



Department of Finance Canada

Performance Report

For the period ending
March 31, 1998

Canada

Improved Reporting to Parliament Pilot Document

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

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

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

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

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

This year, the Fall Performance Package is comprised of 80 Departmental Performance Reports and the government's "*Managing For Results*" report.

This *Departmental Performance Report*, covering the period ending March 31, 1998, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Part III of the Main Estimates* or pilot *Report on Plans and Priorities* for 1997-98. The key result commitments for all departments and agencies are also included in *Managing for Results*.

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

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:
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Department of Finance Canada

Departmental Performance Report

**For the
period ending
March 31, 1998**

Paul Martin
Minister of Finance

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Executive Summary

The Department of Finance Canada plays an influential role in shaping the government's agenda. During the period in review, the department's efforts contributed towards the following objectives.

- A Secure Financial Future
- A Competitive and Secure Financial Services Sector for the 21st Century
- Getting Government Right
- Secure Social Programs

Highlights of the department's activities in support of these objectives are provided below.

A Secure Financial Future

In 1997-1998, the government reached a number of significant milestones on its road to renewed fiscal health. In addition to eliminating the deficit, the 1998 budget announced that the debt-to-GDP ratio would decline for the second consecutive year. The 1997 Fall Economic and Fiscal Update introduced the Debt Repayment Plan, which has been designed to keep Canada's debt-to-GDP ratio on a permanent downward track.

Progress in the fight against the deficit enabled the government to begin providing general tax relief. To this end, the 1998 budget increased the amount of income that Canadians can receive on a tax-free basis. In addition, the general surtax was reduced or eliminated for all taxpayers except those with incomes in the \$65,000 range or higher.

General tax relief measures reduced the tax burden for the vast majority of taxpayers and removed 400,000 low-income individuals from the tax rolls completely. To complement these measures and to promote the government's social policy objectives, the budget included tax assistance in support of education, families, health care, volunteer activities and retirement income.

A balanced budget is only one ingredient of macroeconomic stability. Another ingredient is low inflation. Accordingly, the government and the Bank of Canada agreed to keep inflation within the range of one to three per cent until the end of 2001. These inflation control targets are intended to keep Canada's inflation rate among the lowest in the world. In turn, this will help to keep interest rates down.

A Competitive and Secure Financial Services Sector for the 21st Century

The work begun by the Task Force on the Future of the Canadian Financial Services Sector in December 1996 increased in prominence because of merger proposals announced by major Canadian banks in early 1998. The task force released its report in

September 1998, and the government has referred the report to the House of Commons Standing Committee on Finance. The Financial Sector Policy Branch has been restructured to meet the pressing need for advice and analysis on the bank merger proposals and on the application of the task force's recommendations.

Another area in which the department is involved is the review of the framework for the payments system in Canada. This review has been assisted by an advisory committee consisting primarily of private-sector members and co-chaired by senior Bank of Canada and Finance officials.

In September 1997, the government released policy proposals regarding the development of a regime to allow foreign banks to branch directly into Canada. In addition, the department continued to consult on the proposed demutualization regime for mutual life insurance companies.

Getting Government Right

The Department of Finance Canada contributes to this objective by helping to identify possibilities for privatizing and commercializing government operations. In December 1997, National Sea Products Limited was sold to Scotia Investments Limited for \$5.8 million. This sale marked a successful conclusion to the government's involvement in the restructuring of this firm — an involvement that dated back to 1984.

During the period in review, the department was also involved in preparations for the government's \$15.45 million sale of Theratronics International Limited to MDS Inc. The sale was subsequently announced in May 1998.

Secure Social Programs

In December 1997, the *Canada Pension Plan Investment Board Act* received Royal Assent. This Act, which was the result of a February 1997 federal-provincial agreement on changes to the Canada Pension Plan (CPP), provides for the creation of the CPP Investment Board. The new board will operate at arm's length from the government and will be responsible for investing funds in a diversified portfolio of securities in the best interests of CPP plan members.

The federal government also introduced legislation to raise the Canada Health and Social Transfer (CHST) cash floor from \$11 billion to \$12.5 billion. This measure responded favourably to a recommendation by the National Forum on Health. For the provinces, this increase will amount to an additional \$7 billion in cash for health and social programs during the period 1997-98 to 2002-03.

The department's performance accomplishments are outlined in detail in this report.

Chart of Key Results Commitments

Department of Finance Canada (Fin)

has a budget of \$

to provide Canadians with:	to be demonstrated by:	achievements reported in:
a secure financial future	<ul style="list-style-type: none"> • budgets which implement the government's fiscal goals • appropriate tax changes • implementation of announced spending reductions • implementation of strategic investment to promote a strong economy and secure society • a debt management strategy to provide stable, low debt service costs and maintain a well-functioning market in Government of Canada securities • effective management of Canada's official international reserves 	<ul style="list-style-type: none"> • 1997 Economic and Fiscal Update; 1998 budget; Fiscal Monitor (monthly) • 1998 budget; Notices of Ways and Means • Annual budget; Main Estimates; Program Expenditure Detail • 1998 budget; 1997 Economic and Fiscal Update; DPR page 24 • 1998 budget; Debt Operations Report 1997; Debt Management Strategy 1998-99; Government of Canada Securities (quarterly); DPR page 34 • Annual Report to Parliament on the Operations of the Exchange Fund Account by the Minister of Finance 1997; monthly press release on Official International Reserves; DPR page 23

to provide Canadians with:	to be demonstrated by:	achievements reported in:
	<ul style="list-style-type: none"> • development and implementation of appropriate import policy measures • effective management of international financial relations 	<ul style="list-style-type: none"> • <i>Customs Tariff Act</i> (S.C. 1997, c. 36) on January 1, 1998 • Main Estimates; 1998 budget
a competitive and secure financial services sector for the 21 st century	<ul style="list-style-type: none"> • ensuring that Canadians are well-served by a safe, sound, efficient and competitive financial services sector 	<ul style="list-style-type: none"> • The report of the Task Force on the Future of the Canadian Financial Services Sector; DPR page 26
Contributions to Getting Government Right	<ul style="list-style-type: none"> • advancement of announced shifts to agency status, privatizations and commercializations • appropriate transfer arrangements with other jurisdictions 	<ul style="list-style-type: none"> • DPR page 27 • DPR page 37
secure social programs	<ul style="list-style-type: none"> • implementation of new programs • improvements to existing social programs • strengthening the financing and investment of the Canada Pension Plan 	<ul style="list-style-type: none"> • Canada Education Savings Grant introduced in 1998 budget. • enhancement to the Canada Child Tax Benefit announced in 1998 budget. • <i>Canada Pension Plan Investment Board Act</i> (S.C. 1997 c. 40). Further information can be found at www.cpp-rpc.gc.ca

Section I: Minister's Message

For Canada, 1997-98 marked a turning point in the history of government finances. For the first time since 1969-70, the federal government succeeded in balancing the budget and setting the debt-to-GDP ratio on a permanent downward track.

The government would not have succeeded in putting the nation's finances back on a solid footing without the sacrifice and support of Canadians. All Canadians have a right to know what the government is doing on their behalf to manage the issues and challenges of the day. It is the duty of the government to keep them informed.

It is in this spirit of accountability that I submit the 1997-98 Departmental Performance Report. By providing a detailed account of the Department of Finance Canada's activities and accomplishments over the past year, this report places Canadians in a better position to judge how well it is fulfilling its mandate.

In presenting this report, I would like to acknowledge the dedication, professionalism and hard work of officials at the Department of Finance Canada.

Section II: Departmental Overview

Mandate, Roles and Responsibilities

The department's fundamental purpose is to assist the government in developing and implementing economic, social and fiscal policies and programs that foster growth and create jobs. The department serves as the government's primary source of analysis and advice on the broad economic, social and financial affairs of Canada. In addition to preparing the budget, the department provides analysis, advice and recommendations on tax and trade policy, and prepares tax and trade legislation; provides analysis, advice and recommendations relating to the management of federal financial assets and liabilities, including the management of federal borrowing on financial markets; manages transfers and fiscal relations with the provinces and territories; develops financing and investment policy for the Canada Pension Plan (CPP) in conjunction with the provinces; provides analysis, advice and recommendations on the annual Employment Insurance premium rate setting where approval of the Minister of Finance is required by law; represents Canada within international financial institutions and international economic and trade forums; develops policies for, and advises on, the financial sector and financial markets.

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

In its central agency role, the department advises on the economic, fiscal, social and tax implications of key priorities. These include the government's microeconomic agenda and action plan; the jobs and growth agenda; science, technology and innovation policies; environment initiatives; privatization and commercialization initiatives; defence and international assistance expenditures; and efforts to renew Canada's social policies and programs, in particular, the CPP. This includes leading the federal-provincial review, and the development of policy for financing the plan and investing the assets of the CPP.

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

The department interacts with other government departments, agencies and Crown corporations, and private-sector stakeholders to encourage co-ordination and harmony among all federal initiatives affecting the economy and financial markets. As well, the department constantly works towards improved co-operation — especially on fiscal, trade and taxation issues between the federal and provincial governments and internationally.

The department provides services to the following client groups:

- **The government, Cabinet and the Treasury Board** – by providing analysis, advice and recommendations on the economic, social and financial affairs of Canada as well as tax matters. The department is also responsible for drafting legislation in these areas.
- **Parliament and the public** – by supporting an expanded program of public information and consultation, with emphasis on the provision of basic facts to Canadians on key economic and fiscal issues, to facilitate wide participation in a more open, broad-based consultation process. This supplements ongoing and wide-ranging consultation with the public in such other key departmental responsibilities as the formation of tax policy and financial sector policy.
- **Departments and agencies** – by playing an active role in encouraging co-ordination and harmony among all federal initiatives with an impact on the economy, the financial sector and financial markets.
- **International economic community** – by being responsible for the development of Canada's policy with respect to the Bretton Woods Institutions and the European Bank for Reconstruction and Development, as well as negotiating double taxation treaties with our treaty partners and representing Canada in a broad range of official international forums. These include the financial elements of the G-7, G-10, International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Co-operation (APEC), among others.
- **Provincial governments** – by constantly working towards improved co-operation on fiscal and taxation issues, and by working with provinces as the joint stewards of the CPP to ensure that the Plan remains sustainable.
- **Parliamentary and Senate committees** – by being the primary source of bills on taxation and financial matters and steering them through the parliamentary process.
- **Canadian interest groups** – by consulting widely with representatives of business, labour, social, volunteer and other groups in the Canadian economy on potential budget measures and a wide range of other policies and initiatives.
- **Financial market participants** – by working with market participants to improve debt management practices and to promote the maintenance of a well-functioning market for Government of Canada securities, and by ensuring that investors in Canadian government debt are well informed of financial and economic developments.

Mission

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

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

Objectives

The Department of Finance Canada operates under Sections 14-16 of the *Financial Administration Act* which provides the Minister with broad responsibility for “the management of the Consolidated Revenue Fund and the supervision, control and direction of all matters relating to the financial affairs of Canada not by law assigned to the Treasury Board or to any other Minister”. Principal corporate objectives include:

- assisting the government in deciding upon and implementing financial and other economic policies and programs (*Financial Administration Act*, financial institutions legislation, tax and tariff legislation);
- subscribing and/or contributing to the International Monetary Fund and the World Bank Group institutions (*Bretton Woods and Related Agreements Act*) and to the European Bank for Reconstruction and Development (*European Bank for Reconstruction and Development Agreement Act*);
- managing domestic coinage activities (*Royal Canadian Mint Act*);
- managing the federal government’s debt program (*Financial Administration Act*);

- providing financial support to assist provincial and territorial governments in providing public services to their residents (*Constitution Acts, Federal-Provincial Fiscal Arrangements Act, Federal-Provincial Fiscal Revision Act*); and
- leading the federal-provincial review of the *CPP Act*, and developing policy for the financing of the Plan and investment of funds (*CPP Act*).

Strategic Priorities

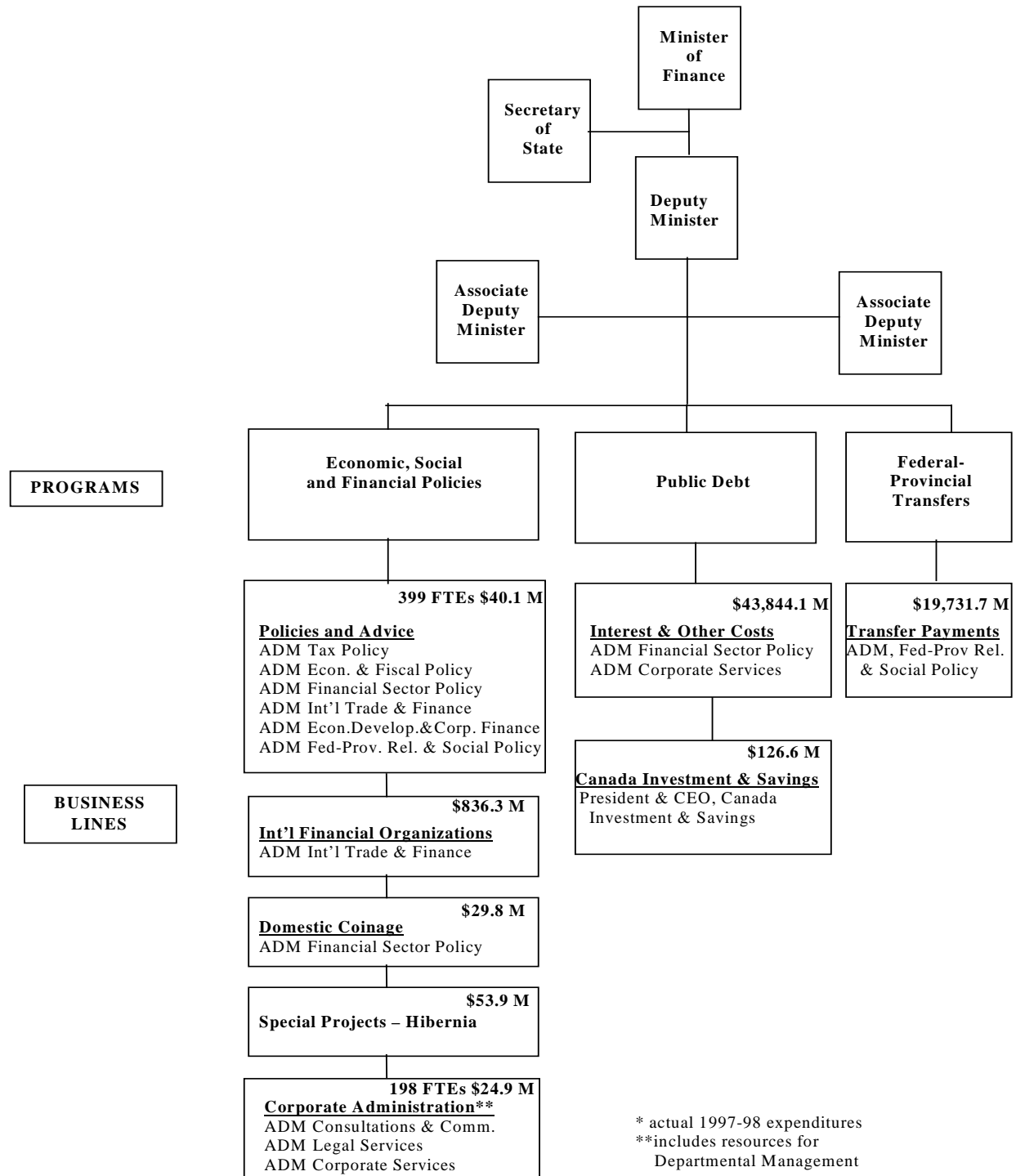
The Department of Finance Canada's fundamental purpose is to assist the government in developing and implementing economic, social and fiscal policies and programs that foster growth and create jobs. For the fiscal year ending March 31, 1998, the department concentrated its efforts on the following areas:

- fiscal consolidation and sound economic management;
- tax policy;
- federal-provincial fiscal relations and social policy reform;
- the development and maintenance of a sound, competitive financial system;
- managing the public debt;
- tariff policy;
- international financial and economic relations, including support for the International Financial Institutions (IFI);
- economic analysis of macroeconomic policies and of microeconomic policies affecting trade, investment, industrial innovation, technology diffusion, labour markets and regional development; and
- ensuring the CPP remains financially sustainable.

Departmental Organization

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

Business Line, Organization Composition and Resources*



Section III: Departmental Performance

This section of our report consists of two subsections: Performance Expectations and Performance Accomplishments. The Performance Expectations subsection presents department-wide outcomes since they apply equally to all three departmental programs. Performance Accomplishments – being somewhat more specific – are reported on a program/business line basis.

Performance Expectations

Results expectations established for the 1997-98 fiscal year revolved around the following outcomes.

The department committed to providing Canadians with:

- a secure financial future
- a competitive and secure financial services sector for the 21st century
- contributions to Getting Government Right
- secure social programs

These outcomes reflect the key focus of government which, as noted in the 1997 budget, is to build a strong economy and secure society for all Canadians.

Performance Accomplishments

1. Economic, Social And Financial Policies Program

Program Objective: appropriate policies and sound advice with respect to economic, social and financial conditions, and to the government's agenda; responsible administration of international financial obligations and subscriptions; economical financing of domestic coinage costs; responsible financing of special projects; and, effective and efficient corporate administration.

1.1 Policies and Advice Business Line

Business Line Objective: appropriate policies and sound advice with respect to economic, social and financial conditions, and to the government's agenda.

<i>Summary Financial Information for Policies and Advice Business Line</i>	
Planned Spending (1997-98 Estimates)	\$36,550,000
<i>Total Authorities</i>	\$42,947,000
1997-98 Actuals	\$40,090,027

Key Results for the ***Policies and Advice Business Line*** are reported below under the four main outcomes identified in the scroll chart on the previous page.

▪ **A Secure Financial Future**

Economic and Fiscal Policy

A key element in the government’s overall strategy of building a strong economy and a secure society for all Canadians is its commitment to the twin pillars of macroeconomic stability – sound finances and low inflation. With respect to the latter, the government and the Bank of Canada announced, in February 1998, extension of the inflation control targets, which keep inflation within a band of 1 to 3 per cent until the end of 2001. The extension of the inflation control targets will help keep Canada’s inflation rate among the lowest in the world which, in turn, will help to maintain low interest rates in Canada.

The key focus of the Department of Finance Canada since 1993 has been to lead the government’s efforts to regain control of the nation’s finances. In the 1994 budget, the government set as an interim target the lowering of the deficit-to-GDP ratio to 3 per cent by 1996-97. This was to be an interim step to the ultimate elimination of the deficit and the sustained reduction in the debt-to-GDP ratio. To achieve these objectives, the government based its budget plans on two-year rolling budget targets, based on prudent economic planning assumptions and backed by a sizeable Contingency Reserve. The latter could not be used for new policy initiatives. In each budget since 1994, the deficit target has been extended for an additional year.

In the 1998 budget, the government announced that the budget would be balanced in 1997-98, the first balanced budget since 1969-70, and that the debt-to-GDP would decline for the second consecutive year, the first meaningful declines in this ratio since the early 1970s. The final audited results for 1997-98 will be released in the Annual Financial Report.

Budget
balanced in
1997-98
–
first time
since
1969-70

In the 1997 Fall Economic and Fiscal Statement, and again in the 1998 budget, the government announced its Debt Repayment Plan. This will ensure that the debt-to-GDP ratio is put on a permanent downward track. The Debt Repayment Plan consists of three key elements:

- as before, two-year fiscal plans based on prudent economic planning assumptions, with the current plan committed to balanced budgets in both 1998-99 and 1999-2000;
- the inclusion in the fiscal plan of a Contingency Reserve of \$3 billion each year; and
- the use of the Contingency Reserve, when it is not needed, to pay down the public debt.

Debt Repayment Plan

- balanced budgets in both 1998-99 and 1999-2000
- Contingency Reserve of \$3 billion each year
- use of the Contingency Reserve to pay down the public debt

Tax Policy

A key element of the activities and responsibilities of the Department of Finance Canada is the development and implementation of tax policy. Tax policy plays three major roles in achieving the government's financial and economic goals. First, tax policy is one of the framework tools (fiscal policy is another) within which the economy operates and so is central to the country's economic and social performance. Second, a key objective of tax policy is to raise taxes in a fair and equitable manner. Third, a number of tax instruments can be used to influence specific aspects of economic and social policy.

The objective of fostering a strong economy through the tax system is served by:

- levying taxes over a broad range of sources to collect the needed level of revenues (for example, income taxes on businesses and individuals, sales and excise taxes). This helps to keep tax rates low and revenues stable;
- in certain limited circumstances, using tax policy instruments to achieve desirable economic goals and to offset the impact of market imperfections; and
- continuous monitoring of the tax system to ensure that taxes owed are collected.

On fairness, the key objective is that Canadians pay taxes according to their ability to pay. Furthermore, the tax system can positively assist those in need. All major Canadian tax sources play a part in achieving the fairness objective. For example, the Canadian personal income tax system is progressive and takes into account both income and individual circumstances to measure ability to pay. It also provides refundable tax credits such as the Canada Child Tax which provide benefits to low- and middle-income earners. With respect to the Goods and Services Tax (GST), the income-tested, refundable GST

credit plays a similar role. Businesses pay a corporate income tax to ensure that they contribute to the provision of necessary public services. Some businesses that can, do pay relatively more. Levying taxes on corporations also helps to ensure that foreign-based corporations pay tax on the income they earn in Canada.

➤ *Personal Income Tax*

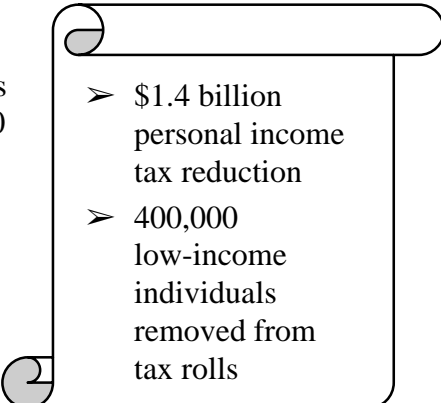
The Canadian personal income tax system is progressive and takes account of both income and individual circumstances to measure the ability to pay. It also has a number of measures designed to achieve social and economic objectives. One of the government's goals is to reduce Canadians' personal income tax burden in coming years. The 1998 budget began the process of general tax relief. In addition, the budget proposed a number of changes to achieve the government's social and economic objectives in the areas of education, families, health care, volunteer activities and retirement income.

⇒ *General Tax Relief*

The 1998 budget proposed to direct personal income tax relief to Canadians with low and modest incomes by:

- increasing by \$500 the amount of income that low-income Canadians can receive on a tax-free basis; and
- eliminating the general federal surtax for Canadians earning up to about \$50,000, and reducing it for Canadians earning between \$50,000 and \$65,000.

These measures will result in a \$1.4 billion personal income tax reduction in 1999-2000. As a result of these changes, approximately 400,000 low-income individuals will be removed from the tax rolls. In addition, some 13 million taxpayers, or 83 per cent of taxable filers, will no longer pay any surtax, while another one million will see their surtax reduced.

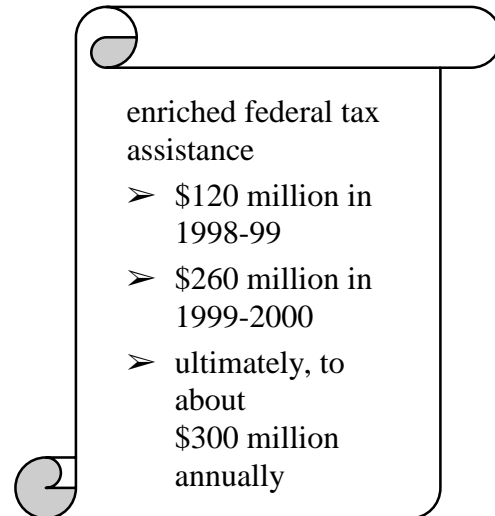
- 
- \$1.4 billion personal income tax reduction
 - 400,000 low-income individuals removed from tax rolls

⇒ *Education*

A main priority of the government is the promotion of knowledge and creativity. Consistent with this priority, the 1998 budget introduced the Canadian Opportunities Strategy to support individuals in the acquisition of knowledge and skills.

Specifically, the budget proposed to enrich federal tax assistance by \$120 million in 1998-99, growing to \$260 million in 1999-2000 and, ultimately, to about \$300 million annually when the effect of the measures matures. These measures include:

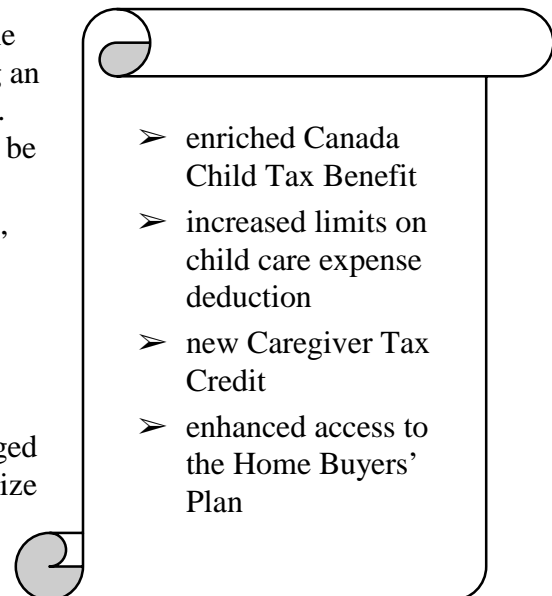
- increased tax assistance to part-time students through the introduction of a part-time education credit, and allowing part-time students to claim related child care expenses;
- a 17-per-cent credit for the interest portion of student loan repayments;
- tax-free withdrawals from RRSPs to finance full-time training or education; and
- increasing the attractiveness of saving for children's education through Registered Educational Savings Plans through the introduction of a Canada Education Savings Grant.



⇒ ***Families***

The government is committed to strengthening families and investing in children. To help Canadian families meet the challenges of child rearing and caring for infirm or elderly family members, the 1998 budget:

- proposed a two-step enrichment of the Canada Child Tax Benefit, allocating an additional \$850 million by July 2000. Details of the benefit increases are to be announced in the 1999 budget following discussions with provinces, territories and Canadians;
- increased the limits on the child care expense deduction from \$5,000 to \$7,000 for children under age 7 and from \$3,000 to \$4,000 for children aged 7 to 16. These changes better recognize the costs of child care, and will provide additional relief to about 65,000 working families with children;

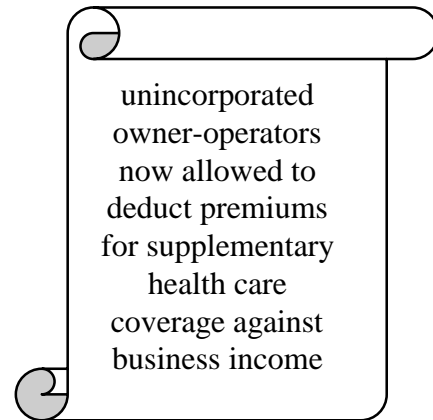


- introduced a new Caregiver Tax Credit for individuals providing in-home care for elderly or infirm relatives. The new credit will provide \$120 million annually in tax assistance to about 450,000 caregivers; and
- enhanced access to the Home Buyers' Plan for individuals with disabilities, expanded the medical expense tax credit to include the cost of training courses related to the care of dependent relatives, and allowed occupational therapists to issue certification for purposes of the Disability Tax Credit.

⇒ **Health Care**

Many Canadians receive supplementary coverage for prescription drugs, dental and vision care through private insurance plans offered by their employer. The 1998 budget proposed to allow unincorporated owner-operators to deduct premiums for supplementary health care coverage against their business income, to a maximum amount.

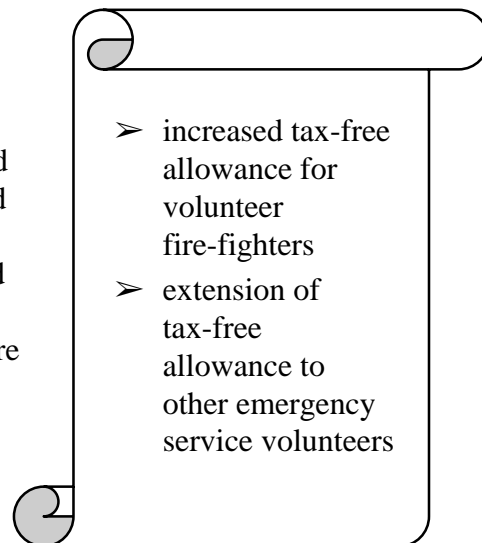
This change improves tax fairness by bringing the tax treatment of premiums paid by the self-employed more in line with that of employer-paid premiums for supplementary health care coverage.



unincorporated owner-operators now allowed to deduct premiums for supplementary health care coverage against business income

⇒ **Emergency Service Volunteers**

To provide further support to communities and the voluntary sector, the 1998 budget proposed to increase the \$500 tax-free allowance for volunteer fire-fighters to \$1,000, and to extend it to other emergency service volunteers. This change recognizes that smaller communities are often unable to maintain full-time emergency staffs, and depend on the vital services of volunteers.



- increased tax-free allowance for volunteer fire-fighters
- extension of tax-free allowance to other emergency service volunteers

⇒ **Retirement Income**

The 1998 budget further strengthened private retirement saving by proposing to remove RRSP and RPP contributions from the Alternative Minimum Tax (AMT) base, retroactive to 1994. This change will prevent taxpayers from becoming subject to AMT solely as a result of rolling over severance pay to RRSPs, and is

consistent with the introduction of the Pension Adjustment Reversal (PAR) in the 1997 budget.

➤ ***Business Income Tax***

With respect to business income taxes, the focus has been on addressing deficiencies in the existing tax structures and ensuring that businesses bear their fair share of the tax burden while promoting growth in the economy. Initiatives included:

- permitting the deductibility of countervailing and anti-dumping duties imposed by other countries when paid — this 1998 budget measure recognizes that firms are required to pay amounts that are not under their control and although these amounts may be subsequently refunded, in whole or in part, this process can take several years;
- permitting the deductibility of earthquake premium reserves — this 1998 budget measure helps to ensure that insurance companies have sufficient financial capacity to pay insured earthquake losses when they occur; and
- requiring that income from the sale of products from a scientific research and experimental development (SR&ED) project be netted against the cost of related materials.

Focus on

- addressing deficiencies in existing tax structures
- ensuring businesses bear their fair share while promoting growth

The Technical Committee on Business Taxation, established in the 1996 budget, completed its work in 1997-98. The committee's mandate was to consider ways in which Canada's business taxation system could contribute more to the creation of jobs and economic growth, could be simplified to facilitate compliance and administration, and could be made fairer to ensure that all businesses share the costs of providing government services. Its report was released in April 1998. The committee has raised important issues and identified certain problems that the federal and provincial governments will need to consider in planning tax policy in the coming years.

➤ ***Sales and Commodity Taxes***

A major focus of work in this area has been the implementation of the harmonized sales tax (HST) in New Brunswick, Nova Scotia and Newfoundland and Labrador, which came into effect on April 1, 1997. Designing and implementing the HST was a major step

HST implemented in:

- New Brunswick
- Nova Scotia
- Newfoundland and Labrador

towards a national integrated value-added tax system that is simpler and fairer to consumers and business. The new harmonized regime is functioning well.

The 1998 budget included a number of measures designed to simplify the GST and HST and to ensure consistency and fairness in their application. These measures relate to:

- the Visitors' Rebate Program;
- certain activities undertaken by charities;
- respite care provided to individuals with an infirmity or disability; and
- the alternate collection mechanism for direct sellers.

Simplifying the federal sales tax system remains one of the government's key priorities.

The government has initiated an Excise Act Review, a comprehensive review of the federal framework for the taxation of alcohol and tobacco products. A discussion paper on proposed changes to the structure of taxation of alcohol and tobacco products was released in February 1997. The discussion paper invited written submissions and officials undertook consultations with industry associations, businesses, provincial liquor boards, and other interested parties. The consultations are now largely complete and officials are in the process of reviewing the proposals in light of comments received from industry and provincial governments. We expect to release a revised draft of the legislation in late 1998.

➤ *Intergovernmental Tax Policy*

An evaluation of the timing of payments made to provincial governments under the Tax Collection Agreements (TCAs) was conducted. The following measures were taken as a result:

- The schedule of payments under the TCAs has been adjusted forward by two weeks to the last week of January from the second week of February.
- In order to adjust for the payments for the taxation year 1998, a lump-sum payment was made before the end of the 1997-98 fiscal year.
- As the study of payments timing was initiated in 1997, a payment in respect of that taxation year in the amount of \$99 million (plus interest) was also made.

The process for determining which provincial measures will be administered by the federal government on behalf of provinces has been clarified:

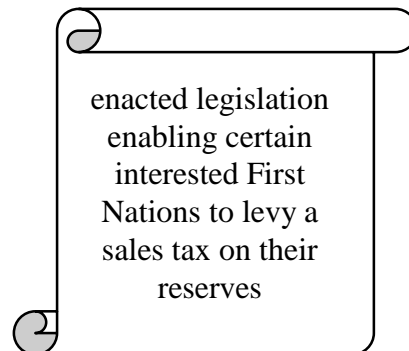
- A new set of guidelines has been adopted for determining which provincial taxes and measures will be administered.

- At the December 1997 Federal-Provincial Finance Ministers' meeting, ministers agreed to adopt a new set of guidelines for determining what taxes and measures the federal government would administer on behalf of provincial governments.
- The new guidelines recognize that the use of a common tax base and the avoidance of double taxation are desirable and necessary goals.
- The new guidelines take a flexible approach to administering provincial taxes and tax measures by specifying how administration costs will be charged for taxes and tax measures.

The efficient administration of the TCAs requires that the department continue to meet its obligations under the TCAs to pay provincial governments the assessed value of their personal and corporate income taxes.

The Indian Government Taxation Review is the ongoing development and implementation of the federal government's policy on the tax powers available to Aboriginal governments and the tax treatment of their governance institutions.

To enhance First Nations' self-government and self-reliance and help Aboriginal communities develop new revenue sources and provide better services to their communities, the government enacted, for the first time, legislation enabling certain interested First Nations to levy a sales tax on their reserves.



- To date, arrangements have been implemented to allow the Cowichan Tribes to tax sales of tobacco products to Indians; the Westbank Indian Band to tax all sales of tobacco products; and the Kamloops Indian Band to tax all sales of tobacco products, alcoholic beverages and fuel on their respective reserves.
- The federal government is also discussing with self-governing First Nations in Yukon the co-ordination of the respective tax systems of each government. The first step has been discussions on the co-ordination of federal, territorial and First Nations' personal income taxation. *Tax Collection Agreements* on personal income tax should be in place for the 1999 taxation year. Discussions have also begun on the co-ordination of corporate income tax and commodity taxes.
- Preliminary discussions on tax powers have also been initiated with other First Nations.

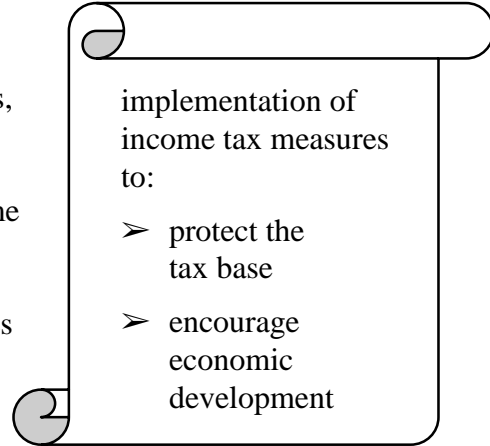
➤ ***Tax Legislation***

The Tax Legislation Division is primarily responsible for the development of all federal income tax legislation. To this end, the Tax Legislation Division prepared

Bill C-28 (S.C. 1998, c. 19), comprising 466 pages of tax legislation, and provided support services for its progress through Parliament. Division A of Bill C-28 furthered the results expectations established for the 1997-98 fiscal year by implementing the policies announced in the 1997 Federal budget.

The Tax Legislation Division also has primary responsibility for the development of policies relating to film and other special tax incentives, and more technical measures in support of tax policy. In this regard, Division B of Bill C-28 contains over 170 clauses implementing income tax measures protecting the tax base, or, in the case of film tax incentives, encouraging economic development. Examples of measures protecting the income tax base include:

- amendments concerning valuation of certain types of inventory;
- the introduction of new rules requiring the mandatory amortization of certain cost;
- the introduction of new rules preventing loss trading;
- amendments concerning the tax treatment of debt forgiveness;
- amendments restricting the tax benefits associated with tax shelters financed with limited recourse debt; and
- amendments to the minimum tax rules denying certain tax shelter losses for minimum tax purposes.

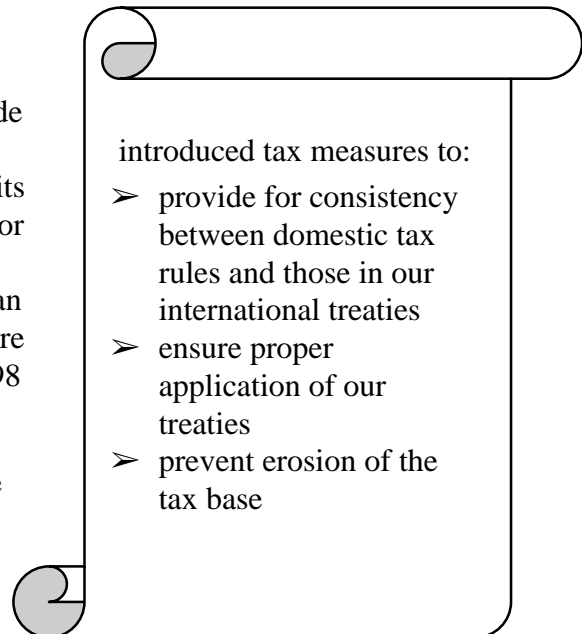


implementation of income tax measures to:

- protect the tax base
- encourage economic development

By protecting the tax base, the division has supported the efforts of all federal departments in meeting the government-wide priorities set out in the Speech from the Throne, and has assisted the department in its goal of achieving a secure financial future for Canadians. By providing economic development incentives, the Bill has made an investment in helping the country meet future challenges, again as identified in the 1997-98 results expectations for the department.

The Tax Legislation Division is responsible for the negotiation of Canada's tax treaties with other countries. In the area of international taxation, the Tax Legislation Division developed



introduced tax measures to:

- provide for consistency between domestic tax rules and those in our international treaties
- ensure proper application of our treaties
- prevent erosion of the tax base

measures, introduced in the 1998 federal budget, to provide for consistency between domestic tax rules and those in our international treaties; to ensure the proper application of our treaties; and, to prevent erosion of the tax base. Similarly, the division is responsible for a number of tax changes announced by ministerial press release. These respond to important tax issues that arise during the year and outside the budget process (for example the August 18, 1998 release dealing with leasing property and tax exempt entities). Again, these measures directly affect the implementation of government priorities by reinforcing the government's main source of revenue, or by removing impediments to economic growth.

➤ ***Tax Evaluation***

In addition to developing and implementing tax policy, the department is responsible for evaluating existing tax measures to ensure that they continue to meet their objectives. As part of this program of tax evaluations, the department published its annual Tax Expenditure Report which provides estimates of the revenue foregone from a wide range of tax concessions. This report also includes projections of the future costs of these concessions. In addition, the department completed and released a report evaluating the Scientific Research and Experimental Development (SR&ED) tax incentives. The report concluded that the SR&ED tax incentives are effective.

Canada's Official International Reserves

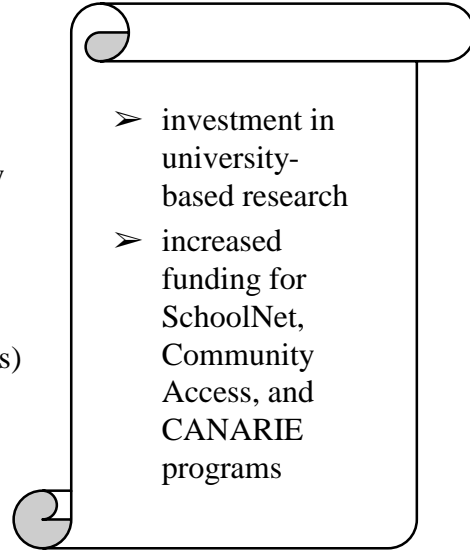
The Department of Finance Canada's objective is to ensure that Canada's official international reserves are maintained at a sufficient level to maintain orderly conditions in the foreign exchange market and provide for future contingencies; to manage the government's foreign currency assets held in the Exchange Fund Account prudently to ensure a sufficient amount of highly liquid assets are available for intervention and general liquidity purposes; and, to achieve maximum investment returns at minimal risk.

- In the 1998 budget, the government announced its intention to increase reserve levels to reflect increased flows and volatility in foreign exchange markets. During 1997-98, the government raised the equivalent of C\$3.9 billion (net) on foreign capital markets to bolster reserves. As at March 31, 1998, official international reserves stood at US\$22.4 billion.
- The Bank of Canada manages the assets of the Exchange Fund Account (EFA), within policies established by the Department of Finance Canada, as fiscal agent for the government. In 1997, the management of the EFA's investments was modified to obtain a profile of assets that corresponds more closely to the overall term structure on the government's foreign currency liabilities, thus reducing financial risks. EFA revenues totalled C\$1.3 billion in 1997, up \$34 million from the year before.

Investing in Knowledge and Creativity

Development and follow-up with relevant agencies and departments on innovation-related elements of the Canadian Opportunities Strategy were set out in the 1998 budget. These include:

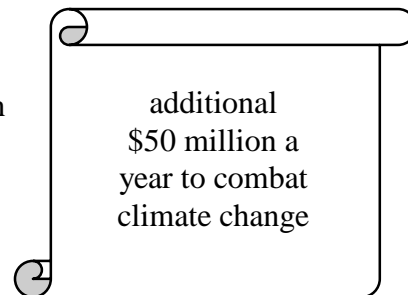
- Strategic investments in university-based research, increasing the capacity of the three federal granting councils to support advanced research and to meet Canada's needs for highly trained and skilled educators, scientists, researchers and engineers (\$400 million over three years); and
- Increased funding (\$260 million over four years) for the SchoolNet, Community Access, and Canadian Network for the Advancement of Research, Industry and Education (CANARIE) programs to help bring the benefits of information technology into more classrooms and communities across Canada, including linking the country's 16,000 schools and 3,400 public libraries to the information highway and increasing to 10,000 the number of access sites in urban neighbourhoods.



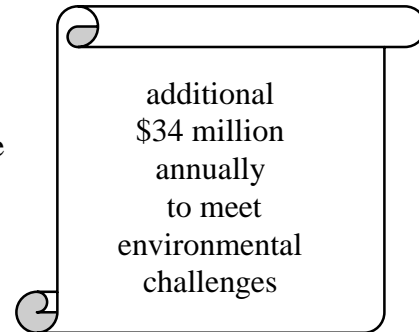
Building a Secure Society/Looking Outward

Development of, and participation in, initiatives and processes to address domestic and international environmental challenges, including:

- The 1998 budget initiative to provide a further \$50 million a year for three years (for a total, including previous commitments, of \$170 million annually) to build momentum in combating climate change;
- Participation in the consultations, research and analysis launched as part of a national effort to identify cost-effective and regionally-balanced approaches towards achieving substantial reductions in Canada's greenhouse gas emissions, as part of a global climate change initiative;
- Development and production of the department's first Sustainable Development Strategy, tabled in Parliament in December 1997; and



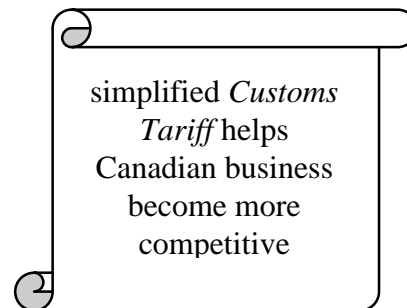
- The 1998 budget initiative to help meet environmental challenges through increased funding (\$34 million annually) to the National Research Council's Industrial Research Assistance Program to assist small- and medium-sized businesses to develop and implement state-of-the-art, more environmentally friendly and sustainable technologies and production processes.



additional
\$34 million
annually
to meet
environmental
challenges

Import Policy Measures

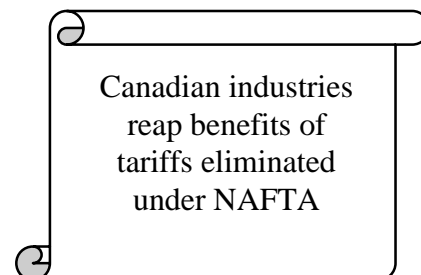
- Implemented the new, simplified *Customs Tariff*, the culmination of an extensive three year review of the tariff system undertaken to update and streamline the *Tariff* and to ensure that it is responsive to the competitive challenges facing Canadian industry. The new *Tariff*, implemented on January 1, 1998, is simpler, more transparent and more predictable and will lower costs for Canadian business. Furthermore, the simplification of the tariff resulted in lower tariffs on many manufacturing inputs, savings that should help Canadian business become more competitive. As well, the initiative included complementary changes to simplify the administration of the *Customs Tariff* and provide greater flexibility for business, and the Department of National Revenue, in complying with, and administering, customs laws. It also eliminated a number of customs and tariff regulations and administrative procedures, thus lessening the regulatory burden on both industry and government.



simplified *Customs
Tariff* helps
Canadian business
become more
competitive

- Implemented, as part of a Department of Foreign Affairs and International Trade omnibus legislation, the *Tariff* and other import policy measures flowing from the Canada-Chile Free Trade Agreement and the tariff element of the plurilateral Information Technology Agreement. These agreements, which improve export opportunities, increase competition and provide greater access to duty-free manufacturing inputs, should help to improve the competitiveness of Canadian industry.

- Implemented the first round of accelerated tariff elimination under the North American Free Trade Agreement (NAFTA), thereby enabling Canadian industries that are ready to reap the benefits of NAFTA on certain products to do so more quickly than originally scheduled.



Canadian industries
reap benefits of
tariffs eliminated
under NAFTA

- Tabled in Parliament, in April 1997, the government's response to the December 1996 Report by the House of Commons Standing Committees on Finance and Foreign Affairs and International Trade on the review of the *Special Import Measures Act*.
- Tabled Bill C-35, "An Act to Amend the *Special Import Measures Act* and the *Canadian International Trade Tribunal Act*". This Bill would implement the government's response to the parliamentary review by proposing changes to Canada's anti-dumping and countervailing duty system. The proposed amendments are aimed at improving transparency and procedural fairness.

- A Competitive and Secure Financial Services Sector for the 21st Century

- In December 1996, the government established the Task Force on the Future of the Canadian Financial Services Sector. The Task Force, comprised of private-sector members, has spent the last several months examining what needs to be done to ensure that Canada's financial system remains strong and dynamic as it heads into the 21st century. The Task Force recently released its report and the government has referred it to the Standing Committee on Finance for study.
- Created in 1998 to better address the rapid pace of change in the Canadian financial services sector, the Financial Sector Review Group's mandate is to provide analysis and advice on the future direction of financial sector policy in Canada. A key part of this work will be to assess the recommendations of the Task Force on the Future of the Canadian Financial Services Sector, which tabled its report in September 1998. In addition, this group will provide analysis and advice on proposed bank mergers.
- In addition, the department has been engaged in a review of the framework for the payments system in Canada. The review has been assisted by an Advisory Committee, co-chaired by senior officials from the department and the Bank of Canada, and made up primarily of private-sector members. In July 1998, the department released a discussion paper on the payments system, summarizing the work of the review and outlining some of the important issues, considerations, and possible options for change. The discussion paper also served as input to the Task Force on the Future of the Canadian Financial Services Sector.
- The department is also undertaking a review of its foreign bank entry policy, which will involve the development of a regime to allow foreign banks to branch directly into Canada. A discussion paper outlining the department's policy proposals was released in September 1997. Subsequently, during the WTO negotiations on financial services, which concluded in December 1997, Canada committed to including foreign bank branching in its WTO financial services schedule by June 1999. The government will review the recommendations of the Task Force on the Future of the

Canadian Financial Services Sector with respect to foreign bank entry before proceeding.

- In the June 1996 consultation paper on the 1997 Review of Financial Sector Legislation, the government announced its intentions to develop a demutualization regime that would enable all mutual life insurance companies to convert to stock companies; the existing regime applies only to small companies with assets in Canada of less than \$7.5 billion. Since then, the department has consulted extensively with interested parties on the key principles to be followed in developing the demutualization regime for large companies. In August 1998, the government released for public comments a consultation paper outlining a proposed regime that would allow large federally-regulated mutual life companies to demutualize. Following these consultations, steps will be taken to implement the required legislative amendments and regulations.

▪ Contributions to Getting Government Right

Privatization

- The sale of the government's shareholding in National Sea Products of Lunenburg, Nova Scotia, to Scotia Investments Limited, for \$5.8 million, was completed in December 1997, bringing a successful conclusion to the government's involvement — begun in 1984 — in the restructuring and commercial turnaround of this major, Atlantic Canada-based fish processing firm.
- The groundwork was completed for the subsequent announcement, in May 1998, of the sale of Kanata-based Theratronics International Limited to MDS Inc. of Toronto, Ontario for \$15.45 million. The sale will improve each company's growth potential in the important medical and health products fields and is consistent with the government's policy of divesting federal entities that do not play a public policy role and can operate more efficiently in the private sector.

sold gov't interest
in

- National Sea Products
- Theratronics International Limited

▪ Secure Social Programs

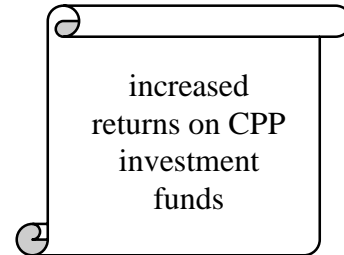
Canada Pension Plan

The federal and provincial governments reached an agreement in February 1997 to put the CPP on a secure and equitable basis by moving to fuller funding, improving the rate of

return on the plan's assets, slowing the growth of costs and instituting new governance and accountability structures.

The legislation (*Bill C-2: An Act to Establish the Canada Pension Plan Investment Board and to Amend the Canada Pension Plan and the Old Security Act and to make Consequential Amendments to other Acts*) received first reading in the House of Commons in September 1997. The legislation received parliamentary approval and the necessary support of two thirds of the provinces with two thirds of the population.

The contribution rate and benefit provisions were proclaimed January 1, 1998. The investment provisions were proclaimed on April 1, 1998, following a review of the legislation and draft investment regulations by the Senate Committee on Banking, Trade and Commerce. Under the new legislation, an arm's length CPP Investment Board will invest new CPP funds in a diversified portfolio of securities in the best interest of CPP plan members. The Chief Actuary estimates that the new investment policy will increase investment returns by an average of 1 percentage point per annum over the old policy.



The changes in Bill C-2 will keep the contribution rate from rising to the 14.2 per cent projected by the Chief Actuary in the 15th CPP actuarial report and will ensure that the plan is fair and sustainable for future generations.

Improving Access to Knowledge and Skills

The 1998 budget introduced the Canadian Opportunities Strategy to support individuals and families in the acquisition of knowledge and skills.

Key elements of the Canadian Opportunities Strategy include:

- providing an initial endowment of \$2.5 billion to the Canada Millennium Scholarship Foundation which will result in more than 100,000 students receiving Canada Millennium Scholarships averaging \$3,000 a year;
- providing new Canada Study Grants to help meet the financial needs of up to 25,000 students with children or other dependants;
- helping graduates manage their student debt loads by improving the Canada Student Loans Program to help borrowers facing financial difficulties; and
- supporting youth employment by more than doubling funding for youth at risk who lack basic education and job skills, and by providing to employers an Employment Insurance premium holiday for additional young Canadians hired in 1999 and 2000.

Note: The Canadian Opportunities Strategy is also mentioned in the Tax Policy Section (Education) and the section on Investing in Knowledge and Creativity.

1.2 International Financial Organizations Business Line

Business Line Objective: responsible administration of international financial obligations and subscriptions.

<i>Summary Financial Information for International Financial Organizations Business Line</i>	
Planned Spending (1997-98 Estimates)	\$694,300,000
<i>Total Authorities</i>	<i>\$1,393,933,774</i>
1997-98 Actuals	\$836,282,537

The *Key Results* of the *International Financial Organizations Business Line* include:

- accurate and timely payment of international subscriptions and obligations to such organizations as:
 - ⇒ the International Bank for Reconstruction and Development (IBRD),
 - ⇒ the International Development Association (IDA),
 - ⇒ the International Finance Corporation (IFC),
 - ⇒ the Multilateral Investment Guarantee Agency (MIGA),
 - ⇒ the Enhanced Structural Adjustment Facility (ESAF), and
 - ⇒ the European Bank for Reconstruction and Development (EBRD).
- accurate and timely payment of grants and contributions under Paris Club multilateral agreements, usually related to debt restructuring and relief.

International Financial Relations

- participation in the international negotiations leading to agreement (reached in September 1997) to increase IMF quotas and to undertake an equity allocation of Special Drawing Rights
- participation in international efforts to contain and stabilize the Asian financial crisis through our membership in international financial organizations such as the IMF, the World Bank and the Asian Development Bank as well as directly through our participation in the “second line of defence” in the Korean package.

1.3 Domestic Coinage Business Line

Business Line Objective: economical financing of domestic coinage costs.

<i>Summary Financial Information for Domestic Coinage Business Line</i>	
Planned Spending (1997-98 Estimates)	\$38,000,000
<i>Total Authorities</i>	\$29,770,389
1997-98 Actuals	\$29,770,389

The *Key Result* of the *Domestic Coinage Business Line* is the accurate and timely payment of production and distribution costs to the Royal Canadian Mint.

1.4 Special Projects (Hibernia) Business Line

Business Line Objective: non-budgetary payment to fund Canada's equity interest in the Hibernia project.

<i>Summary Financial Information for Special Projects (Hibernia) Business Line</i>	
Planned Spending (1997-98 Estimates)	\$58,000,000
<i>Total Authorities</i>	\$58,000,000
1997-98 Actuals	\$52,906,894

The *Key Result* of the *Special Projects (Hibernia) Business Line* is the timely contribution of equity to Canada Hibernia Holdings Corporation to fund Canada's commitment to the Hibernia development project.

- The Hibernia development project attained several critical milestones in this period including the completion of the Gravity Based Structure, its mating with the topside, the successful tow-out to the reservoir site, and first oil production in November 1997. The project attained initial production stage one month ahead of schedule and under the \$5.819 billion budget. By March 1998, Hibernia production reached 15,000 barrels per day, on target to forecast production rates of 60,000 barrels per day by June 1998, with peak production forecast at 135,000 barrels per day by 1999.

1.5 Corporate Administration Business Line

Business Line Objective: effective and efficient corporate administration.

Summary Financial Information for Corporate Administration Business Line

Planned Spending (1997-98 Estimates)	\$18,224,000
<i>Total Authorities</i>	\$23,125,963
1997-98 Actuals	\$24,917,517

The *Key Results* of the *Corporate Administration Business Line* include:

- timely and relevant fiscal and economic information
- sound legal advice
- accurate and timely processing of applications under the *Access to Information Act* and *Privacy Act*
- successful legislative initiatives
- greater facility for Canadians communicating with the department
- competent and professional corporate services which comprise financial, human resources, information technology, security, and administrative services.

Year 2000 Readiness

- ***Mission-critical Systems:*** the department's Transfer Payments system to the provinces and territories has been identified as a government-wide mission-critical system. Until August 1998, the department had been participating in an initiative promoted by the Bank of Canada to set up a Large Volume Transfer System (LVTS). Among other benefits, LVTS would eliminate risk associated with the movement of funds through the banking system by permitting immediate transfer of monies to the provinces and territories, provide a Year 2000 compliant system, and make use of Government of Canada PKI technology to secure the electronic transfer.

Finance was to have participated in the pilot phase of this new Bank of Canada system and, if successful, would have used it to replace the existing Electronic Data Interchange (EDI) based system before the end of 1998. The new departmental Integrated Financial System (IFMS) has already been configured to support the Transfers Payments to the provinces and the territories. The testing phase of the Bank of Canada system was set to start in September 1998, with full production implementation slated by the end of 1998.

The implementation schedule for the LVTS application is under revision following a recent decision to have all financial transactions issued via Public Works and Government Services Canada (PW&GSC). A Memorandum of Understanding (MOU) is currently being negotiated to determine the impact of the PW&GSC intervention.

- **External Data Exchange:** a concern of the department is to ascertain that data exchange operations with external data sources (e.g., Statistics Canada, Revenue Canada, Bank of Canada, Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), PW&GSC, etc.) continue to function properly and without interruption as we reach the Year 2000. Indications are that appropriate actions are being taken by these organizations. For example, the OECD and IMF time series databases are already Year 2000 compliant. Tax and tariffs data being received from Revenue Canada and Statistics Canada are also Year 2000 compliant. While formal MOUs have not been established, filtering of incoming data will be performed to ensure Year 2000 compliance before information is loaded on internal databases.
- **Internal Systems:** The departmental enterprise IT network is well positioned to handle a smooth transition to the year 2000. A dedicated test environment is in place to allow for the effective testing of all departmental applications for Year 2000 compliance.

All mainframe-based corporate business applications have been replaced. The new replacement systems are those which have been selected for government-wide implementation. These business systems are either fully Year 2000 compliant now or will be well in advance of posing any related problems.

Econometric and statistical analysis software currently in use within the department is already Year 2000 compliant.

The department is monitoring its microcomputer and network equipment inventory to ensure the internal hardware timing mechanism of all hardware components can handle the change of century.

The department is also monitoring the state of readiness regarding embedded systems in areas such as office equipment (fax machines and photocopiers), building infrastructure (elevators and lighting), security systems, electrical power and other utilities.

- **Agencies for which the Minister reports to Parliament:** In April 1998, the Deputy Minister sent letters to the heads of all agencies for which the Minister of Finance reports to Parliament to request their organizations' state of readiness for the Year 2000. These agencies include the Bank of Canada, the Office of the Superintendent of Financial Institutions, the Canadian International Trade Tribunal and the Canada Deposit Insurance Corporation. All organizations have responded and have demonstrated a high level of attention to the Year 2000 issue and are taking active steps in monitoring their progress.

La Relève

The critical nature of the human resource issues facing the public service led to the launch of the *La Relève* initiative by the government. The initiative addresses the impact of recent changes within the Public Service and especially to retain and motivate employees to recommit themselves to a career in a Public Service that is redefining itself. The department is on target in implementing its *La Relève* strategy to ensure a modern, vibrant organization capable of delivering on its commitments to Canadians. Significant progress has been made on a number of fronts including:

- a modernized performance management process;
- an enhanced career management service in support of career development and mobility;
- an expanded training and learning activity agenda; and
- an annual succession planning exercise of the executive cadre extended to include senior level economists.

Official Languages

As a recent audit confirmed, the department provides quality service to the public in both official languages.

Eighty-two per cent of employees meet the requirements of their bilingual positions. During 1997-98, 45 executives and 54 mid-level economists participated in various types of language training.

Thirty-five and a half per cent of departmental employees are Francophone. Twenty-five per cent of executives are Francophone and of the 42 executive appointments made in 1997-98, 36 per cent met the language requirements upon appointment and 31 per cent were Francophone.

In support of institutional bilingualism and official languages minority communities, the department has named a “champion” and participated in an interdepartmental working group responsible for the planning, co-ordination and promotion of the Francophonie Week held in March 1998.

2. Public Debt Program

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

2.1 Interest and Other Costs Business Line

Business Line Objective: the funding of interest and service costs of the public debt and the issuing costs of non-retail debt, if required.

<i>Summary Financial Information for Interest and Other Costs Business Line</i>	
Planned Spending (1997-98 Estimates)	\$45,876,000,000
<i>Total Authorities</i>	<i>\$43,844,106,962</i>
1997-98 Actuals	\$43,844,106,962

The *Key Results* of the *Interest and Other Costs Business Line* encompass accurate, timely payments and cash management.

Debt Management

The Department of Finance Canada, in conjunction with the Bank of Canada, works to provide stable, low-cost funding for the government through a prudently-structured debt stock, and through the maintenance of a well-functioning market for Government of Canada securities.

➤ *Stable, Low-cost Funding*

Increasing the stability of debt charges has been a focus of debt strategy over recent years. Greater cost stability has been pursued by increasing the share of the government's total debt in fixed-rate form (i.e. debt maturing or repriced in longer than 12 months). Since 1989-90, the fixed-rate share of the government's debt has been increased from a low of around 50 per cent to the present level of 65 per cent, representing the achievement of the target for the fixed-rate proportion of the debt set in 1992.

The sensitivity of debt charges to interest rate shocks has been reduced sharply as a result of moving to a higher fixed-rate structure – in the mid-1990s, the impact of a 100-basis-point increase in interest rates was estimated to raise public debt charges by \$1.8 billion in the first year. Today, even with a larger debt stock, a similar increase would increase debt charges by only \$1 billion.

➤ *Market Development*

Ensuring that the government and other borrowers in the economy can raise funds at stable and low costs requires well-functioning capital markets. A well-functioning Government of Canada (GoC) securities market is of general benefit to the domestic capital market where federal securities are key investments, as well as pricing and hedging tools.

The government's initiatives over the past years have helped make the GoC securities market one of the most efficient and liquid in the world. An indicator of efficiency is the trading spread for instruments (i.e. the difference between the yields at which instruments are offered for sale and for purchase). Trading spreads for GoC Treasury Bills and benchmark bonds compare favourably to those of other major sovereign markets. An indicator of market liquidity is total volume of transactions relative to outstanding stock, and Canadian government security markets compare very favourably to those of other countries with highly developed capital markets.

The government's debt program is being progressively restructured to maintain a liquid and well-functioning market, within the context of ongoing reductions in market debt. In the fall of 1997, the government switched from weekly to bi-weekly Treasury Bill auctions, while in April 1998, the issuance of 30-year bonds was reduced to semi-annual from quarterly. These changes were based on extensive consultations with market participants and have contributed to improved market activity.

To further aid in maintaining market liquidity, during 1997-98, the government continued the process to reduce the potential for market manipulation (squeezes) developing out of auctions of Government of Canada securities as the supply of debt declines. Consultations with market participants were a major part of this process, focusing on detailed proposals for changes in auction rules to reduce the incidence of squeezes. As a result, new auction rules were announced in August 1998, and will be effective in the fall of 1998.

2.2 Canada Investment and Savings Business Line

Business Line Objective: the provision of funding for the government consistent with its fiscal plan and designed to balance cost, risk and market considerations; maintenance of a reasonable and sustainable retail share of the total federal debt, therefore ensuring a broad investor base for government debt; and, the offer of a family of attractive products, including new ones in key market segments, thus benefiting all Canadians.

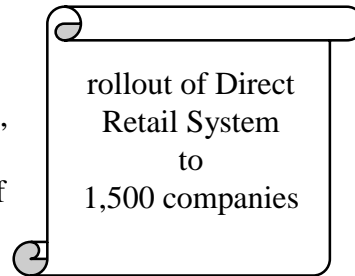
<i>Summary Financial Information for Canada Investment and Savings Business Line</i>	
Planned Spending (1997-98 Estimates)	\$124,000,000
<i>Total Authorities</i>	<i>\$126,582,905</i>
1997-98 Actuals	\$126,582,905

The *Key Results* of the **Canada Investment and Savings Business Line** include:

- diversification
- marketing and communication effectiveness
- budget management

Canada Investment and Savings (CI&S) was granted permanent Special Operating Agency status within the Department of Finance Canada in October 1997. Significant progress has been achieved related to the retention and diversification of the retail debt portfolio, increased access to retail debt instruments, building of a solid technological foundation for the 21st Century, and an integrated, cost-effective marketing approach.

- ***Retention and Diversification of the Retail Debt Portfolio:*** CI&S reversed the declining trend of the retail debt portfolio as a percentage of the total Government of Canada market debt. With this year's total gross sales of \$5 billion in CSBs and Canada RRSP Bonds, retail debt as a percentage of total federal debt reached 22 per cent, compared to about 21 per cent in 1995. Retention and diversification of the retail debt portfolio, despite a maturity of \$3 billion and the repricing of some \$22 billion of the stock (or over 70 per cent of the retail debt portfolio), was achieved mainly through innovative pricing, continued promotion of registered plans such as RRSP, introduction of the Canada RRIF plan, and extension of the sales period — from three weeks to four months.
- ***New Canada Payroll Savings Plan:*** In collaboration with the Bank of Canada, CI&S completed the first phase of the rollout of the Direct Retail System (DRS), the technology and sales infrastructure that supports the New Canada Payroll Savings. The development of DRS was completed on time and within budget. In the Phase I rollout of the new system, some 1,500 companies participated in the traditional payroll program, thereby reducing their administrative workload by up to 70 per cent. Rollout to the remaining 14,000 companies will occur over the next several years.
- ***Market-based Compensation to Direct Clearers and Payroll Sales Force:*** CI&S negotiated a new compensation package with direct clearers based on market practice. This new compensation structure promotes both asset retention and cost savings to the government. Sales agents are now compensated based on how long the customer holds the bond. As a result, based on historical hold patterns, it reduces compensation from 26 to 20 basis points per annum. In addition, CI&S initiated a variable performance-based component in the remuneration package for its current Canada Payroll Savings sales force, again to promote performance and cost-efficiencies.
- ***Solid Technology Foundation:*** CI&S developed a strategic five-year IT Plan and Reference Architecture to provide a road map for our systems area that allows us to attain our business objectives. Also, in addition to the completion of the first phase of DRS, the Bank of Canada – which provides systems and administration support to the Retail Debt Program under a cost recovery process – continued to develop the first phase of the new Retail Debt Management System (RDMS) scheduled for June 1998.



- ***Integrated and Cost-efficient Marketing:*** CI&S continued to move from a traditional marketing approach, where each sales period required the invention of new themes and promotional materials, to a more integrated approach with continuous themes that can be used for an extended sales period (e.g. four months in 1997-98). This allows CI&S to promote its products without incurring large marketing budget increases. CI&S also achieved significant results through electronic advertising on its Website and a more extensive use of unpaid media events — such as newspaper articles and the luncheon with payroll CEOs and the Minister in December.

3. Federal-Provincial Transfers Program

Program/Business Line Objective: transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer, Equalization and other transfers, and pursuant to agreements with respect to Territorial Formula Financing.

<i>Summary Financial Information for Federal-Provincial Transfer Payments Business Line</i>	
Planned Spending (1997-98 Estimates)	\$19,382,000,000
<i>Total Authorities</i>	<i>\$19,731,672,394</i>
1997-98 Actuals	\$19,731,664,459

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

Total cash Transfer Payments – Main Estimates	\$12,205,437,001
Plus Tax Transfers	12,894,562,999
Total	<u>\$25,100,000,000</u>

The *Key Results* of the ***Federal-Provincial Transfer Payments Business Line*** include accurate and timely transfer payments pursuant to statutes and agreements with respect to:

- ***Canada Health and Social Transfer (CHST)*** which provides funds to provinces in support of health, post-secondary education and social assistance to ensure the maintenance of the *Canada Health Act* and access to social assistance without minimum residency requirements. Legislation raising the cash floor of the CHST from \$11 billion to \$12.5 billion was introduced in Parliament on December 10, 1997 and received Royal Assent on June 19, 1998. The measure will result in an additional \$7 billion in transfers to provinces between 1998-99 and 2002-03.
- ***Fiscal Equalization*** which provides transfer payments to provinces with lower fiscal capacity so that they can provide reasonably comparable levels of services at reasonably comparable levels of taxation. The department continued to consult with provinces to prepare for the renewal of Equalization legislation in 1999.

- ***Territorial Formula Financing*** to ensure that territorial governments have the financial resources to provide a full range of public services in the North. The department continued consultations for the establishment of financial arrangements with the creation of the new territory of Nunavut in 1999, as well as the renewal of financial arrangements with the other territories.

- other transfers such as
 - ⇒ ***Statutory Subsidies***, which are unconditional payments, established by the Terms of Confederation and under subsequent arrangements as new provinces entered Confederation, payable in perpetuity.

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

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

 - ⇒ ***Grant to the Province of Newfoundland and Labrador***, which are statutory payments to be made to the Province of Newfoundland and Labrador pursuant to the *Newfoundland Additional Financial Assistance Act*.

Financial Table 1: Summary of Voted Appropriations (cont'd)

A. Authorities for 1997-98

Financial Requirements by Authority (millions of dollars)

Vote		1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
Public Debt Program				
(S)	Interest and Other Costs	46,000.0	43,970.7	43,970.7
	Total Program	46,000.0	43,970.7	43,970.7
Federal-Provincial Transfers Program				
15	Transfer Payments to the Territorial Governments	1,120.0	1,132.1	1,132.1
20	Grant to the Province of Newfoundland and Labrador	40.0	40.0	40.0
(S)	Statutory Subsidies	30.0	30.1	30.1
(S)	Fiscal Equalization	8,292.0	8,867.6	8,867.6
(S)	Canada Health and Social Transfer*	12,500.00	12,205.4	12,205.4
(S)	Youth Allowances Recovery	(469.0)	(463.8)	(463.8)
(S)	Alternative Payments for Standing Programs	(2,131.0)	(2,108.1)	(2,108.1)
(S)	Public Utilities Income Tax Transfer	-	28.3	28.3
	Total Program	19,382.0	19,731.7	19,731.7
Total Department		66,227.1	67,026.7	64,790.0

Total Authorities are Main plus Supplementary Estimates plus other authorities.

¹ Planned Spending: \$48,645; Total Authorities: \$48,666; Actual: \$48,666.

² Total Authorities: \$8,642; Actual: \$8,642.

³ Total Authorities: \$36,441; Actual: \$36,441.

⁴ Total Authorities: \$29,102.

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

Cash transfer	\$12.2
Tax transfer	<u>\$12.9</u>
Total	\$25.1

Financial Table 2: Comparison of Total Planned to Actual Spending

Departmental Planned versus Actual Spending by Business Line (millions of dollars)

Business Lines	FTEs	Operating ¹	Grants, Contri- butions & Other Transfer Payments	Statutory Payments	Loans, Invest- ments and Advances	Total Gross Expendi- tures	Less: Revenue Credited to the Vote	Total Net Expendi- tures
Policies and Advice	391	36.6				36.6	-	36.6
<i>(Total Authorities)</i>	<i>441</i>	<i>42.9</i>				<i>42.9</i>	-	<i>42.9</i>
(Actuals)	399	40.7				40.7	0.6	40.1
Int'l Financial Organizations²			280.0	414.3	-	694.3		694.3
<i>(Total Authorities)</i>			<i>280.0</i>	<i>917.9</i>	<i>196.0</i>	<i>1,393.9</i>		<i>1,393.9</i>
(Actuals)			208.0	433.1	195.2	836.3		836.3
Domestic Coinage				38.0		38.0		38.0
<i>(Total Authorities)</i>				<i>29.8</i>		<i>29.8</i>		<i>29.8</i>
(Actuals)				29.8		29.8		29.8
Corporate Administration³	193	21.5				21.5	3.3	18.2
<i>(Total Authorities)</i>	<i>205</i>	<i>30.6</i>				<i>30.6</i>	<i>7.5</i>	<i>23.1</i>
(Actuals)	198	31.8				31.8	6.9	24.9
Special Projects				-	58.0	58.0		58.0
<i>(Total Authorities)</i>				<i>73.0</i>	<i>58.0</i>	<i>131.0</i>		<i>131.0</i>
(Actuals)				1.0	52.9	53.9		53.9
Interest and Other Costs				45,876.0		45,876.0		45,876.0
<i>(Total Authorities)</i>				<i>43,844.1</i>		<i>43,844.1</i>		<i>43,844.1</i>
(Actuals)				43,844.1		43,844.1		43,844.1
Canada Investment & Savings				124.0		124.0		124.0
<i>(Total Authorities)</i>				<i>126.6</i>		<i>126.6</i>		<i>126.6</i>
(Actuals)				126.6		126.6		126.6
Federal-Provincial Transfer Payments (cash portion)			1,160.0	18,222.0		19,382.0		19,382.0
<i>(Total Authorities)</i>			<i>1,172.1</i>	<i>18,559.6</i>		<i>19,731.7</i>		<i>19,731.7</i>
(Actuals)			1,172.1	18,559.6		19,731.7		19,731.7
Total	584	58.1	1,440.0	64,674.3	58.0	66,230.4	3.3	66,227.1 ⁴
<i>(Total Authorities)</i>	<i>646</i>	<i>73.6</i>	<i>1,452.1</i>	<i>63,551.0</i>	<i>254.0</i>	<i>65,330.6</i>	<i>7.5</i>	<i>65,323.1⁵</i>
(Actuals)	597	72.5	1,380.1	62,994.2	248.1	64,694.8	7.5	64,687.3⁴
Other Revenues and Expenditures								
Other revenue credited to the Consolidated Revenue Fund								(144.6)
<i>(Total Authorities)</i>								-
(Actuals)								(3,696.9)⁶
Cost of services provided by other departments								8.3
<i>(Total Authorities)</i>								-
(Actuals)								8.7
Net Cost of the Program								66,090.8
<i>(Total Authorities)</i>								<i>65,323.1</i>
(Actuals)								61,204.7

Note: Numbers in italics denote Total Authorities for 1997-98 (Main and Supplementary Estimates and other authorities).

Bolded numbers denote actual expenditures/revenues in 1997-98.

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

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

² Statutory Payments include authorities and actuals of \$49.4 million related to forgiveness of debts and obligations owed by the Republic of China.

³ Total Authorities and Actual Corporate Administration expenditures exclude an amount of \$102.7 million for statutory items, primarily for the net loss on exchange.

⁴ Actual expenditures were \$1.5 billion lower than planned, primarily as a result of lower than anticipated public debt interest costs of \$2.1 billion, partially offset by higher costs in International Financial Organizations, Corporate Administration and Federal-Provincial Transfer Payments.

⁵ Excludes \$1,600.8 million for subscriptions for shares of Petro-Canada Limited.

⁶ Revenues consist of Bank of Canada and Exchange Fund profits, proceeds from sales of Domestic Coinage, and other revenue items.

Financial Table 3: Historical Comparison of Total Planned to Actual Spending

Departmental Planned versus Actual Spending by Business Line (millions of dollars)

Business Lines	1995-96	1996-97	1997-98	1997-98	1997-98
	Actual	Actual	Planned Spending	Total Authorities	Actual
Policies and Advice	39.0	33.6	36.6	42.9	40.1
International Financial Organizations	1,040.7	937.3	694.3	1,393.9	836.3
Domestic Coinage	49.9	69.8	38.0	29.8	29.8
Corporate Administration	24.5	24.2	18.2	23.1 ¹	24.9¹
Special Projects	1,587.0	1,015.5	58.0	131.0	53.9
Interest and Other Costs	46,876.5	45,157.0	45,876.0	43,844.1	43,844.1
Canada Investment and Savings	-	26.8	124.0	126.6	126.6
Federal-Provincial Transfer Payments (cash portion)	8,815.8	22,408.8	19,382.0	19,731.7	19,731.7
Total	58,433.4	69,673.0	66,227.1	65,323.1²	64,687.3

Total Authorities are Main plus Supplementary Estimates plus other authorities.

¹ Total Authorities and Actual Corporate Administration expenditures are reported in Public Accounts as \$125.8 million and \$127.6 million, respectively. This amount includes, in addition to the Authorities and Actuals of \$23.1 million and \$24.9 million noted above, statutory expenditures totalling \$102.7 million primarily for the net loss on exchange.

² Excludes \$1,600.8 million for subscriptions for shares of Petro-Canada Limited.

Financial Table 4: Crosswalk Between Old Structure and New Structure

Table 4 is not applicable to the Department of Finance Canada.

Financial Table 5: Resource Requirements by Organization and Business Line

Comparison of 1997-98 Planned Spending and Total Authorities to Actual Expenditures by Organization and Business Line (millions of dollars)

Organization	Business Lines								TOTALS
	Policies and Advice	Int'l Financial Organizations	Domestic Coinage	Corporate Administration	Special Projects	Interest and Other Costs	Canada Investment & Savings	Fed-Prov Transfer Payments	
Economic & Fiscal Policy	6.7				58.0				64.7
<i>(Total Authorities)</i>	6.8				131.0				137.8
(Actuals)	5.8				53.9				59.7
Int'l Trade & Finance	6.3	694.3							700.6
<i>(Total Authorities)</i>	7.6	1,393.9							1,401.5
(Actuals)	8.9	836.3							845.2
Tax Policy	10.3								10.3
<i>(Total Authorities)</i>	11.7								11.7
(Actuals)	11.6								11.6
Financial Sector Policy	5.5		38.0			45,876.0	124.0		46,043.5
<i>(Total Authorities)</i>	7.9		29.8			43,844.1	126.6		44,008.4
(Actuals)	6.7		29.8			43,844.1	126.6		44,007.1
Fed-Prov Relations & Social Policy	4.5							19,382.0	19,386.5
<i>(Total Authorities)</i>	4.8							19,731.7	19,736.5
(Actuals)	4.0							19,731.7	19,735.6
Econ. Develop. & Corp. Fin.	3.1								3.1
<i>(Total Authorities)</i>	4.1								4.1
(Actuals)	3.1								3.1
Consultations & Communications				4.2					4.2
<i>(Total Authorities)</i>				7.1					7.1
(Actuals)				7.1					7.1
Legal Services				1.0					1.0
<i>(Total Authorities)</i>				1.4					1.4
(Actuals)				1.2					1.2
Management¹				4.0					4.0
<i>(Total Authorities)</i>				4.2					4.2
(Actuals)				4.6					4.6
Corporate Services				8.9					8.9
<i>(Total Authorities)</i>				10.2					10.2
(Actuals)				12.1					12.1
TOTALS	36.6	694.3	38.0	18.2	58.0	45,876.0	124.0	19,382.0	66,227.1
<i>(Total Authorities)</i>	42.9	1,393.9	29.8	23.1 ²	131.0	43,844.1	126.6	19,731.7	65,323.1
(Actuals)	40.1	836.3	29.8	24.9²	53.9	43,844.1	126.6	19,731.7	64,687.3
% of TOTAL	0.1%	1.3%	0.0%	0.0%	0.1%	67.8%	0.2%	30.5%	

Note: Numbers in italics denote Total Authorities for 1997-98 (Main and Supplementary Estimates and other authorities).

Bolded numbers denote actual expenditures/revenues in 1997-98.

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

¹ Accountability for "Management" includes the offices of the Minister, Secretary of State, Deputy Minister and Associate Deputy Ministers.

² Corporate Administration Authorities and Actuals are reported in Public Accounts as \$125.8 million and \$127.6 million, respectively. These amounts include, in addition to the Authorities and Actuals of \$23.1 million and \$24.9 million noted above, statutory expenditures primarily for the net loss on exchange.

Financial Table 6: Revenues to the Vote

Revenues Credited to the Vote by Business Line (millions of dollars)

Business Lines	1995-96	1996-97	1997-98	1997-98	1997-98
	Actual	Actual	Planned Revenues	Total Authorities	Actual
Corporate Administration	5.3	5.1	3.3	7.5	7.5
Total Revenues Credited to the Vote	5.3	5.1	3.3	7.5	7.5

Total Authorities are Main plus Supplementary Estimates plus other authorities.

Financial Table 7: Revenues to the Consolidated Revenue Fund (CRF)

Revenues Credited to the Consolidated Revenue Fund by Program¹ (millions of dollars)

Program	1995-96	1996-97	1997-98	1997-98	1997-98
	Actual	Actual	Planned Spending	Total Authorities	Actual
Economic, Social and Financial Policies Program ²	4,380.3	3,726.4	-	-	3,694.0
Public Debt Program	2.3	1.9	-	-	3.0
Total Revenues Credited to the CRF	4,382.6	3,728.3	-	-	3,696.9

Total Authorities are Main plus Supplementary Estimates plus other authorities.

¹ This table identifies revenues by program rather than by Business Line since most departmental revenues are not specifically attributable to Business Lines.

² Includes proceeds from sales for the Domestic Coinage Business Line.

Financial Table 8: Statutory Payments

Statutory Payments by Business Line (millions of dollars)

Business Lines	1995-96 Actual	1996-97 Actual	1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
BUDGETARY					
Policies and Advice	3.5	3.7	4.2	4.2	4.2
International Financial Organizations	249.6	233.1	222.8	497.8	221.5
Domestic Coinage	49.9	69.8	38.0	29.8	29.8
Corporate Administration ¹	1.7	2.0	1.6	1.6	1.6
Special Projects	1,482.8	961.7	-	71.0	1.0
Interest and Other Costs	46,876.5	45,157.0	45,876.0	43,844.1	43,844.1
Canada Investment and Savings	-	26.8	124.0	126.6	126.6
Federal-Provincial Transfer Payments (cash portion)	8,815.8	21,237.2	18,222.0	18,559.6	18,559.6
Total Budgetary	57,479.8	67,691.3	64,488.6	63,134.6	62,788.3
NON-BUDGETARY					
International Financial Organizations	179.2	144.7	191.5	370.7	162.2
Special Projects	-	-	-	2.0	-
Total Non-Budgetary	179.2	144.7	191.5	372.7	162.2
Total Statutory Payments	57,659.0	67,836.0	64,680.1	63,507.3²	62,950.5

Total Authorities are Main plus Supplementary Estimates plus other authorities.

¹ Total Authorities and Actual Corporate Administration expenditures are reported in Public Accounts as \$104.3 million. This amount includes, in addition to the Authorities and Actuals of \$1.6 million noted above, statutory expenditures totalling \$102.7 million primarily for the net loss on exchange.

² Excludes \$1,600.8 million for subscriptions for shares of Petro-Canada Limited.

Financial Table 9: Transfer Payments

Transfer Payments by Business Line (millions of dollars)

Business Lines	1995-96 Actual	1996-97 Actual	1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
GRANTS					
International Financial Organizations	325.8	333.6	108.0	280.0	208.0
Federal-Provincial Transfer Payments (cash portion)	-	50.0	40.0	40.0	40.0
Total Grants	325.8	383.6	148.0	320.0	248.0
CONTRIBUTIONS					
International Financial Organizations	-	-	172.0	-	-
Total Contributions	-	-	172.0	-	-
OTHER TRANSFER PAYMENTS					
International Financial Organizations	249.6	233.1	222.8	497.8	221.5
Special Projects	-	961.0	-	-	-
Federal-Provincial Transfer Payments (cash portion)	8,815.8	22,358.8	19,342.0	19,691.7	19,691.7
Total Other Transfer Payments	9,065.4	23,552.9	19,564.8	20,189.5	19,913.1
Total Transfer Payments	9,391.2	23,936.5	19,884.8¹	20,509.5¹	20,161.1¹

Total Authorities are Main plus Supplementary Estimates plus other authorities.

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

Financial Table 10: Capital Spending by Business Line

Table 10 is not applicable to the Department of Finance Canada.

Financial Table 11: Capital Projects by Business Line

Table 11 is not applicable to the Department of Finance Canada.

Financial Table 12: Status of Major Crown Projects

Table 12 is not applicable to the Department of Finance Canada.

Financial Table 13: Loans, Investments and Advances

Loans, Investments and Advances by Business Line (millions of dollars)

Business Lines	1995-96	1996-97	1997-98	1997-98	1997-98
	Actual	Actual	Planned Spending	Total Authorities	Actuals
International Financial Organizations	286.1	225.9	-	196.0	195.2
Special Projects	104.2	53.8	58.0	58.0	52.9
Total	390.3	279.7	58.0	254.0	248.1

Total Authorities are Main plus Supplementary Estimates plus other authorities.

Financial Table 14: Revolving Fund Financial Statements

Table 14 is not applicable to the Department of Finance Canada.

Financial Table 15: Contingent Liabilities

Contingent Liabilities (millions of dollars)

List of Contingent Liabilities	Amount of Contingent Liabilities		
	March 31 1996	March 31 1997	Current as of March 31, 1998
Thomas C. Assaly and Northland Bank	20.0	20.0	-
Quebec Government	-	127.0	127.0
Ainsworth Lumber	-	45.0	10.0
Loan guarantee MICC and GEMICO	28.6	49.2	45.4
Loan guarantee International Organizations	7,301.5	7,437.4	8,102.8
Lines of Credit (IMF)	1,772.0	-	-
Total	9,122.1	7,678.6	8,285.2

Total Authorities are Main plus Supplementary Estimates plus other authorities.

Section V: Consolidated Reporting

Sustainable Development Strategy

Over the past several years, the department has taken steps to better integrate the economy and the environment into the policies for which it is responsible. The four most recent federal budgets contained measures to help level the playing field between renewable and non-renewable energy, promote energy efficiency, and encourage donations of ecologically sensitive land and the creation of environmental trusts.

Given the cross-cutting nature of sustainable development, the approach within Finance has been to incorporate it broadly within the existing policy development framework, rather than isolate it. In practice, this means that each branch is responsible for taking sustainable development implications into account. In order to co-ordinate the integration of sustainability into the full range of policy analysis and development for which the department is responsible, a senior level committee involving participants from every branch provides oversight and guidance.

In accordance with the *Auditor General Act*, the department tabled its Sustainable Development Strategy (SDS) in December 1997. The SDS identifies the following four key issues:

- **Integrating the economy and the environment:** Build on progress in integrating environmental and economic considerations in tax, spending and related policies.
- **Building the future:** Improve intergenerational equity by promoting fiscal health and strengthening the economy and society.
- **Participating in the global economy:** Address the growing globalization of the economy and environmental concerns and the link to international competitiveness.
- **Greening operations:** Green the department's internal operations.

Progress on these key issues is outlined in a chart on the following page. Although 1997–98 covers only the early stages of the Strategy's three-year implementation period, progress has been made through initiatives in several areas.

In response to input from the Commissioner of the Environment and Sustainable Development, work is on going — beyond the commitments made in the SDS — to sustain and deepen departmental efforts with respect to implementation and in continuously improving the strategy (i.e., specificity of action items, results measurement and process improvements). As an example, efforts have been made recently to further integrate sustainable development into policy analysis and development within the department. More particularly, the Economic Development and Corporate Finance Branch, the department's focal point for sustainable development issues, has expanded its resources and mandated one of its officers to improve the integration of sustainable development within the department. Also, as a result of this initiative, work has been undertaken to examine whether and how Strategic Environmental Assessment would strengthen the unique policy role of the department.

SUSTAINABLE DEVELOPMENT STRATEGY - PROGRESS REPORT

Strategic Goals	Objectives	Highlights of Progress to Date
Key Issue: Integrating the Economy and the Environment		
Making the tax system more responsive to environmental considerations	<p>Continue to assess effectiveness of tax measures with a view to encouraging greater energy efficiency and use of renewable energy</p> <p>Develop catalogue of information on energy taxes and transportation taxes in Canada</p>	<ul style="list-style-type: none"> - Assessment of the implications of proposals to modify the tax system on a regular basis and especially during preparations for the budget (industry associations, individual companies and environmental NGOs make recommendations on such issues as tax incentives for community energy systems and heat distribution facilities, transit passes, excise taxes, etc.) - Participating in the Canadian Energy Research Institute's multi-client study of capital cost allowance rates for electrical generation equipment - Preparation of descriptions of existing taxes on the transportation sector is under way (contact has been established with provinces and the information received to date is being processed) - Monitoring various reports and studies being prepared by industry associations and for the Transportation Issue Table
Reducing or eliminating subsidies	<p>Work with other departments to identify any further scope for reducing or eliminating environmentally harmful subsidies</p>	<ul style="list-style-type: none"> - Through a wide range of fora, departmental officials provide guidance to departments on identifying further scope for reducing or eliminating subsidies
Developing practical uses of economic instruments	<p>Examine use of economic instruments in OECD countries</p> <p>Consider options for domestic and international tradable permit schemes, credits and related approaches for reducing greenhouse gas emissions</p>	<ul style="list-style-type: none"> - Participation in numerous OECD meetings, conferences and workshops concerning the integration of environmental and economic policy (several officers are also contributing to the OECD's horizontal project on Sustainable Development) - Convened a senior-level public-private sector workshop in spring 1998 to review design issues for emissions trading systems - Consulted with the World Bank on the Prototype Carbon Fund

Strategic Goals	Objectives	Highlights of Progress to Date
	Encourage sustainability of private woodlots, brownfield redevelopment and habitat protection for endangered species	<ul style="list-style-type: none"> - Senior officials have met with representatives of the private woodlots and the brownfield redevelopment industry to hear their concerns - Several internal meetings as well as a two-day course on sustainable forestry management were organized to improve our understanding of the concerns raised by the industry and to examine the principles of good forestry management practices - Involvement in the process relating to the preparation of a draft interpretation bulletin on woodlots (the draft bulletin deals with a number of issues relative to the tax treatment of woodlots, notably the conditions under which a woodlot owner would be considered to be a farmer for tax purposes, thereby gaining access to the same tax preferences as farmers - this change is consistent with key proposals by the National Round Table on the Environment and the Economy (NRTEE)) - Meetings were held with NRTEE to see how the department could play a role in the redevelopment of brownfields (further discussions with NRTEE and the financial services industry are planned) - Officials are involved in interdepartmental discussions on the drafting of the Canadian Endangered Species Protection Act
Reforming legislative and regulatory frameworks	Continue to provide a policy framework conducive to environmental protection and positive investment climate through regulatory reform and harmonization	<ul style="list-style-type: none"> - Working with Environment Canada on environmental harmonization and other legal and regulatory reforms relevant to environmental protection
Key Issue: Building the Future		
Maintaining a healthy fiscal climate	Ensure SD is reflected in the development of policies to achieve the government's agenda	<ul style="list-style-type: none"> - Budget was balanced in 1997-98 — the first balanced budget since 1969-70 - Canada's debt burden has been put on a permanent downward track through sustained economic growth and a debt repayment plan

Strategic Goals	Objectives	Highlights of Progress to Date
Prospering in a knowledge-based economy	<p>With other departments, examine the role of environmental industries in a knowledge-based economy</p> <p>Develop plans to implement a Millennium Scholarship Endowment Fund and assess other measures</p> <p>With provinces, increase the child tax benefit by a further \$850 million</p>	<ul style="list-style-type: none"> - Increased funding for the NRC's Industrial Research Assistance Program by \$34 million annually to foster innovation related to energy, water, natural resources and pollution prevention - 1998 budget made more than \$400 million in additional funding available over three years to the granting councils (NSERC, MRC, SSHRC) - Canada Millennium Scholarship Foundation will manage an initial endowment of \$2.5 billion and provide scholarships to more than 100,000 Canadians annually, beginning in the year 2000 (the legislation for the Foundation received Royal Assent on June 18) - Consultations will take place with provinces and the post-secondary education community on the design of the Millennium Scholarships - Discussion with provinces under way with respect to child tax benefit (specific proposals under development for announcement in 1999 budget)
Building a strong society	<p>Ensure predictable and growing federal funding for health and social programs</p> <p>Restore confidence in the retirement income system</p>	<ul style="list-style-type: none"> - Canada Health and Social Transfer cash floor raised by \$1.5 billion to \$12.5 billion annually - Legislation to put the Canada Pension Plan on a sustainable basis came into effect in 1998. A balanced approach, it includes fuller funding of the plan, investing the funds in the capital markets at arm's length from governments, slowing the growth of costs, and improved stewardship and accountability to avoid again putting the sustainability of the CPP at risk - Federal and provincial governments also commenced review of a number of other important issues to ensure that CPP keeps up with changing times - Decision was made to ensure sustainability of Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) through fiscal prudence rather than implementing the proposed Seniors Benefit, which could have discouraged private saving

Strategic Goals	Objectives	Highlights of Progress to Date
Ensuring the tax system contributes to a strong economy and society	Examine the report of the Technical Committee on Business Taxation (TCBT) including any proposals relating to the environment	<ul style="list-style-type: none"> - Review of all of the recommendations of the TCBT as well as reactions to the report from industry associations and provincial governments, including monitoring submissions to the House Standing Committee (nonetheless, the first priority of the government is personal tax relief)
Key Issue: Participating in the Global Economy		
Negotiating international environmental agreements	<p>Contribute to the analysis of the economic implications of reducing greenhouse gas emissions</p> <p>Analyze approaches for domestic action on climate change</p>	<ul style="list-style-type: none"> - Contribute to the interdepartmental process to develop a strategy to address climate change (including direct participation in the climate change Issue Table process in the areas of credit for early action and international flexibility mechanisms) - Participate in the Climate Change Economic Analysis Forum - 1998 budget provided \$150 million (\$50 million per year over the next three years) to build momentum toward concrete action and results on climate change
Negotiating international trade and investment agreements	<p>Work with DFAIT on the relationship between trade and environment in the context of the WTO and future trade negotiations</p> <p>Review requests to remove tariffs that may be a disincentive to the acquisition of environment technology products</p> <p>Advocate strong language on the environment in the Multilateral Agreement on Investment</p>	<ul style="list-style-type: none"> - Attended interdepartmental preparatory meetings to develop a Canadian position for meetings of the WTO Committee on Trade and Environment and the OECD Joint Committee on Trade and Environment - Continue to undertake reviews of such requests - Continue to advocate strong language on the environment as contained in the negotiating mandate (when negotiations resume at the end of October 1998)

Strategic Goals	Objectives	Highlights of Progress to Date
Developing environmental assessment guidelines for export credit agencies	With DFAIT, and through the OECD, encourage the development of common environmental guidelines for export credit agencies	<ul style="list-style-type: none"> - Participated at international meetings in support of new measures to facilitate the greening of export credits (two meetings of the OECD Export Credits Group meeting in March and April and at the Birmingham Summit in May) - Export credit agencies are increasingly recognizing the need to co-operate in this important work (anticipate further progress will be made during fall meetings of the Export Credits Group)
Involving international financial institutions	Press issue of SD in the institutions for which Minister of Finance has primary responsibility	<ul style="list-style-type: none"> - IMF increased its efforts to incorporate environmental concerns into its policy dialogue with member countries (in cases where environmental issues have a significant bearing on domestic or external stability, IMF-supported programs may include a reform or implementation of environmental policies necessary for the conservation and protection of the country's natural resources) - Canada was instrumental in establishing an external evaluation of the Enhanced Structural Adjustment Facility (ESAF), the IMF's lending instrument for low income countries. The evaluation called for stronger efforts to integrate social safety nets into ESAF-supported programs to protect vulnerable groups adversely affected by reforms - In response to concerns expressed by Canada and other countries, the IMF adapted its recent programs with the countries most affected by the Asian financial crisis to alleviate the social costs of adjustment. This included strengthening the social safety net and encouraging a social dialogue among employers, employees, and government - Monitoring of the World Bank's implementation of the Global Environmental Facility and, through the Canadian Executive Director's Office, highlighting the importance of environmental assessment procedures for World Bank projects - Monitoring of European Bank for Reconstruction and Development's (EBRD) implementation of its environmental policies

Strategic Goals	Objectives	Highlights of Progress to Date
Key Issue: Greening Operations		
Adopting sustainable procurement practices	<p>Develop a purchasing guide and ensure procurement staff understand and apply sustainable procurement practices</p> <p>Reduce waste by 50 per cent by 2000 by diverting material away from the waste stream through the 3R principles</p> <p>Review facilities engineering studies on energy efficiency</p> <p>Promote departmental vehicle energy efficiency and emissions reduction, including the use of alternative fuels</p>	<ul style="list-style-type: none"> - Purchasing officers have been informed about the Sustainable Development Strategy - Internal meeting were held to discuss the implementation of the action plans on the Environmental Management System (EMS) - Employees attended seminars on EMS to improve understanding and to learn more about the implementation of an EMS program from the experiences of different levels of government and the private sector - Initiated a program of painting existing vinyl board to reduce waste during renovation projects - All photocopiers have been equipped with double-sided feature to reduce the amount of paper required for reproduction - Continued support for the recycling programs by sending supplies, computers, binders and printers to School Programs and disposal of furniture through Crown Assets - PWGSC and the building owners are continually working to reduce the effect on solar gain, which has repercussions for the heating and cooling within the complex - PWGSC and the building owner are currently discussing a proposal under the Federal Buildings Initiative - All departmental vehicles use ethanol fuel

Strategic Goals	Objectives	Highlights of Progress to Date
<p>Using effective communications to underpin the departments greening initiatives</p>	<p>Increase employee awareness of SD and identify ways in which employees and external parties can contribute to greener operations through:</p> <ul style="list-style-type: none"> • developing a communications plan • maintaining and enhancing awareness and enthusiasm through periodic reports of progress and success primarily building on the environmental information site on the intranet • exploring opportunities to co-ordinate communications with other departments 	<ul style="list-style-type: none"> - Getting the sustainable development message out to as many Canadians as possible by working to ensure this information is accessible and widely available - Promotion of sustainable development by encouraging use of the Internet as a cost-effective, timely and environmentally sensitive way of consulting and communicating with Canadians on a wide range of fiscal and economic issues (each year, increasing numbers of Canadians visit the department's website to obtain information on the federal budget and other major policy announcements, and to express their views regarding these policies) - Currently, the internal communication strategy is to inform staff through the electronic InfoSite (in addition to hard copy information handed out as part of the Orientation Kit) - Maintaining a bulletin board on InfoSite with a section dedicated to greening information and initiatives for employees (updated on a regular basis) - Discussions are under way with the Treasury Board and the Public Service Commission to ensure continuity in the greening of our shared facilities

Regulatory Initiatives

Department of Finance Canada			
Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>New Simplified Customs Tariff implemented January 1, 1998</p> <p>The purposes of the tariff simplification initiative launched in the February 1994 budget were to ensure that the <i>Customs Tariff</i> and related regulations are responsive to the competitive pressures facing Canadian industry as a result of freer trade, especially in the North American market and to make the tariff system simpler, more transparent and predictable.</p> <p>On the regulatory side, measures were taken to eliminate over 300 duty remission Orders and other tariff regulations which had become unnecessary or redundant, and to replace approximately 70 other remission Orders with simpler statutory tariff items incorporated directly in the schedule to the <i>Customs Tariff</i> providing the same tariff treatment. In addition, a small number of new regulations were introduced to complement the legislative changes to the <i>Customs Tariff</i> and the consequential amendments to the <i>Customs Act</i>.</p>	<p>The simplification of the <i>Customs Tariff</i> and related regulations will lessen the regulatory burden and associated costs to both the business community and the government.</p>	<p>N/A</p>	<p>The tariff simplification initiative was strongly supported and well received by Canadian business since it would help to lower costs, thereby providing savings that should help Canadian business become more competitive.</p>

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>Cost of Credit Disclosure</p> <p>Harmonized cost of credit disclosure is a component of the consumer related measures chapter of the Internal Trade Agreement signed July 18, 1994 by the provinces and the federal government.</p>	<p><u>“long term”</u>:</p> <p>Reduction in compliance costs; uniform consumer protection across Canada; simplified cost of credit disclosure rules; laws updated to take account of new developments in credit markets.</p>		<p><u>“short term”</u>:</p> <p>Parties are now completing negotiations of harmonization of cost of credit disclosure and plan to implement harmonized legislation and regulations in 1999.</p>
<p>Disclosure Requirement for Mortgage Prepayment</p> <p>As proposed in the June 1996 Consultation Paper on the Review of Financial Sector Legislation, the government is considering amending the financial institutions statutes to provide for more explicit disclosure requirements for mortgage prepayment.</p>	<p><u>“long term”</u>:</p> <p>More explicit disclosure to enhance consumer protection.</p>		<p><u>“short term”</u>:</p> <p>Draft regulations are being prepared.</p>
<p>Privacy</p> <p>The government proposed in the June 1996 Consultation Paper on the Review of Financial Sector Legislation to introduce regulations governing the collection, use, retention and disclosure of customer information by federal financial institutions. This initiative is not being actively pursued at this time because privacy issues are being reviewed by the Task Force on the Future of the Canadian Financial Services Sector, and because Industry Canada and Justice Canada are currently developing privacy protection legislation that will apply to all federally regulated sectors, including the banking sector.</p>			

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>Demutualization</p> <p>In the June 1996 Consultation Paper on the Review of Financial Sector Legislation, the government announced its intention to develop a demutualization regime that would enable all mutual life insurance companies to convert to stock companies; the existing regime applies only to small companies.</p>	<p><u>“short term”</u>:</p> <p>Companies wishing to demutualize may proceed to seek policyholder approval as set out in the legislation and regulations.</p> <p><u>“long term”</u>:</p> <p>Converted companies will have greater access to capital and should achieve enhanced efficiency and competitiveness as a result of their more flexible corporate structure; policyholders stand to receive benefits as company value will be allocated to eligible policyholders; policyholders may benefit from more competitive insurance premiums and an increased choice of innovative new products as a result of dealing with companies with greater access to capital.</p>		<p><u>“short term”</u>:</p> <p>A consultation paper on a proposed demutualization regime was released for public comment on August 27, 1998.</p>

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>Executive Compensation Regulations</p> <p>Bill C-15, which came into force on June 28, 1996, added regulation-making authority to the financial institutions statutes in respect of information that an institution shall make available regarding the compensation of its executives. This regulatory initiative is not being pursued at this time because it is deemed redundant. After the four big mutual insurance companies have demutualized, all large financial institutions in Canada will be subject to comparable disclosure requirements imposed by the provincial securities commissions.</p>			
<p>Proceeds of Crime (Money Laundering) Regulations</p> <p>Regulations under the <i>Proceeds of Crime (Money Laundering) Act</i> came into effect on March 26, 1993. These regulations set out record-keeping and client identification procedures for financial institutions and others, to provide audit trails for use in money laundering investigations. Adjustments to the regulations are required, in light of compliance experience and changing money laundering practices.</p>	<p>“long term”:</p> <p>To facilitate deterrence and detection of money laundering, ease the burden of compliance and fulfil Canada’s international commitments in this area.</p>		<p>“short term”:</p> <p>Implementation in October 1998 of amendments which refine the record-keeping and customer identification requirements, as well as add to the list of entities to which the Act and Regulations apply.</p>

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>Portfolio Management and Investment Counselling (PMIC) Regulations</p> <p>The PMIC Regulations prescribe terms and conditions for the provision of PMIC services by federally regulated financial institutions. The intent of the PMIC Regulations is to ensure that a comprehensive regulatory framework exists for investors who make use of these PMIC services.</p> <p>Implementation of the PMIC regulations will require further discussions with provincial authorities and federal financial institutions. As this is not a high priority item for the provinces, it is not expected that these discussions will be concluded for some time.</p>			
<p>SOR/97 – 377 – Income Tax Regulations – Class 43.1 of Schedule II – 1994 budget – Eligible Energy Conservation Equipment</p> <p>Implements the February 22, 1994 budget proposal by replacing the capital cost allowance incentive for property described in Class 34 of Schedule II to the Income Tax Regulations with a new incentive for property described in the new Class 43.1 of Schedule II.</p>	<p>Increased investment in energy conservation equipment.</p>	<p>Investment as reported for income tax purposes.</p>	<p>Undetermined.</p>
<p>SOR/97 – 408 – Income Tax Regulations – section 3201 – Prescribed Stock Exchange</p> <p>This change adds the Irish Stock Exchange to the list of prescribed exchanges for the purposes of the <i>Income Tax Act</i>.</p>	<p>The amendment is required as the Irish Stock Exchange split from another prescribed exchange, the London Stock Exchange, and obtained independent status.</p>	<p>N/A</p>	

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>SOR/97 – 409 – Income Tax Regulations – section 6204 – Prescribed Shares</p> <p>This change is a minor modification to the requirements a share must meet to be a prescribed share for the purposes of an employee stock program under the <i>Income Tax Act</i>.</p>	<p>Increased flexibility for employee stock options.</p>	<p>N/A</p>	
<p>SOR/97 – 494 – Income Tax Regulations – section 2700 – 1994 budget – Group Term Life Insurance</p> <p>This change provides a method of determining the taxable benefit where an employer provides group term life insurance coverage for its employees and remove the existing exemption for the first \$25,000 of coverage provided.</p>	<p>This change eliminates a tax advantage that employees had that self-employed people did not enjoy.</p>	<p>N/A</p>	<p>The change has improved tax fairness.</p>
<p>SOR/97 – 504 – Income Tax Regulations – sections 6700 and 6701 – Prescribed labour-sponsored venture capital corporation</p> <p>This amendment adds corporations registered under Nova Scotia provincial law as a labour-sponsored venture capital corporation to the list of prescribed venture capital corporations and prescribed labour-sponsored venture capital corporations for federal tax purposes.</p>	<p>Shareholders who purchase shares in a corporation registered under the provincial law of Nova Scotia will be eligible for federal labour-sponsored venture capital corporation treatment, including a federal tax credit.</p>	<p>N/A</p>	

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>SOR/97 – 505 – Income Tax Regulations – section 5900 – 1994 budget – Foreign Affiliates</p> <p>These changes affect the determination of active business income (which gives rise to exempt surplus), eliminates the deduction of business losses in computing foreign accrual property income and limits the jurisdictions in which foreign affiliates can earn exempt earnings to those with which Canada has a tax treaty.</p>	<p>The amended provisions will have the effect of implementing the 1994 budget proposals dealing with foreign affiliates.</p>	<p>N/A</p>	<p>The changes have improved the fairness of the tax system and protect against tax base erosion.</p>
<p>SOR/97 – 557 – Income Tax Regulations – section 4301</p> <p>This is a housekeeping amendment consequential on new government practices concerning the sale of Government of Canada Treasury Bills. It replaces the phrase “weekly average equivalent yield” with the phrase “average equivalent yield”.</p>	<p>This amendment will maintain the accuracy of the Income Tax Regulations.</p>	<p>N/A</p>	<p>N/A</p>
<p>SOR/98 – 12 – Income Tax Regulations – sections 6700 and 6701 – Prescribed labour-sponsored venture capital corporation</p> <p>This amendment adds corporations registered under Manitoba provincial law as a labour-sponsored venture capital corporation to the list of prescribed venture capital corporations and prescribed labour-sponsored venture capital corporations for federal tax purposes.</p>	<p>Shareholders who purchase shares in a corporation registered under the provincial law of Manitoba will be eligible for federal labour-sponsored venture capital corporation treatment, including a federal tax credit.</p>	<p>N/A</p>	

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>SOR/98 – 97 – Income Tax Regulations – section 1101 – 1997 budget – Bituminous sands</p> <p>This amendment gives effect to the 1997 budget proposals concerning “in-situ” bituminous sands mines.</p>	N/A	N/A	A satisfactory working definition of “bituminous sands” has been incorporated into the Income Tax Regulations.
<p>Federal-Provincial Fiscal Arrangements Regulations</p> <p>The regulations deal with the time and manner of determining and making payments to provincial governments in respect of fiscal arrangements programs. These programs are the fiscal equalization, fiscal stabilization and revenue guarantee programs.</p>	<p><u>“short/long term”</u></p> <p>The Equalization program ensures that provincial governments are able to provide residents with reasonably comparable levels of public services at reasonably comparable levels of taxation.</p> <p>The Fiscal Stabilization program compensates provinces if their revenues decline more than 5 per cent from one year to the next due to economic circumstances.</p>	<p><u>“short/long term”</u>:</p> <p>Equalization payments are to be based on a legislative formula and are to be made on an accurate and timely basis. Payments are unconditional.</p> <p>Provinces apply for payments under the Stabilization program and each claim is subject to analysis and verification by the federal government.</p>	<p><u>“short term”</u>:</p> <p>As a direct result of Equalization transfers, in 1998–99, all provinces are expected to have access to at least \$5,370 per resident with which to fund public services to their residents.</p> <p><u>“long term”</u>:</p> <p>Equalization payments reduce fiscal disparities among provinces.</p> <p>Provincial revenues are stabilized in times of severe economic decline.</p>

Purpose of Legislative or Regulatory Initiative	Expected Results	Performance Measurement Criteria	Results Achieved
<p>Canada Health and Social Transfer Regulations</p> <p>The regulations deal with determining and making payments to provincial governments in respect of the Canada Health and Social Transfer program.</p>	<p><u>“Short/long term”</u></p> <p>To provide provinces and territories with financial support for the provision of health care, post-secondary education and social assistance programs; and to ensure the maintenance of the principles of the <i>Canada Health Act</i> and the maintenance of access to social assistance without minimum residency requirements.</p>	<p><u>“Short/long term”</u></p> <p>CHST payments are to be made on a timely and accurate basis based on a legislative formula.</p>	<p><u>“Short/long term”</u></p> <p>Provincial and territorial governments have the financial resources to provide health care, post-secondary education and social assistance programs.</p>

Section VI: Other Information

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Legislation Relevant to Program Expenditures of the Department of Finance Canada

<i>Bretton Woods and Related Agreements Act</i>	(R.S.C., 1985, c. B-7)
<i>Constitution Acts</i>	(<i>Constitution Act</i> , 1982)
<i>European Bank for Reconstruction and Development Act</i>	(1991, c.12, unofficial E-13.5)
<i>Federal-Provincial Fiscal Arrangements Act</i>	(R.S.C., 1985, c. F-8)
<i>Federal-Provincial Fiscal Revision Act</i>	(1964 –1964-65, c. 26)
<i>Financial Administration Act</i>	(R.S.C., 1985, c. F-11)
<i>Hibernia Project Act</i>	(R.S.C., 1990, c. 41)
<i>Newfoundland Additional Financial Assistance Act</i>	(R.S.C., 1985, c. N-23)
<i>Public Utilities Income Tax Transfer Act</i>	(R.S.C., 1985, c. P-37)
<i>Royal Canadian Mint Act</i>	(R.S.C., 1985, c. R-9)

Listing of Statutory and Departmental Reports

Annual Financial Report

Debt Operations Report

Economic Reference Tables

Fiscal Reference Tables

Government of Canada Securities – Quarterly

The Economic and Fiscal Update

The Economy in Brief – Quarterly

The Fiscal Monitor – Monthly