is responsible for the system of circulating Canadian currency (banknotes and coins) to meet the needs of the economy. The Department provides advice to the Minister on the currency system, which involves the production of banknotes by the Bank of Canada and the circulation of coinage by the Royal Canadian Mint. This partly entails the negotiation and oversight of the payment of production and distribution costs in the domain of domestic circulating coinage.

Budgetary Financial Resources (dollars)

| 2013–14 Planned Spending | 2013–14 Actual Spending | 2013–14 Difference (actual minus planned) |
|-----------------------------|----------------------------|---|
| 126,500,000 | 106,075,973 | (20,424,027) |

Performance Results

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|-------------------------|---|
| Supply of domestic coinage that meets the needs of the economy. | Alignment of operations with the terms of the Memorandum of Understanding (MOU) with the Royal Canadian Mint. | 100 per cent alignment. | 100 per cent alignment. The supply of domestic coinage was carried out in accordance with the terms of the MOU. |
| Provision of secure banknotes by the Bank of Canada. | Number of counterfeit notes in circulation below Bank of Canada target level | 100 per cent met. | 100 per cent met. The number of counterfeit notes was below the Bank of Canada target level. |

Performance Analysis and Lessons Learned

Regarding the domestic currency system, the Department of Finance Canada successfully accomplished its objective to support the introduction of new banknotes by the Bank of Canada. The Department engaged in public consultations, keeping the public informed of the government's intentions well in advance and providing a channel for public input and feedback.

The supply of domestic coinage was carried out consistently with the terms of the MOU (for example, with respect to pricing and maintaining inventory levels). The Department continued to work with the Royal Canadian Mint to achieve savings through the full implementation of the change in composition of the \$1 and \$2 coins.

The government also continued its efforts to modernize the currency system and to protect against counterfeiting. The Bank of Canada has been introducing a new series of banknotes since 2011–12. These banknotes have more security features and are printed on a polymer material, which lasts significantly longer than the current cotton-based paper, thereby reducing production costs and the impact on the environment. The Bank of Canada introduced the \$10 and \$5 banknotes into circulation in November 2013.

Actual spending for this Sub-Program was lower than planned spending because of a decrease in the demand for coins arising from the phase-out of the penny. The costs associated with redeeming pennies proved to be lower than was anticipated at the time that the *2013–14 Report on Plans and Priorities* was prepared.

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Budgetary Financial Resources (dollars)

| 2013–14 Main Estimates | 2013–14 Planned Spending | 2013–14 Total Authorities Available for Use | 2013–14 Actual Spending (authorities used) | 2013–14 Difference (actual minus planned) |
|---------------------------|-----------------------------|---|--|--|
| 50,046,004 | 50,046,004 | 59,261,811 | 57,841,315 | 7,795,311 |

Human Resources (FTEs)

| 2013–14 Planned | 2013–14 Actual | 2013–14 Difference (actual minus planned) |
|--------------------|-------------------|---|
| 222 | 286 | 64 |

Performance Analysis and Lessons Learned

The Department of Finance Canada implemented the majority of its spending review commitments in 2013–14 and remains on track to complete the implementation of remaining savings measures.

The Department continued to focus its efforts on developing and implementing strategic recruitment, employee development, performance management and retention strategies:

- ▶ The Corporate Human Resources Plan activities and targets were monitored twice during the year, and progress was presented to the Management Advisory Committee. In some cases, activities and targets were adjusted owing to changes in the environment.
- ▶ Human resources advisors received performance management training and provided advice and guidance to managers on the departmental performance management and appraisal processes. Internal senior management committees were consulted and information sessions were provided to all employees and managers in advance of the implementation of the Treasury Board *Directive on Performance Management* on April 1, 2014.
- ▶ In 2013–14, a strategic written communication exercise was added to the University Recruitment campaign to better assess candidates in the Economist stream. The Department continued to use the flexibilities provided by its development programs to encourage retention and to provide additional cost-effective training and development.

The Department also finished implementing the actions identified in its 2011 Public Service Employee Survey Action Plan. By December 2013, all activities had been completed and the majority of targets had been achieved. The remaining targets will be assessed following a review of the 2014 Public Service Employee Survey results.

Regarding financial management, the Department continues to improve budget forecasting by streamlining reporting requirements, engaging with clients, and providing more in-depth analysis and financial data throughout the fiscal year. Final 2013–14 expenditures for Vote 1 – Operating expenses and Vote 5 – Grants and contributions were within 3 per cent of the final budget forecast.

The Department worked toward the implementation of Public Sector Accounting Standards for Foreign Currency Translation and Financial Instruments, completing a systems implementation blueprint, for installation in fall 2014.

In 2013–14, significant progress was made by the Department to increase the security posture of its dual network and desktops. The implementation of a robust, secure management infrastructure and the deployment of Windows 7 across one of the Department's two networks allowed the Department to meet the Treasury Board of Canada Secretariat's requirements and align with best practices in information technology security. Further, formal security assessments were undertaken, and residual risks were identified for mitigation or acceptance. The Department worked toward the implementation of a collaborative client-focused approach to information management. The implementation of an information management solution is a key element of

the Treasury Board *Directive on Recordkeeping*, which all departments must adhere to by March 2015.

Collaboration with Shared Services Canada was strengthened in 2013–14 as a result of governance refinements and the consistent execution of the refined governance. Further governance improvements required regarding the handling of new business requirements, such as new projects, initiatives or service requests, will be addressed in 2014–15.

In 2013–14, the Department of Finance Canada published *Economic Action Plan 2014* and associated communications products. All products were made fully accessible on mobile devices, increasing the use of e-publications.

The Department's counsel provided legal advisory, legislative drafting and litigation support services for the Department's programs and priorities. Counsel provided advisory services on the regulation of financial institutions generally, and consumer protection measures more specifically: financial transactions in support of the national debt and the Exchange Fund Account; trade negotiations; federal-provincial fiscal arrangements; taxation issues, including the implementation of intergovernmental agreements; employment insurance, and pension reform. Counsel actively engaged in tax legislation drafting and provided legal and strategic support to the Department for all other legislative and regulatory initiatives. Finally, counsel continued to provide litigation support on a range of important court cases, including tax and tax-related litigation; constitutional issues related to Parliament's jurisdiction over banking, trade and commerce; constitutional challenges to the *Expenditure Restraint Act*; and challenges to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

In accordance with government priorities, the Department's counsel and departmental officials continued to closely manage the costs of legal services. Some of the challenges in managing these costs relate to the unpredictability of legal claims against the Crown as well as to the continuing requirements of the regulatory framework in uncertain times. The Department's counsel will continue to contain costs by identifying best practices, efficiently managing legal resources, leveraging the expertise of the Department of Justice Canada, and finding innovative means of delivering legal services.

The Department fulfilled its obligations under the *Access to Information Act* and the *Privacy Act*, although the caseload had almost doubled in the last three years. The Department's compliance rate in responding to *Access to Information Act* requests within the statutory time frame was at 92 per cent.

The Department maintained a strong organizational culture of values and ethics and continues to receive the highest possible rating in the Management Accountability Framework. Effective risk mitigation strategies included annual, mandatory conflict of interest reporting by employees and posting of resources on the intranet site. Communication from the Deputy Minister, the Champion of Values and Ethics, and the Disclosure Protection Officer ensured a high degree of employee awareness of the importance of values and ethics in their daily activities. All conflicts of interest identified were resolved in the public interest.

Actual spending in 2013–14 for Internal Services exceeded planned spending by \$7.8 million because planned spending did not include operating resources that were funded through the Supplementary Estimates process. These expenditures include carry-forward funding of various corporate initiatives that support all programs, parental and maternity allowances, entitlements on cessation of service or employment, and adjustments to terms and conditions of service or employment.

The number of actual FTEs for 2013–14 was higher than planned and can be explained by the repatriation of some corporate services previously provided by the Treasury Board of Canada Secretariat, which were not included in the 2013–14 planning figure.

Section III: Supplementary Information

Financial Statements Highlights

| Department of Finance Canada Condensed Statement of Operations and Departmental Net Financial Position (unaudited) For the Year Ended March 31, 2014 (dollars) | | | | | |
|--|-------------------------------|-------------------|-------------------|---|--|
| | 2013–14 Planned Results | 2013–14 Actual | 2012–13 Actual | Difference (2013–14 actual minus 2013–14 planned) | Difference (2013–14 actual minus 2012–13 actual) |
| Total expenses | 86,153,027,892 | 84,617,642,248 | 83,044,045,661 | (1,535,385,644) | 1,573,596,587 |
| Total revenues | 40,000 | 82,065 | 142,783 | 42,065 | (60,718) |
| Net cost of operations before government funding and transfers | 86,152,987,892 | 84,617,560,183 | 83,043,902,878 | (1,535,427,709) | 1,573,657,305 |
| Departmental net financial position | 0 | (528,511,948,247) | (517,523,490,974) | (528,511,948,247) | (10,988,457,273) |

| Department of Finance Canada Condensed Statement of Financial Position (unaudited) As at March 31, 2014 (dollars) | | | |
|--|-------------------|-------------------|--|
| | 2013–14 | 2012–13 | Difference (2013–14 minus 2012–13) |
| Total net liabilities | 661,976,377,821 | 679,143,136,851 | (17,166,759,030) |
| Total net financial assets | 133,454,245,347 | 161,619,362,800 | (28,165,117,453) |
| Departmental net debt | 528,522,132,474 | 517,523,774,051 | 10,998,358,423 |
| Total non-financial assets | 10,184,227 | 283,077 | 9,901,150 |
| Departmental net financial position | (528,511,948,247) | (517,523,490,974) | (10,988,457,273) |

Financial Statements

The *Department of Finance Canada Financial Statements (Unaudited) for the Year Ended March 31, 2014*, can be found on the [departmental website](#).^{xiii}

Supplementary Information Tables

The supplementary information tables listed in the *2013–14 Departmental Performance Report* can be found on the Department of Finance Canada website.^{xiv}

- ▶ Departmental Sustainable Development Strategy;
- ▶ Details on Transfer Payment Programs;
- ▶ Horizontal Initiatives;
- ▶ Internal Audits and Evaluations;
- ▶ Response to Parliamentary Committees and External Audits; and
- ▶ Sources of Respendable and Non-Respendable Revenue.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*^{xv} publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the sole responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

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Appendix: Definitions

appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Include net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

- i. Justice Laws website, <http://laws-lois.justice.gc.ca/eng/>
- ii. Whole-of-government framework, <http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx>
- iii. *Public Accounts of Canada 2014*, <http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html>
- iv. Canada's Economic Action Plan website, <http://www.actionplan.gc.ca/>
- v. Backgrounder: Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention, http://fin.gc.ca/treaties-conventions/notices/unitedstates-etatsunis_2-eng.asp
- vi. *Economic Action Plan 2014*, <http://www.budget.gc.ca/2014/docs/plan/toc-tdm-eng.html>
- vii. *Actuarial Report (26th) on the Canada Pension Plan*, <http://www.osfi-bsif.gc.ca/eng/oca-bac/ar-ra/cpp-rpc/pages/cpp26.aspx>
- viii. "Record High and Growing Transfers Offer Solid Foundation for Return to Budget Balance," <http://www.fin.gc.ca/n13/13-168-eng.asp>
- ix. Financial System Stability Assessment Country Reports, <http://www.imf.org/external/np/fsap/fsap.aspx?CountryName=Canada>
- x. Audit of the Control Framework for the Transfer Payments Process, <http://www.fin.gc.ca/treas/audit/tpp-ppt-eng.asp>
- xi. Debt Management Strategy, <http://www.budget.gc.ca/2014/docs/plan/anx1-eng.html>
- xii. Evaluation of the Crown Borrowing Program, <http://www.fin.gc.ca/treas/evaluations/cbp-pese-eng.asp>
- xiii. *Department of Finance Canada Financial Statements (Unaudited) for the Year Ended March 31, 2014*, <http://www.fin.gc.ca/afc/pp-pr-eng.asp>
- xiv. Supplementary tables, <http://www.fin.gc.ca/afc/pp-pr-eng.asp>
- xv. *Tax Expenditures and Evaluations*, <http://www.fin.gc.ca/purl/taxexp-eng.asp>