

CANADA - PRINCE EDWARD ISLAND IMPLEMENTATION AGREEMENT

BETWEEN

THE GOVERNMENT OF CANADA

AND

THE GOVERNMENT OF PRINCE EDWARD ISLAND

FOR THE PURPOSES OF IMPLEMENTING

**THE FEDERAL-PROVINCIAL-TERRITORIAL
FRAMEWORK AGREEMENT ON
AGRICULTURAL AND AGRI-FOOD POLICY
FOR THE TWENTY-FIRST CENTURY**

CANADA - PRINCE EDWARD ISLAND IMPLEMENTATION AGREEMENT

THIS IMPLEMENTATION AGREEMENT is effective the first day of April, 2003.

BETWEEN THE GOVERNMENTS OF:

CANADA, as represented by the Minister of Agriculture and Agri-Food (referred to as “Canada”)

- and -

PRINCE EDWARD ISLAND, as represented by the Minister of Agriculture, Fisheries, Aquaculture and Forestry (referred to as the “Province”)

PREAMBLE

WHEREAS Canada and the Province (jointly referred to as the “Parties” or singularly as the “Party”) entered into the Federal-Provincial-Territorial Framework Agreement on Agricultural and Agri-Food Policy for the Twenty-First Century on June 27, 2002 (“Framework Agreement”);

AND WHEREAS the Parties have agreed to further strengthen the agricultural and agri-food sector by developing a comprehensive and integrated national agricultural and agri-food policy that: (a) fosters confidence in food safety and food quality systems and the environment; (b) accelerates advances in science and technology; and (c) provides farmers with the risk management and renewal tools that they need in order to be more profitable;

AND WHEREAS the Parties recognize that this Implementation Agreement must be consistent with the provisions of the Framework Agreement;

AND WHEREAS each of the Parties has the necessary authorities to enter into this Implementation Agreement;

NOW THEREFORE Canada and the Province agree to enter into this Implementation Agreement on the following terms and conditions:

PART ONE - PROVISIONS OF GENERAL APPLICATION

1.0 INTERPRETATION

1.1 *Definitions* In this Implementation Agreement:

“Activities and Expenditures Plan” refers to the plan set out in Annex D and as provided for under clause 29.1;

“administration” or “administering” or “administered” or “administer” means the practical management or delivery of a given program or activity by Canada, the Province or a third party, but does not include agricultural policy decisions or direction adopted jointly by Canada and the Province;

“Advance Payments Program” means the program provided for in Part One of the federal *Agricultural Marketing Programs Act*;

“Common Goals” means the Common Goals described in clauses 15, 20, 24, 28 and 33 of the Framework Agreement;

“Federal and Provincial Measures Plan” refers to the plan set out in Annex E and as provided for under clause 29.2;

“Federal Minister” means the federal Minister of Agriculture and Agri-Food;

“Federal Spending Target” means the target for Canada’s funding under clause 3 of the Framework Agreement, as determined under clause 5.4;

“Implementation Measure” means a measure included in clauses 18, 22, 26, 30, and 35 of the Framework Agreement;

“Independent Review Committee” means a committee constituted under clause 5.7 or 5.8;

“Management Committee” means the body established under clause 3.2 of this Implementation Agreement;

“Margin Decline Ratio” means the Margin Decline Ratio as defined in the NISA Agreement;

“Maximum Coverage Level” means the Maximum Coverage Level as defined in the NISA Agreement;

“NISA Agreement” means the Federal-Provincial Agreement Re-Establishing the Net Income Stabilization Account Program, attached as Annex A to this Implementation Agreement and as amended from time to time;

"NISA program" means the program established by the NISA Agreement, or a program which meets the requirements of clause 13.1.1;

“NLWIS program” means the federal National Land and Water Information Service program;

“Other Program” means an other program as defined in clause 1.1 of the Framework Agreement;

“Province” means the Province of Prince Edward Island;

“Provincial Legislature” means the Legislative Assembly of Prince Edward Island;

“Provincial Minister” means the Minister of Agriculture, Fisheries, Aquaculture and Forestry for Prince Edward Island;

“Record” means a written account, in printed or electronic form, of some act, court proceeding, transaction, or instrument relating to matters included in the Activities and Expenditures Plan and designed to remain a memorial or permanent evidence of the matters to which it relates;

“Regular Basis” means on an at least an annual basis or, with the agreement of both Parties, a frequency that is mutually convenient to the Parties;

“Risk Management Program Set” means the NISA program, production insurance, and the Advance Payments Program; and

“Targets and Indicators” means the Targets and Indicators described in clauses 16, 21, 25, 29 and 34 of the Framework Agreement and any other target or indicator adopted by the Parties.

1.2 ***Definition for Part One and Three*** For the purposes of Parts One and Three of this Implementation Agreement, the following definition applies:

“Contribution” means funding provided by a Party for a provincial or federal program or activity that is included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement. Unless expressly set out in this Implementation Agreement or agreed to by the Management Committee, a Contribution does not include:

- (a) funds deposited into a trust fund or foundation, except to the extent that those funds are spent on matters covered by the Framework Agreement and counted as a Contribution in the fiscal year in which they are actually spent;
- (b) interest rate subsidies and other input subsidies;
- (c) funds provided for programs relating to incomes assistance, other than assessment programs provided through consultation services and training for transition purposes and programs covered in Part Two of this Implementation Agreement;
- (d) funds provided to university chairs;
- (e) funds provided to programs established specifically for the purpose of bio-terrorism prevention;
- (f) subsidies for farm labour costs;
- (g) the value of in-kind resources;
- (h) program development costs; and
- (i) capital expenditure costs.

1.3 ***Framework Agreement definitions*** The definitions contained in Parts One and Two of the Framework Agreement have the same meaning in this Implementation Agreement, unless otherwise indicated.

1.4 **Exception** Notwithstanding clause 1.1, the definitions set out in that clause do not apply in respect of Annexes A, B and C of this Implementation Agreement, unless otherwise indicated.

2.0 PURPOSE

2.1 **Purpose** In accordance with clause 5.4 of the Framework Agreement, the purpose of this Implementation Agreement is

2.1.1 to describe the programs and activities that are to be funded by Canada and the Province and the Contributions that are to be made by each of these Parties in respect thereof;

2.1.2 to identify which Party or other body will deliver those programs and activities;

2.1.3 to set out the allocation of the funding of those programs and activities;

2.1.4 to set out the estimated cost of those programs and activities and the basis on which the actual cost of those programs and activities will be calculated and verified;

2.1.5 to set out a process by which the Parties will ensure that the funding of those programs and activities is consistent with the requirements of the Framework Agreement; and

2.1.6 to set out the mechanisms for reporting as required under clause 8 of the Framework Agreement.

3.0 ADMINISTRATION OF THE IMPLEMENTATION AGREEMENT

3.1 **Management Committee** The Parties will be assisted by a Management Committee that will have responsibility for overseeing all of the programs and activities undertaken by the Parties under this Implementation Agreement.

3.2 **Composition** The Federal Minister and the Provincial Minister will each appoint a delegate to be their representative on the Management Committee.

3.3 **Functions** The Management Committee shall ensure that the following functions are performed on an annual basis or as otherwise agreed upon by the Parties :

- 3.3.1 evaluate whether new Implementation Measures can be adopted by the Parties and included in the Activities and Expenditures Plan;
 - 3.3.2 evaluate whether a federal or provincial program may be transferred between the Activities and Expenditures Plan and the Federal and Provincial Measures Plan;
 - 3.3.3 evaluate the requirement for changes to the Implementation Agreement as a result of changing federal or provincial priorities;
 - 3.3.4 co-ordinate activities with other departments and agencies within their respective governments to facilitate the implementation of this Implementation Agreement; and
 - 3.3.5 recommend to the Parties any changes to the Implementation Agreement.
- 3.4 **Powers** Subject to any other requirement of this Implementation Agreement, the Management Committee, with the approval of the Federal Minister and the Provincial Minister:
- 3.4.1 may transfer programs and activities between the Activities and Expenditures Plan and the Federal and Provincial Measures Plan and make corresponding adjustments to the Contributions made by Canada or the Province in Schedule I of the Activities and Expenditures Plan;
 - 3.4.2 shall confirm or vary, prior to end of each fiscal year, the budgets for the following year of the Implementation Measures that form part of the Activities and Expenditures Plan;
 - 3.4.3 shall evaluate, at the end of each fiscal year, whether the estimated costs of the programs and activities in the Activities and Expenditures Plan are in conformity with the actual costs of the programs and activities and, if reconciliation is necessary, recommend changes to the Activities and Expenditures Plan and to the Federal and Provincial Measures Plan so as to satisfy the requirements of clauses 6.1 and 6.2 of this Implementation Agreement;
 - 3.4.4 shall allocate funds which are carried forward under clause 7.1;

- 3.4.5 may determine the application of the exceptions set out in the definition of “Contribution” with respect to programs and activities included in the Activities and Expenditures Plan; and
- 3.4.6 may vary the cost-sharing arrangements for the Risk Management Program Set in order to ensure that the requirements of clause 3.3 of the Framework Agreement are met over the course of the Implementation Period.
- 3.5 **Limits on Transfers** The Management Committee may exercise its powers in a manner that would cause changes to the level of funding set out in the Activities and Expenditures Plan for the four types of Other Programs (namely food safety and food quality, environment, science and innovation, and renewal), within the funds available for Other Programs under this Implementation Agreement. However, the Management Committee may not exercise its powers in a manner that would cause a variance in funding for any of the four types of Other Programs that would represent more than 20 per cent of total federal and provincial funding, during the Implementation Period, for all Other Programs listed in the Activities and Expenditures Plan.
- 3.6 **Pre-conditions to transfers** Where a program is transferred to the Activities and Expenditures Plan under clause 3.4.1, the Management Committee must:
- 3.6.1 satisfy itself that the program meets the requirements of clause 29.1;
- 3.6.2 specify which Party or Parties will fund the program and in what proportion;
- 3.6.3 set out the estimated cost of the program; and
- 3.6.4 perform the duties set out in clause 8.6.2.
- 3.7 **Procedure** The Management Committee shall establish its procedure at its first meeting or at a date to be mutually agreed upon by the Parties.
- 3.8 **Meetings** The Management Committee shall meet at least once a year, unless otherwise agreed by the Parties.
- 3.9 **Decisions** All decisions of the Management Committee must be unanimous.

- 3.10 **Reporting of decisions** Canada shall, no later than three months after the end of each fiscal year in the Implementation Period, report to all Parties to the Framework Agreement all decisions and changes to the Activities and Expenditures Plan and the Federal Provincial Measures Plan made by the Management Committee during the fiscal year.

4.0 FINANCIAL COMMITMENTS

- 4.1 **Requisite authority** Canada and the Province have the necessary authority to enter into this Implementation Agreement and to bind their respective governments and, if further authority is required to give effect to this Implementation Agreement, the Parties undertake to immediately and without delay take the necessary steps to secure such authority so as to bind their respective governments to all of the terms and conditions of this Implementation Agreement.
- 4.2 **Appropriation of funding** Any Contribution by Canada under this Implementation Agreement is subject to an appropriation by Parliament in respect of that Contribution and, similarly, any Contribution by the Province under this Implementation Agreement is subject to an appropriation by the Provincial Legislature. If, at any time during the life of this Implementation Agreement, the Parliament of Canada or the Provincial Legislature amends any appropriation relating to a Contribution under this Implementation Agreement, Canada and the Province agree to make the necessary adjustments to this Implementation Agreement.
- 4.3 **Central Agencies** Any Contribution by Canada to this Implementation Agreement is subject to the policies and directions imposed on it by the Treasury Board of Canada and any of its central agencies. Any Contribution by the Province is also subject to the policies and directions imposed on it by its central agencies.

5.0 RISK MANAGEMENT FUNDING

- 5.1 **Definition** For the purposes of clause 5, “Participating Province or Territory” means a Province or Territory that is participating in the NISA program or a production insurance program.
- 5.2 **Funding for Risk Management Programs** Canada shall provide funding for the Risk Management Program Set under clause 3 of the Framework Agreement on the basis of the demand for those programs. The Province shall provide funding

for risk management programs that is consistent with the requirements of clause 3 of the Framework Agreement.

- 5.3 ***NISA Program Funding*** For the purposes of clause 3 of the Framework Agreement and clause 5 of the Implementation Agreement, the Parties agree that funding provided for the NISA program, or through the means of the NISA program, shall be considered as funding provided during the Implementation Period if it is provided with respect to NISA program years 2003 through 2007 inclusive.
- 5.4 ***Federal Spending Target*** The Parties agree that the target for Canada's funding under clause 3 of the Framework Agreement for a five year period shall be:
- 5.4.1 \$5.5 billion;
- 5.4.2 minus the amount of funding provided by Canada under clause 3 of the Framework Agreement in the years prior to the five year period;
- 5.4.3 plus the number of years Canada has provided funding under clause 3 of the Framework Agreement multiplied by \$1.1 billion.
- 5.5 ***Estimating the Federal Spending Target*** The Federal Spending Target shall be determined according to the best available estimate of the amount specified in clause 5.4.2.
- 5.6 ***Funding Review*** The Parties shall, on an annual cycle, together with the other Participating Provinces or Territories, review the funding that has been required from Canada and each Province or Territory under clause 3 of the Framework Agreement, and forecast the funding that will be required over the next five years, taking into account an actuarial assessment of previous spending. The Parties, together with the other Participating Provinces or Territories, shall establish a methodology for this review by September 1, 2003, and shall engage independent experts to review the methodology.
- 5.7 ***Independent Triennial Review*** For the 2006 NISA program year, and each three years thereafter, an Independent Review Committee shall be constituted to consider the funding review completed under clause 5.6.

- 5.8 ***Extraordinary Review*** An Independent Review Committee shall be constituted at any other time if requested by Canada or at least five Participating Provinces or Territories.
- 5.9 ***Independent Review Committee*** A roster of individuals eligible to serve on an Independent Review Committee shall be established from time to time, according to a procedure that shall be established by Canada and the Participating Provinces or Territories by December 31, 2003. This procedure shall also provide for a method for appointing the members of an Independent Review Committee from the roster when a Committee is established under clauses 5.7 or 5.8. The roster must consist of individuals who are at arm's length from governments and from producers.
- 5.10 ***Parameter Adjustment*** An Independent Review Committee shall recommend to Canada and the Participating Provinces or Territories such changes to the parameters of the NISA program or production insurance program as, in the opinion of the Independent Review Committee, are required so that the forecasted spending by Canada under clause 3 of the Framework Agreement over the next five years is no greater than the Federal Spending Target. Recommended changes to the NISA program parameters may include changes to the Maximum Coverage Level as well as changes to other NISA program parameters that preserve, so far as is possible, coverage for a Margin Decline Ratio that is greater than 30 per cent.
- 5.11 ***Alternate Parameter Adjustment*** The Parties agree that a recommendation made by an Independent Review Committee under clause 5.10 shall be deemed to be adopted by Canada and the Participating Provinces or Territories unless Canada and the Participating Provinces or Territories adopt an alternative proposal within 60 days, under which the forecasted spending by Canada under clause 3 of the Framework Agreement over the next five years is no greater than the Federal Spending Target, in the opinion of the Independent Review Committee. An alternative proposal shall be considered adopted if supported by Canada and at least two-thirds of the Participating Provinces or Territories, representing 50 per cent of the market receipts for farming products in the most recent year for which that information is available.
- 5.12 ***Changes to parameters*** If an Independent Review Committee concludes that the forecasted spending by Canada under clause 3 of the Framework Agreement over the next five years is significantly less than the Federal Spending Target, the Committee shall recommend changes to the parameters of the NISA program or

production insurance program that would increase the forecasted spending by Canada, so long as that forecasted spending remains no greater than the Federal Spending Target.

- 5.13 ***Adoption of changes*** A recommendation under clause 5.12 shall be considered adopted if supported by Canada and at least two-thirds of the Participating Provinces or Territories, representing 50 per cent of the market receipts for farming products in the most recent year for which that information is available. Canada and the Participating Provinces or Territories may adopt an alternative proposal, so long as the alternative proposal would result in forecasted spending by Canada under clause 3 of the Framework Agreement over the next five years that is no greater than the Federal Spending Target, in the opinion of the Independent Review Committee
- 5.14 ***Provincial Funding Mechanism*** The Parties agree that a Province may elect to provide its funding under clause 3 of the Framework Agreement in the following manner:
- 5.14.1 The Province shall annually set a funding level for the purpose of this clause, which shall be at least equal to the average annual funding required from that Province, as forecasted under clause 5.6. The Province shall make an effort to set a funding level that is significantly greater than that required under this clause, in order to better manage fluctuations in the funding required from year to year, taking into account the funds available under clause 5.14.3;
- 5.14.2 If it appears that the funding available under 5.14.1 will not be fully spent in a year, the Management Committee for that Province may exercise the powers provided in clause 3.4.6 in order to spend that funding;
- 5.14.3 If the funding available under clause 5.14.1 is not wholly spent in a year, then the remainder shall be made available for future years, through a mechanism such as a reserve. The Province may establish its own mechanism for this purpose, or deposit the funds in a special purpose account in Canada's Consolidated Revenue Fund;
- 5.14.4 Subject to clause 5.14.5 and 5.14.6, if it appears that the funding available under 5.14.1, in addition to the funds available under clause 5.14.3, will not be sufficient in a year, the Province shall provide the additional funding that is required for that year;

- 5.14.5 If a Province is not able to provide sufficient additional funding for a year under clause 5.14.4, the Management Committee for that Province may exercise the powers provided in clause 3.4.6 in order to reduce the funding required from the Province for that year;
- 5.14.6 If no adjustment is made under clause 5.14.5, or the adjustment made under clause 5.14.5 is not sufficient to permit the Province to provide the required funding, then the Province may require that the NISA Administration prorate the Province's portion of NISA program benefits in order to reduce the required funding for that year to the funding level that the Province is able to provide, which shall be no less than the funding level chosen by the Province for that year under clause 5.14.1, plus the funding available for that year through the mechanism established under clause 5.14.3.
- 5.15 ***Variance of cost sharing arrangements*** The Parties agree that where the procedures set out in clause 5.14 are applied in a manner which causes a temporary deviation from the cost-sharing arrangements set out in clause 3 of the Framework Agreement, the cost sharing arrangements for future years must be varied so that the requirements of clause 3 of the Framework Agreement shall be met over the Implementation Period.
- 5.16 ***Allocation Base for Existing Programs*** The allocation of risk management funding for Provinces or Territories under clause 5.17 shall be determined using the following base amounts:
- 5.16.1 for British Columbia, \$9.2 million;
- 5.16.2 for Alberta, \$20.9 million;
- 5.16.3 for Saskatchewan, \$17.7 million;
- 5.16.4 for Manitoba, \$12.7 million;
- 5.16.5 for Ontario, \$51.7 million;
- 5.16.6 for Quebec, \$91.3 million;
- 5.16.7 for New Brunswick, \$2.3 million;

- 5.16.8 for Nova Scotia, \$2.3 million;
- 5.16.9 for Prince Edward Island, \$2.7 million;
- 5.16.10 for each other province or territory, \$0.
- 5.17 ***Annual Allocation for Existing Programs*** Canada shall allocate to each Province or Territory the following amounts, to be used for the purposes set out in clause 5.20, and shall add to these amounts any amounts carried forward under clause 5.18 or 7.1:
- 5.17.1 for 2003/04, the amount determined under clause 5.16;
- 5.17.2 for 2004/05, two-thirds of the amount determined under clause 5.16; and
- 5.17.3 for 2005/06, one-third of the amount determined under clause 5.16.
- 5.18 ***Carry Forward*** If the funds allocated under clause 5.17 for a Province or Territory for 2003/04 or 2004/05 are not fully utilized, the remainder shall be carried forward and added to the funds to be allocated to that Province or Territory under clause 5.17 in the following fiscal year.
- 5.19 ***Carry Forward for Other Programs*** If the funds allocated under clause 5.17 for a Province or Territory for 2005/06 are not fully utilized, then the remaining funds shall be used for Other Programs in such manner as Canada and the Province or Territory shall agree. Agreements entered into under this clause shall ensure that the Province or Territory provides, or has provided, funding that is equal to at least two-thirds of the funding provided by Canada under those agreements.
- 5.20 ***Federal Contribution for Existing Programs*** The funds allocated under clause 5.17 shall be used as a Contribution by Canada for Existing Programs listed in Annex D that have been specified as risk management programs for the purposes of clause 6 of the Framework Agreement.

6.0 OTHER PROGRAM FUNDING

- 6.1 ***Federal funding*** In accordance with clause 4 of the Framework Agreement, Canada shall make a Contribution of up to \$1,087,000 per fiscal year during the Implementation Period for Other Programs in the manner described in the Activities and Expenditures Plan, to which amount shall be added any funds

- carried forward from a previous fiscal year under this clause, or under clause 7.1. Where the total amount is not wholly expended in a fiscal year, the remainder shall be carried forward in equal amounts over the remaining years in the Implementation Period.
- 6.2 ***Provincial funding*** The Province shall make a Contribution under this Implementation Agreement that is consistent with the funding requirements contained in clause 4 of the Framework Agreement.
- 6.3 ***Attributing costs of national programs and activities*** With respect to clauses 1.0 and 4.0 of the Activities and Expenditures Plan, the Parties agree that Canada's Contribution with respect to national programs shall be pro-rated and attributed to the Province on the basis of the formula set out in clause 4.2 of the Framework Agreement, unless a different procedure is set out elsewhere in this Implementation Agreement.
- 7.0 TRANSITION FUNDING**
- 7.1 ***Unspent Allocations from Existing Framework*** In accordance with clause 3.9 of the Framework Agreement, where federal funds have been allocated to a Province under the Existing Framework, and those funds have not been fully spent under the Existing Framework, the remaining funds shall be carried forward and allocated to the Province under this Implementation Agreement. Those funds shall be added, as needed, to the funds which would otherwise be allocated to the Province under either clause 5.17 or 6.1 of this Implementation Agreement, as directed by the Management Committee.
- 7.2 ***Carry forward of provincial contributions*** If the Province has provided funding under the Existing Framework which exceeds the funding required under the Existing Framework, then the excess funding shall be considered a Contribution by the Province under this Implementation Agreement, up to a maximum of two-thirds of the funding provided for that Province under clause 7.1. The Provincial Contribution under this clause shall be designated for risk management programs or Other Programs in the same ratio as the funding provided under clause 7.1.
- 8.0 AUDIT, EVALUATION AND DATA COLLECTION**
- 8.1 ***Access to documentation*** Subject to applicable privacy legislation, Canada and the Province shall allow the representatives of the other Party to have access to any Records, information, databases, audit and evaluation reports and other

documentation relating to programs and activities described in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement. With respect to programs and activities included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement for which a federal Contribution or payment has been made, the Province shall allow the representatives of Canada to have access to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of conducting an audit and evaluation, and for the verification of invoices with respect to payments made to applicants under these programs and activities as well as any other associated eligible administrative expense. Canada and the Province shall ensure that all third parties charged with the administration of a program or an activity included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement provide access to the representatives of the other Party to any Records, information, databases, audit and evaluation reports and other documentation.

- 8.2 **Documentation** Unless otherwise agreed to by the Parties, Canada and the Province shall keep all Records, information, databases, audit and evaluation reports and all other documentation related to a program or activity for a period of six years from the date that the program or activity is included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement. Canada and the Province shall ensure that all third parties involved in the Administration of a program or an activity related to a federal or a provincial Contribution comply with the requirements of clause 8.2.
- 8.3 **Audit** Canada or the Province, as the case may be, reserves the right at any time to conduct an audit or a series of audits of any federal or provincial program or activity included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement for which a federal or a provincial Contribution or a payment has been made in respect of that program or activity. In instances where a program or activity in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement has received a Contribution or a payment from only one of the Parties to this Implementation Agreement, that Party shall at the request of the other Party, conduct an audit or a series of audits of the said program or activity, but it must consult with the other Party on the audit methodology, timing and scope of the audit, choice of auditors, production and contents of the audit report, and terms of reference. In instances where an audit is requested by the other Party on a program or activity covered by the Activities and Expenditures Plan or Part Two of this Implementation Agreement, a copy of the audit report must be forwarded to the other Party by no later than 30 days

from the date that the report has been completed. Where an audit has been jointly requested by both Parties, the costs of the audit shall be borne equally by both Parties. Where the audit has been requested by one of the Parties to this Implementation Agreement, the cost of the audit shall be borne by that Party.

- 8.4 ***Audited financial statements and statement of expenditures*** Each Party shall deliver to the other Party, on an annual basis, but no later than nine months after fiscal year end, audited financial statements, or an extract from the Party's audited financial statements, including a statement of expenditures, confirming the actual amounts spent by that Party under the Activities and Expenditures Plan and Part Two of this Implementation Agreement. All financial statements are subject to audit in accordance with applicable federal and provincial regulation, as the case may be.
- 8.5 ***Evaluation*** Canada or the Province, as the case may be, reserves the right at any time to conduct an evaluation or a series of evaluations of any federal or provincial program or activity included in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement for which a federal or provincial Contribution or a payment has been made in respect of that program or activity. In instances where a program or activity in the Activities and Expenditures Plan or in Part Two of this Implementation Agreement has received a Contribution or a payment from only one of the Parties to this Implementation Agreement, that Party shall at the request of the other Party, conduct an evaluation or a series of evaluations of the said program or activity, but it must consult with the other Party on the evaluation methodology, timing and scope of the evaluation, choice of evaluators, production and contents of the evaluation report, and terms of reference. In instances where an evaluation is requested by the other Party on a program or activity covered by the Activities and Expenditures Plan or Part Two of this Implementation Agreement, a copy of the evaluation report must be forwarded to the other Party by no later than 30 days from the date that the report has been completed. Where an evaluation has been jointly requested by both Parties, the costs of the evaluation shall be borne equally by both Parties. Where the evaluation has been requested by one of the Parties to this Implementation Agreement, the cost of the evaluation shall be borne by that Party.
- 8.6 ***Data collection*** Subject to applicable privacy legislation, Canada and the Province agree to collect and make available, at no cost to the other Party and on a Regular Basis, all data relating to or arising out of: (a) the programs and activities included in the Activities and Expenditures Plan; (b) the NLWIS program, to the extent that the relevant data already exist; and (c) the Targets and

Indicators. In so doing, the Parties agree on the following:

- 8.6.1 Canada and the Province shall, by no later than October 31, 2003, agree on appropriate data definitions, collection methodologies, a data model that includes the structure of data definitions and the relationships between data elements and standards for data interchange between the Parties, as well as the frequency in which the data will be made available so that all Parties to the Framework Agreement collect data in a manner that is consistent and meaningful;
 - 8.6.2 where an additional federal or provincial program or activity is added to the Activities and Expenditures Plan, the Parties, through the Management Committee, shall develop appropriate data definitions, collection methodologies, data relationships and standards that shall be used to collect, store, access and report the required data with respect to that program or, as the case may be, the Common Goals in the Framework Agreement that the program is intended to address;
 - 8.6.3 where the requisite data under this clause is held by another government department or other governmental body, Canada and the Province agree to work with their respective departments and other governmental bodies, to the extent possible, in securing the required data;
 - 8.6.4 Canada and the Province shall ensure that all third parties involved in the Administration of a federal or provincial program or an activity contained in the Activities and Expenditures Plan will be subject to the requirements of this clause; and
 - 8.6.5 in instances where a third party has control over data that is relevant to the administration of a federal or provincial program or activity, the Province and Canada shall make best efforts to secure the required data.
- 8.7 ***Evaluation requirements of Existing Agreements*** Where an agreement between the Parties entered into under the Existing Framework contains evaluation requirements for a program, the Parties may, by exchange of letters, agree that the evaluation of that program shall take place under this Implementation Agreement instead. In that case, the provisions of clause 8 of this Implementation Agreement shall apply to that program, and the evaluation requirements of the other agreement shall be waived by the Parties.

8.8 ***Application of Privacy Legislation*** Each Party agrees to do such things as may be required to perform the obligations imposed by this Implementation Agreement in accordance with applicable privacy legislation.

8.9 ***Consistent Reading*** For the purposes of clauses 8.1 to 8.8, where clauses that deal with the same subject matter exist in Part Two or Annex C of this Implementation Agreement, clauses 8.1 through 8.8 shall apply, in whole or in part, to the extent that there is no conflict with the requirements of those other clauses, except with the consent of both Parties.

9.0 COMMUNICATIONS

9.1 ***Public information*** The Parties agree that all public information and advertising activities in connection with this Implementation Agreement by either or both Parties shall clearly make reference to this Implementation Agreement and shall fully and fairly reflect the Contribution of each Party.

9.2 ***Announcements*** Unless otherwise agreed to by the Parties, announcements involving Canada's or the Province's Contribution under this Implementation Agreement or reporting on accomplishments and results arising out of, or related to, any program or activity covered by the Activities and Expenditures Plan or Part Two of this Implementation Agreement shall be conducted as follows:

9.2.1 news releases shall be publicized and issued jointly by the Parties. To ensure proper visibility of both Parties, all joint news releases must contain quotes from the federal and provincial Minister, include the wordmark of both Parties and list a federal and provincial contact person;

9.2.2 each Party shall notify the other in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of both Parties or designated alternates; and

9.2.3 in the event that a third party is involved in the administration of a program or activity that has been included in the Activities and Expenditures Plan, the Party that retains the third party to administer a program or activity shall ensure that all announcements involving Canada's and the Province's Contribution by that third party conform to the requirements of clause 9.2 herein.

- 9.3 **Identification of Canada** Unless otherwise agreed to by the Parties, Canada's participation in any program or activity covered by Part Two or the Activities and Expenditures Plan of this Implementation Agreement shall be identified by the prominent placement of the Government of Canada wordmark on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites, Internet publications and other material related to the Implementation Agreement. The size of the Canada wordmark shall in no case be smaller than the provincial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.
- 9.4 **Identification of the Province** Unless otherwise agreed to by the Parties, the Province's participation in any program or activity covered by Part Two or the Activities and Expenditures Plan of this Implementation Agreement shall be identified by the provincial wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites, Internet publications and other material related to this Implementation Agreement. The size of the wordmark shall in no case be smaller than Canada's wordmark. A provincial ministry's participation shall be shown by the use of the ministry's signature.
- 9.5 **Co-operation in meeting obligations** The Parties agree to co-operate to discharge the obligations imposed by clauses 9.3 and 9.4 in an efficient manner. With the agreement of both Parties, communications products that do not conform with clauses 9.3 or 9.4 may continue to be distributed until stock₂ existing as of the date this Implementation Agreement is signed, is depleted.
- 9.6 **Reporting requirements** For the purposes of the reporting requirements contained in clause 8 of the Framework Agreement, the Parties agree on the following:
- 9.6.1 the Parties shall complete the reporting template attached as Schedule 2 to Annex D for each element no later than the October 31 following the end of each fiscal year of this Implementation Agreement. Canada and the Province, as the case may be, shall make available to the other Party the required template information in accordance with clause 8.6;
- 9.6.2 where the Parties have set Targets pursuant to the Framework Agreement or the Implementation Agreement that are to be achieved over the life of

those agreements, the Parties shall, where meaningful change can be expected each year, set and report Targets yearly;

- 9.6.3 where yearly interim Targets would have limited value in demonstrating meaningful change, the Parties shall determine the frequency with which progress towards those Targets shall be reported;
- 9.6.4 where there is discretion on the Indicators that can be used by a Party under the Framework Agreement or in this Implementation Agreement, the Parties shall determine (a) the exact Indicators that will be used and (b) how these Indicators will be used by the Parties to report the progress made on the Targets;
- 9.6.5 where the Framework Agreement contains Indicators for which there is no widely-agreed upon measurement standard, the Parties shall determine an acceptable standard which must be consistent with the measurement standard adopted by all Parties to the Framework Agreement; and
- 9.6.6 where meaningful reporting on Targets and Indicators would require data that would not otherwise be collected by a Party under clause 8.6 of the Implementation Agreement, the Parties shall determine which Party will be responsible for collecting and reporting that data.
- 9.7 ***Access to information*** All information under this Implementation Agreement shall be treated in accordance with the requirements of applicable federal and provincial access to information and privacy legislation, as the case may be.
- 9.8 ***Bilingual communication*** For the purposes of clause 9, Canada and the Province recognize that all communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all language policies and directions provided by the Treasury Board of Canada. All incremental costs associated with complying with clause 9.8 shall be borne by Canada.

10.0 DURATION OF IMPLEMENTATION AGREEMENT

- 10.1 ***Duration*** This Implementation Agreement shall take effect April 1, 2003 and shall remain in effect until March 31, 2008 or until terminated by the Parties in accordance with clause 10.4. This Implementation Agreement may be extended on the mutual written agreement of the Parties and in accordance with the terms of the Framework Agreement.

- 10.2 **Amendment** Subject to clause 22, this Implementation Agreement may be amended in accordance with clause 10 of the Framework Agreement. For greater certainty, the exercise of powers by the Management Committee under clause 3.4 does not constitute an amendment to this Implementation Agreement.
- 10.3 **Exception to Amendment** The Parties agree that clause 10.2 does not apply in respect of the agreements attached as Annexes A, B and C of this Implementation Agreement.
- 10.4 **Termination** This Implementation Agreement, or parts thereof, may be terminated in writing by any mutually agreed upon date. In the event that there is no agreement with respect to termination, one of the Parties may terminate this Implementation Agreement, or parts thereof, in accordance with the terms for termination of the Framework Agreement.
- 10.5 **Account balances upon termination or expiration** The following terms and conditions apply upon the termination or expiration, in part or in whole, of this Implementation Agreement with respect to any account balances remaining in a program where both Canada and the Province have made a Contribution under this Implementation Agreement.
- 10.5.1 If the Parties do not enter into a new Implementation Agreement within six months of the termination or expiration of this Implementation Agreement,
- 10.5.1.1 any amount of a Party's Contribution that exceeds an entitlement owing to the other Party under this Implementation Agreement and that has not been recovered by the Party shall be payable by the other Party by no later than 30 days after the amount owing to the Party has been determined and notice has been given to the other Party. Until such time as these amounts are repaid, the amount owing remains a debt to the Party;
- 10.5.1.2 all surpluses or deficits outstanding at the time of termination shall be the responsibility of the Party that holds the account; and
- 10.5.1.3 all assets acquired by a Party for which Contributions were made by the other Party shall be disposed of at fair market

value within six months of the termination or expiration of this Implementation Agreement and the proceeds of sale shall be shared equally by the Parties, unless both Parties agree otherwise.

10.5.2 If the Parties enter into a new Implementation Agreement within six months of the expiration or termination of this Implementation Agreement, all surpluses or deficits outstanding at the time of termination relating to the parts terminated shall not be extinguished and provision shall be made for the continuation of the surplus or deficits under the new Implementation Agreement.

10.5.3 For the purposes of clause 10.5, withdrawal from the Implementation Agreement by one of the Parties constitutes termination. In the event that a third party is charged with the delivery of a federal or a provincial program or an activity that is included in the Activities and Expenditures Plan, the Party making the Contribution to the third party shall ensure that the requirements of clause 10.5 are respected by that third party before making the Contribution.

11.0 OTHER COMPONENTS

11.1 ***Indemnification of the Crown*** The Parties Agree to indemnify each other in accordance with the following terms and conditions:

11.1.1 a Party who administers a program or activity under this Implementation Agreement shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings whatsoever made by any third party arising out of or related to the Administration of the program or activity;

11.1.2 in the event that a program is jointly Administered, both Parties shall be equally responsible for all claims, demands, damages, actions and losses in relation to or arising out of that program or activity;

11.1.3 unless otherwise agreed to in writing by both Parties, where a third party has been charged with Administering a program, the Party making a Contribution to the third party shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims,

demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the Administration of the program or activity;

11.1.4 in instances where both Parties are to make a Contribution to a third party charged with the Administration of a program or activity, the Parties must decide prior to making any such Contribution which Party will be responsible for that third party and the Party so selected shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the Administration of the program or activity;

11.1.5 in the event that either Canada or the Province is named in an action or a proceeding of any nature where liability is at issue:

11.1.5.1 the Party or Parties named may defend the action or proceeding in its own name; and

11.1.5.2 each Party shall provide assistance to the other with respect to the action or proceeding, and refrain from conduct which would prejudice the successful conclusion of the action or proceeding; and

11.1.6 the right to indemnification under clauses 11.1.1 to 11.1.6 herein is limited in time to the relevant prescription period contained in the legislation of the Province.

11.2 **Representation by a Party** The Parties agree that nothing in this Implementation Agreement is to be construed as authorizing one Party to contract or to incur any obligation on behalf of the other Party, unless specifically provided for in this Implementation Agreement.

11.3 **Eligibility of Members of the House of Commons** No Member of the House of Commons shall be allowed to derive any financial advantage resulting from Canada's Contributions under this Implementation Agreement, that would not be permitted under the *Parliament of Canada Act*. Where a Province is responsible for the administration of a program under this Implementation Agreement, Canada shall provide the Province with assistance to administer this provision.

- 11.4 ***Eligibility of Members of the Provincial Legislature*** Members of the Provincial Legislature shall be governed by provincial conflict of interest guidelines in effect during the term of the Implementation Agreement.
- 11.5 ***Eligibility of former federal public office holders or servants*** Applicants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Implementation Agreement shall not derive a direct benefit from Canada's Contributions under this Implementation Agreement. Where a Province is responsible for the administration of a program under this Implementation Agreement, Canada shall provide the Province with assistance to administer this provision.
- 11.6 ***Registration of lobbyists*** The administrator of a program funded, in part or in whole, by Canada under this Implementation Agreement shall not permit a person to lobby, as defined in the federal *Lobbyists Registration Act*, on behalf of an applicant in the Province, unless that person is registered pursuant to the Act. For greater clarity, this Act excludes from registration, among others, members of the Provincial Legislature or their staffs and employees of the provincial government.
- 11.7 ***Transparency*** The Parties agree that transparency between Canada and the Province is required to ensure that the terms of this Implementation Agreement are respected. The Parties further agree that the actions of one government often have effects on other governments, and therefore agree to give notice to all parties to the Framework Agreement prior to implementation of a major change in a policy or program which could have an impact on the operation of the Framework Agreement or any Implementation Agreement, even if the policy or program is outside the scope of this Implementation Agreement.
- 11.8 ***Governance*** Where this Implementation Agreement confers a power or a duty on the Parties, that power or duty may be exercised by the representatives of each Party as set out in the Implementation Agreement, or such delegates as those representatives may designate for the exercise of that power or duty.
- 11.9 ***Interpretation*** The titles to all sections and subsections in this Implementation Agreement are for reference purposes only and do not form part of this Implementation Agreement.

PART TWO — BUSINESS RISK MANAGEMENT PROGRAMS

12.0 INTERPRETATION

12.1 *Definitions* In this Part:

“agricultural product” means an agricultural product as defined in the federal *Farm Income Protection Act*;

“contribution entitlement” means the amount a producer is entitled to contribute to Fund 1 within a program year;

“crop year” means the 12-month period specified in any production insurance agreement for each insured crop;

“deposit deadline” means a date that is no later than the last day of the program year or any earlier date as set out in the guidelines;

“disaster component” means the income insurance measures of the NISA program that provides payments to a producer based on a margin decline that exceeds 30 per cent, with a government payment not to exceed 70 per cent of the loss;

“elected stabilization and disaster coverage” means the level between minimum level permissible under clause 15.1.10 and 100 per cent of the reference margin chosen by the producer that will determine the level of government funding to which a producer may have access upon triggering a withdrawal for any given program year;

“eligible production input costs” means input costs directly related to production that are eligible to be deducted from farm revenue in the calculation of the production margin and reference margin, and may include items such as feed, livestock, seed, production insurance program premiums, fertilizer, pesticides, containers, twine, fuel, electricity, trucking, storage, drying and custom feeding, details of which shall be set out in program guidelines;

“farm revenue” means farm income reported for income tax purposes or, for producers exempt from taxation, as would be reportable for income tax purposes, including production insurance payments, but excluding other government program payments and subject to any limitations set out in the program guidelines;

“Fund 1” means the account to which all amounts contributed by the producer shall be deposited under the terms of the NISA program;

“Fund 2” means the account to which all amounts paid by the Parties in respect of a producer under the terms of the NISA program shall be deposited;

“moral hazard” means the hazard arising from any nonphysical, personal characteristic of a risk, such as a bad habit, low integrity or poor financial standing, that increases the possibility of loss or may intensify the severity of loss from an insured peril;

“NISA Agreement” means the Federal/Provincial Agreement Re-Establishing the Net Income Stabilization Account (NISA) Program attached as Annex A to this Implementation Agreement, and as amended from time to time;

“NISA program” means the net income stabilization account program, as that term is defined in the federal *Farm Income Protection Act*, that is to be established under the NISA Agreement;

“prior NISA Agreement” means the Federal/Provincial Agreement Establishing the Net Income Stabilization Account (NISA) Program, as amended from time to time, applicable to the 2002 program year and all previous program years;

“producer” means an individual engaged in farming or an entity, such as a corporation, that is recognized by law as having rights and duties and is engaged in farming;

“production insurance agreement” means an agreement between Canada and a Province that establishes a production insurance program;

“production margin” means the difference between farm revenue and eligible production input costs in a given program year;

“program year” means the period for which the participant files return under the *Income Tax Act*, or such other period as is permitted by the Administration under clause 15.1.10;

“reference margin” means, prior to a given program year, the three-year average of the production margin based on the preceding five-year period, excluding the years with the highest and lowest production margins, or, in cases where

production margin data for the previous five years is not available, the previous three years' average of the production margin;

“stabilization component” means the income insurance measures of the NISA program that provides payments to a producer based on a margin decline that is at or less than 30 per cent; and

“triggered withdrawal” means the amount to be withdrawn in respect of a program year from Fund 1 and Fund 2 based on the shortfall between the production margin and the reference margin, and is limited by the amount of elected stabilization and disaster coverage as well as the amount on deposit in the Fund 1 account and subject to the payment cap set out in clause 15.1.26.

12.2 ***Defined Terms*** For the sake of clarity, the term “government” or “governments” means the federal, provincial and territorial governments.

12.3 ***Annexes*** Unless otherwise indicated, the definitions set out in clause 12.1 do not apply in respect of Annexes A, B and C.

13.0 COMMON RISK MANAGEMENT PROGRAM BASE

13.1 ***Eligible programs*** For the purposes of clauses 5.2 and 15 of the Framework Agreement, the Parties agree that, as of April 1, 2006, the eligible programs for the common risk management program base, shall be the following:

13.1.1 the NISA program or a stabilization, disaster mitigation and investment program that meets the common risk management program base for the NISA program, as set out in clauses 15 and 17 herein; and

13.1.2 production insurance programs that meet the common risk management program base for production insurance, as set out in clause 19 herein;

14.0 RISK MANAGEMENT PROGRAMMING PRINCIPLES

14.1 ***Key principles*** The Parties agree that risk management programming shall be designed in accordance with the following program principles:

14.1.1 programs shall be in conformity with Canada's international trading obligations and should minimize countervail risk;

- 14.1.2 programs should be comprehensive;
- 14.1.3 programs should minimize moral hazard and not influence farmers' production and marketing decisions;
- 14.1.4 programs should be developed in conjunction with the agricultural and agri-food sector, including consultation with other relevant partners and stakeholders;
- 14.1.5 programs should have a clear purpose;
- 14.1.6 programs should contribute to the use and development of private sector risk management tools;
- 14.1.7 programs should contribute to market-oriented adjustments and adoption of technological innovations;
- 14.1.8 producers who participate in publicly-funded programs must share costs;
- 14.1.9 programs should apply to the stability of the entire farm entity;
- 14.1.10 payments for the purposes of stabilization, disaster mitigation or production loss should not be capitalized into assets;
- 14.1.11 there shall be limits on the levels of assistance to producers;
- 14.1.12 programs should help mitigate a broad range of risks by contributing to improved environmental stewardship and improved food safety and quality;
- 14.1.13 the financial resources of Canada should be allocated to provide, over time, the same level of protection for farmers in similar circumstances; and
- 14.1.14 programs eligible for the common risk management program base, and the allocation of federal and provincial funds, should not distort regional or commodity-based comparative advantage within or among jurisdictions.

15.0 NISA COMMON PROGRAM BASE

- 15.1 *NISA Design Parameters* In order to achieve the principles set out in clause 14, and subject to the transition provisions in clause 25, the Parties agree that the common risk management program base for the NISA program shall consist of the following design parameters:

Purpose

- 15.1.1 the purpose of the NISA program shall be to support producers in dealing with short-term income fluctuations as a result of risks outside their control and to manage and reduce risks that threaten the future profitability of their operations;
- 15.1.2 the NISA program shall incorporate a whole-farm stabilization and disaster mitigation approach in which the producer shares in the costs;

Eligibility

- 15.1.3 a producer shall report farming income for tax purposes in order to be eligible for the NISA program, except in the case of producers who are exempt from taxation under the federal *Indian Act*;
- 15.1.4 there shall be no more than one NISA account per producer;
- 15.1.5 producers who are related persons, as that term is defined in the federal *Income Tax Act*, may be considered to be a single operation for the purposes of determining that producer's triggered withdrawal;
- 15.1.6 the administrators of the NISA program shall prepare guidelines setting out the parameters to be applied in determining whether related persons should be considered as a single operation;
- 15.1.7 Total income from supply-managed agricultural products shall be considered for the purposes of calculating the reference margins and production margins. Producers in respect of farms which derive all or a portion of their sales from supply-managed agricultural products, that is, products coming within the

provisions of the federal *Canadian Dairy Commission Act* or for which national marketing agencies have been established under Part II of the federal *Farm Products Agencies Act*, shall be eligible for

- 1.5.1.7.1 the disaster component of the NISA program;
 - 15.1.7.2 up to 70 per cent of the loss, to the limit of that producer's elected coverage should such a producer trigger a disaster payment; and
 - 15.1.7.3 the stabilization component in the same proportion that the average of their farm sales derived from non-supply-managed agricultural products used in calculating the reference margin, is to the average of their total sales of all agricultural products used in calculating the reference margin;
- 15.1.8 other rules relating to eligibility shall be those as set out in the NISA Agreement, as amended from time to time;

Producer's Contribution Entitlement

- 15.1.9 subject to clause 15.1.19, a producer's contribution entitlement shall not exceed the amount required to provide two years' stabilization and disaster coverage of 100 per cent of that producer's reference margin;
- 15.1.10 a producer shall elect the desired stabilization and disaster coverage at least nine months prior to the end of the program year. In the case of a producer with a non-standard year end, the administrators of the NISA program may establish an alternative election deadline that ensures that the election is made prior to the production activities to which the program year relates. In all cases, a producer shall elect no less than the level of coverage required to return that producer to 70 per cent of the reference margin in the event of a 100 per cent margin decline;
- 15.1.11 subject to clauses 15.1.13 and 15.1.14, in a program year immediately following the year for which the producer has a

margin decline that exceeds 30 per cent and receives a payment in respect thereof, or in the first year of a producer's participation in the NISA program or in the year in which a producer rejoins the NISA program, the Fund 1 account shall have a minimum balance of one-third of the amount necessary to cover the producer's share of the full amount of the elected stabilization and disaster coverage by the deposit deadline of that program year. Once the Fund 1 account reaches this minimum balance, a producer shall have the two following years to contribute into the Fund 1 account the full amount that is necessary to cover the producer's share of the elected stabilization and disaster coverage. A producer shall ensure that the required minimum balance of one-third is maintained by the deposit deadline of the second year of this three-year period when a payment is made to that producer in respect of the stabilization component of the NISA program, and, as a result, the Fund 1 account balance has fallen below the required minimum balance;

- 15.1.12 the producer shall maintain the full amount necessary to cover the producer's share of elected stabilization and disaster coverage in the Fund 1 account by the deposit deadline of program years following the end of this three-year period, unless the producer receives a payment in respect of the disaster component of the NISA program, in which case clause 15.1.11 applies;
- 15.1.13 no contribution shall be required if a producer has a sufficient Fund 1 account balance to meet the elected stabilization and disaster coverage;
- 15.1.14 if a producer triggers a withdrawal and the amount in the Fund 1 account is not sufficient to cover the producer's share of the elected stabilization and disaster coverage, the remainder of a producer's contribution to the Fund 1 account shall be payable within 45 days from the time the notice of a triggered withdrawal is delivered to the producer. The notice shall advise whether any additional contribution to the Fund 1 account is required to maintain the elected stabilization and disaster coverage as a result of any changes to the producer's farming operation. If a producer fails to contribute the remainder into the Fund 1 account within the requisite 45 days, government contributions shall be limited by the

amount on deposit in the Fund 1 account to be used to cover the producer's share of the triggered withdrawal;

- 15.1.15 a producer who fails to make an election by the deadline set out in clause 15.1.10 shall be ineligible for payments from the NISA program for that program year;
- 15.1.16 a producer who fails to have on deposit the required contribution in the Fund 1 account in accordance with clause 15.1.11 or 15.1.12, as the case may be, shall be ineligible for participation in the NISA program for that program year;
- 15.1.17 following an election, if a producer does not trigger a withdrawal and fails to have on deposit, for two consecutive program years, the required minimum contribution into the Fund 1 account by the deposit deadline of that program year, that producer shall then become ineligible for participation in the NISA program for the following two program years;
- 15.1.18 no government funds payable from the NISA program shall be used to reduce the amount a producer is required to contribute into the Fund 1 account;
- 15.1.19 a producer may have a maximum Fund 1 account balance that is equal to two years' stabilization and disaster coverage of 100 per cent of that producer's reference margin;

Withdrawal Triggers

- 15.1.20 there shall be three withdrawal triggers within the NISA program: stabilization, disaster and investment. The stabilization trigger of the NISA program shall have two tiers, in which government contributions vary;
- 15.1.21 for greater certainty, there shall be no minimum income trigger;
- 15.1.22 withdrawals for the stabilization and disaster trigger of the NISA program shall be based on the shortfall between the production margin and the reference margin. No payouts shall be made in respect of negative margins;

- 15.1.23 subject to any interim withdrawal provisions, government contributions shall be payable to the producer only when the producer triggers a withdrawal and, subject to clause 15.1.7, shall be paid in the manner set out in clause 15.1.25;
- 15.1.24 the payment of the triggered withdrawal for the stabilization and for the disaster component of the NISA program shall be apportioned between producer funds and government funds in a ratio determined by the degree of margin decline. Government contributions may only be made to the extent that there are sufficient monies on deposit in Fund 1 to cover the producer's share of the triggered withdrawal;
- 15.1.25 the following shall apply to a triggered withdrawal:
- 15.1.25.1 for the disaster component, the amount to be withdrawn from the producer's Fund 1 account shall be 20 per cent of the triggered withdrawal;
 - 15.1.25.2 for the stabilization component,
 - 15.1.25.2.1 for that portion of margin decline that is at or less than 30 per cent, but greater than 15 per cent, the amount to be withdrawn from the producer's Fund 1 account shall be 30 per cent of the triggered withdrawal;
 - 15.1.25.2.2 for that portion of margin decline that is at or less than 15 per cent, the portion to be withdrawn from the producer's Fund 1 account shall be 50 per cent of the triggered withdrawal; and
 - 15.1.25.3 payments referred to in clause 15.1.25.1 shall be made first, followed by payments referred to in clauses 15.1.25.2.1 and 5.1.25.2.2, respectively;

- 15.1.25.4 the government contribution shall be paid into Fund 2 so that the amount paid out of Fund 1 and Fund 2 totals 100 per cent of the triggered withdrawal, subject to the limitations provided for in clauses 15.1.14 and 15.1.26; and
- 15.1.25.5 the Fund 1 portion of a triggered withdrawal shall be paid out upon notice of a triggered withdrawal;
- 15.1.26 subject to the application of the procedures set out in clause 5.14 of Part One, payments to a producer or to producers considered as a single operation pursuant to clause 15.1.6 by the Parties in any program year shall not exceed \$585,000 in federal contribution and \$390,000 in provincial contribution. In no case shall the payments to a producer by the Parties exceed the sum of the federal and provincial contribution referenced herein. In any case, payments to producers by the Parties shall compensate for less than 70 per cent of the difference between each producer's production margin and the reference margin in any year in which a withdrawal is triggered;

Investment

- 15.1.27 details of the investment component of the NISA program shall be developed and implemented by the Parties in accordance with the following parameters:
- 15.1.27.1 the scope of eligible investments shall be developed jointly by governments and industry to further the priority areas set out in Part Two of the Framework Agreement;
- 15.1.27.2 to ensure the investment trigger does not reduce the stabilization capacity of the NISA program, a producer must have on deposit in the Fund 1 account the full amount to be withdrawn from Fund 1 to enable that producer to be returned to 70 per cent of the reference margin in the event of a 100 per cent margin decline, before being eligible for payout of a triggered withdrawal for investment,

and only the excess over that requirement may be used as the producer's share of an investment withdrawal;

- 15.1.27.3 the investment trigger is only available in program years in which government payments in respect of the disaster component and the stabilization component do not require adjustments to be made to ensure compliance with clause 3.1 of the Framework Agreement;
- 15.1.27.4 the investment trigger shall be jointly assessed by governments and industry on an annual basis to determine whether adjustments are needed with respect to the scope of eligible investments and to ensure investments are consistent with the objective of building a more profitable agricultural and agri-food sector;
- 15.1.27.5 there shall be performance indicators developed in respect of the investment trigger; and
- 15.1.27.6 the implementation of the investment component of the NISA program is, for greater certainty, subject to clause 25.8;

Other Program Parameters

- 15.1.28 producers shall provide the information required for participation in the NISA program by filing the form provided as part of the federal income tax return or by filing documentation consistent with that reported as part of the income tax return, in a manner and form agreed to by the Parties;
- 15.1.29 a producer shall be required to provide any additional information requested by the administrators of the NISA program. The administrators shall make accounting adjustments for the purposes of calculating the production and reference margins, in accordance with guidelines;

- 15.1.30 provision may be made for interim withdrawals or advances as established in the guidelines;
- 15.1.31 in calculating the production margin and the reference margin, there shall be adjustments for downward or upward structural changes and all provinces who have entered into an Implementation Agreement with Canada shall use the same methodology for such adjustments, as set out in the guidelines;
- 15.1.32 in cases where a producer does not have sufficient data to calculate the production margin for each of the three previous years, the administrators of the NISA program may develop production margins on the basis of like farms as defined in the guidelines;
- 15.1.33 the producer may withdraw any excess in the Fund 1 account over and above the amount required to cover the producer's share of the elected stabilization and disaster coverage for that program year, subject to the guidelines;
- 15.1.34 a producer may voluntarily opt out of the NISA program at any time by written notice and upon receipt of such notice, the balance in the Fund 1 account shall be paid out to that producer. A producer who has opted out may rejoin the NISA program after not participating for two consecutive years after the year in which the opt out occurred, by submitting a NISA application;
- 15.1.35 a producer shall share in the costs of administering the NISA program;
- 15.1.36 there shall be no bonus interest paid by government in respect of monies paid into the Fund 1 account;
- 15.1.37 any interest paid by a financial institution in respect of monies in the Fund 1 account is not part of the NISA program and shall be paid either directly to the producer or into an account, other than the Fund 1 account, owned by the producer;
- 15.1.38 the deadline for account adjustments requested by a producer and that affect the producer's withdrawal entitlement in respect of a program year is limited to 90 days following notification of a

withdrawal entitlement for that program year except for changes that results from a reassessment or audit by Canada Customs and Revenue Agency under the Income Tax Act . The deadline for account adjustments that affect the calculation of the reference margin in future program years is limited to three years after the end of the program year for which the adjustment is requested;

Linkages

- 15.1.39 there shall be linkages between the NISA program and production insurance, in the manner set out in clauses 19 and 25 of Part Two of this Implementation Agreement;
- 15.1.40 the need for and benefit of linkages between the NISA program and other risk management tools shall be examined no later that the end of the 2005 crop year;

Performance Measures

- 15.1.41 there shall be minimum performance measures in respect of program participation, program design, and program delivery. Progress shall be measured by indicators set out in clause 27 of this Implementation Agreement and any other indicators developed in respect of the investment trigger. The Parties shall begin reporting annually on all pertinent measures within the first year of signing this Implementation Agreement;

Data Sharing

- 15.1.42 subject to applicable privacy legislation, all data compiled by a Party, including individual farm data, with respect to the NISA program shall be made available to the other Party for purposes such as audit and verification, consistent program delivery with common service standards across the country, assisting in future program development and ensuring adequate linkages between production insurance programs, the NISA program and other elements of the Framework Agreement;

Program Guidelines

- 15.1.43 program guidelines required in this Part relating to the NISA program, any other program guidelines required for the consistent administration of the NISA program, and any amendments thereto, shall be established with the consent of Canada and no less than two-thirds of all provinces who have entered into an Implementation Agreement with Canada, having at least 50 per cent of the production margin reported to the NISA program in the previous year. The Parties agree that consent as required by this clause constitutes consent for the purposes of the Framework Agreement.

16.0 NISA AGREEMENT

- 16.1 ***NISA Agreement*** The NISA Agreement shall be modified, from time to time, as necessary, to ensure consistency with the common risk management program base.

17.0 NISA DELIVERY

- 17.1 ***Service Delivery Enhancement*** Costs related to the enhancement by Canada of risk management program service delivery shall be funded by Canada pursuant to clause 3.2 of the Framework Agreement and, for greater certainty, are not considered to be part of the administrative cost-sharing arrangements for the NISA program.

18.0 PRODUCTION INSURANCE PRINCIPLES

- 18.1 ***Key Principles*** In addition to the principles set out in clause 14, the Parties agree that production insurance programs shall be designed in accordance with the following program principles:
- 18.1.1 producers should have access to effective insurance tools as appropriate;
- 18.1.2 production insurance shall encompass production risk protection against uncontrollable natural perils with producers assuming the initial production losses;

- 18.1.3 the general approach shall consist of common program standards with provincial design and implementation flexibility;
- 18.1.4 protection strives to reflect, but not exceed, individual productive capability and expected, actual or replacement value of commodity;
- 18.1.5 programs strive to be cost-effective and efficient with an emphasis on protection against severe loss situations;
- 18.1.6 programs shall be based on sound insurance principles, actuarial soundness and self-sustainability;
- 18.1.7 the use and development of private sector insurance products and delivery is encouraged, where appropriate, or the development of non-subsidized plans in cases where such products are inconsistent with government policy;
- 18.1.8 there shall be equity and fairness in that the same level of federal cost-sharing shall be provided for similar levels of coverage, programs and features;
- 18.1.9 stakeholders are involved throughout the program design and implementation; and
- 18.1.10 governments shall strive for greater interprovincial and federal collaboration and data sharing in order to improve consistency and availability of programs, as well as to expand coverage of commodities.

19.0 PRODUCTION INSURANCE COMMON PROGRAM BASE

- 19.1 ***Production Insurance Design Parameters*** In order to achieve the principles set out in clauses 14 and 18, and subject to the transition provisions in clause 25, the Parties agree that the common risk management program base for production insurance programs shall consist of the following design parameters:

Federal funding for Premiums and Compensation

- 19.1.1 federal funding for premiums and compensation shall maintain the cost-share requirements set out in the Framework Agreement. Within this cost-share requirement, there shall be three levels of federal funding support to be allocated on a demand-driven basis to the following maximum amounts:
- 19.1.1.1 60 per cent of premium costs for catastrophic loss benefits;
 - 19.1.1.2 36 per cent of premium costs for comprehensive production coverage;
 - 19.1.1.3 20 per cent of premium costs for high-cost production coverage; and
 - 19.1.1.4 60 per cent of costs for wildlife compensation;

Provincial funding

- 19.1.2 the remainder of funding shall be provided by the Province and producers. Provinces shall have the flexibility to modify the provincial and producer levels of funding provided that the Province's total share of funding equals at least two-thirds of the combined federal funding for the levels set out in clause 19.1.1 and the administrative costs described in clause 19.1.3. Where a Province's funding is greater than the funding required by this clause, the additional funding shall not be recognized as a Contribution for the purpose of Part One of the Framework Agreement;

Federal funding for Administrative Costs

- 19.1.3 subject to any limitations contained in production insurance agreements, Canada shall pay, net of any administrative revenue, 60 per cent of administrative costs related to the cost-shared elements of the production insurance agreements. Administrative fees paid by producers in the Province shall be considered to be payments in respect of premiums for the purpose of establishing

that the levels of federal funding have been complied with in accordance with clause 19.1.1;

- 19.1.4 subject to the availability of funds allocated to Business Risk Management under clause 3.2 of the Framework Agreement, Canada may pay up to 80 per cent of research and provincial start-up costs for activities that will increase collaboration between provinces in the development of new programming options or reduce provincial delivery costs. The cost of these initiatives will not be considered part of the administrative cost-sharing arrangements for production insurance and therefore will not be subject to the federal-provincial cost-sharing arrangements set out in clause 3.3 of the Framework Agreement;
- 19.1.5 the Parties agree that provincial and producer funding levels shall be provided for in each respective production insurance agreement. Funding levels between governments shall be reviewed after each year of this Implementation Agreement to ensure that the Province's total share of funding equals at least two-thirds of the combined federal funding for clauses 19.1.1 and 19.1.3;

General Coverage Provisions

- 19.1.6 production insurance may provide coverage for all agricultural products. The agricultural products to be covered in each province shall be set out in each respective production insurance agreement;
- 19.1.7 losses resulting from low market prices, financial, intermediary, human resource and management risks are not insurable under production insurance programs cost-shared under this Implementation Agreement;
- 19.1.8 production insurance shall not provide coverage above 90 per cent of either probable yield or the insured value of the commodity;
- 19.1.9 coverage based on a whole-farm or a basket of crops option shall be offered by the Province as part of production insurance. These options shall be reviewed after either three years of their introduction to a production insurance program, or, in any event, by no later than the end of the Implementation Period, in order to

assess the effectiveness, administrative efficiency and saleability of each option;

- 19.1.10 production insurance programs may indemnify for losses arising from the destruction of perennial plants or when seeding or planting is prevented by a natural hazard, to the extent such coverage is not otherwise provided through Other Programs under the Framework Agreement;
- 19.1.11 where probable yield and per unit value of a crop form the basis of determining the level of coverage, probable yield shall be determined either on an area basis or on the basis of the productive capability of a producer and the per unit value of the crop shall reflect market or replacement values;
- 19.1.12 where probable yield does not form the basis for determining the level of coverage, an alternative means of determining the basis of coverage shall be developed to allow coverage of a wider range of products. Where such alternative means are used, coverage shall not exceed the value of the commodities being insured. Canada and the Provinces shall develop and apply common standards for the purposes of verifying that the coverage has not exceeded the value of the commodities being insured by September 30, 2003. Provinces shall verify the methodology used to determine the level of coverage is consistent with common standards when changes are made but, at a minimum, once every five years;
- 19.1.13 any provisions in the Agreement that are inconsistent with federal or provincial legislation shall not be given effect until such time as these respective legislation is amended to make the provision consistent with the legislation. The Parties agree to seek the necessary authority to amend their respective legislation accordingly, as soon as possible;
- 19.1.14 Canada agrees to review the crop reinsurance provisions in the *Farm Income Protection Act* with a view to making reinsurance more available;
- 19.1.15 program guidelines and common standards required for the consistent administration of the production insurance agreements,

and any amendments thereto, shall be established with the consent of Canada and no less than two-thirds of all provinces who have entered into an Implementation Agreement with Canada, having at least 50 per cent of the total insured liability in the previous year. The Parties agree that consent as required by this clause constitutes consent for the purposes of the Framework Agreement

Comprehensive Production Coverage

- 19.1.16 comprehensive production coverage includes all production insurance coverage that is consistent with the principles in clauses 14 and 18, but does not include waterfowl and wildlife crop damage and wildlife predation compensation, catastrophic loss benefits and high-cost production coverage;

High-Cost Production Coverage

- 19.1.17 high-cost production coverage includes risk-splitting benefits, coverage levels above 80 per cent for high-risk commodities, as well as insurance plans with unit values or Production Values, for non-production-based protection, that exceed the actual or replacement value of a Crop and that operate with administrative controls to prevent moral hazard;
- 19.1.18 risk-splitting benefits include 1) coverage for production losses calculated at anything less than the farm enterprise for a separately insured commodity and 2) coverage for commodities that do not satisfy all of the following criteria:
- 19.1.18.1 can be distinguished from other like commodities;
 - 19.1.18.2 has a separate market price from other like commodities;
 - 19.1.18.3 has different productive capabilities or production risks from other like commodities; and
 - 19.1.18.4 has sufficient volume of production and availability of data to ensure the financial viability of an insurance plan related to that commodity;

- 19.1.19 a high-risk commodity is a commodity insured above the 80 per cent coverage level, where the total pure premium cost is greater than nine per cent of the total insurable value. For greater certainty, the additional premium cost greater than nine per cent associated with coverage above 80 per cent for high-risk commodities will be limited to the amount allocated for high-cost production coverage in clause 19.1.1.3;
- 19.1.20 where an insurance plan or benefit is considered to be risk-splitting as set out in clause 19.1.18, but the total program costs (premium and administrative) of that plan or benefit are less than the total program costs for the same perils and level of protection under a commodity specific insurance plan, that plan or benefit shall be eligible for funding under the comprehensive production coverage;
- 19.1.21 the Parties shall undertake an annual review process to ensure limitations on high-cost production coverage are not preventing the flexibility to cover new commodities; and where the limitations on high-cost production coverage has prevented the development of insurance plans for new commodities, the Parties agree to modify clauses 19.1.17 to 19.1.20, as necessary, to eliminate these impediments;

Wildlife Compensation

- 19.1.22 compensation for damage caused by wildlife, including waterfowl, that is not included as part of an Insurance Plan may be offered by the Parties to producers in any province without cost to the producer except for administration fees, and without requiring the producers' enrollment in production insurance, provided that
- 19.1.22.1 producers are restricted, without permission, from taking direct action against the wildlife as a result of government regulation;
- 19.1.22.2 there are effective mitigation and prevention measures in place to reduce damage;

- 19.1.22.3 there are requirements in place with respect to the minimum level of damage that must be incurred before any payment may be made; and
- 19.1.22.4 payments do not exceed 80 per cent of the value of the loss;
- 19.1.23 for greater certainty, where damage from wildlife is included as an insured peril as part of comprehensive production coverage, the level of federal funding shall be in accordance with clause 19.1.1.2;
- 19.1.24 where damage from wildlife is eligible for compensation under both comprehensive production coverage and wildlife compensation, the Parties shall ensure that the producer is paid only once for the same loss;

Catastrophic Loss Benefits

- 19.1.25 catastrophic loss benefits shall be provided for the purpose of measurably increasing the amount of insurance protection provided for loss situations that, based on an actuarial assessment, are determined to be a 93 percentile loss or greater. Canada and the provinces shall develop common standards and guidelines to be used to determine whether the design and operation of such catastrophic loss benefits have or will fulfill that purpose;

Premiums

- 19.1.26 except for new crops, for which sufficient data does not exist, premiums shall be established in an actuarially sound manner based on historical loss experience. There shall be an independent verification that the premium rates have been established in an actuarially sound manner each time changes are made to the methodology used to determine premium rates, but, at a minimum, once every five years;

Linkages

- 19.1.27 linkages shall be developed between the NISA program and production insurance based on the following principles:
- 19.1.27.1 linkages shall encourage longer term participation in production insurance;
 - 19.1.27.2 producer participation in the NISA program shall not have a detrimental impact on participation in production insurance; and
 - 19.1.27.3 there shall not be double indemnification as a result of participation in both programs;

Performance Measures

- 19.1.28 there shall be minimum performance measures based on the objectives set out in clause 18.5 of the Framework Agreement in respect of program participation, program design, and program delivery. Progress on performance measures shall be measured by indicators set out in clause 28 of this Implementation Agreement. The Parties shall begin reporting annually on all pertinent measures within the first year of signing this Implementation Agreement; and

Data Sharing

- 19.1.29 subject to applicable privacy legislation, all data compiled by a Party, including individual farm data, with respect to production insurance programs will be made available to the other Party to ensure consistent program delivery with common service standards across the country, to assist in future program development, and to ensure adequate linkages between production insurance programs, the NISA program and other elements of the Framework Agreement.

20.0 ADDITIONAL BENEFITS

- 20.1 *Federal adjustments* Where higher rates of producer participation result from a province offering additional benefits under a provincial production insurance program that do not conform with the common program base requirements set out in clause 19, adjustments shall be made to the federal funding accordingly.

21.0 PRODUCTION INSURANCE AGREEMENT

- 21.1 *Applicable Agreement* The Parties agree that the crop insurance agreement entered into on June 20, 1997, as amended, is not applicable to any contracts of insurance issued in respect of the 2003 and subsequent crop years. For greater certainty, the production insurance agreement, attached as Annex B to this Implementation Agreement, commences with the 2003 crop agreement. The production insurance agreement shall be modified, from time to time, as necessary, to ensure consistency with the common risk management program base.

22.0 AMENDMENTS

- 22.1 *Amendments to Part Two* Notwithstanding any other clause in this Implementation Agreement,
- 22.1.1 Canada shall not consent to an amendment to this Part respecting the NISA program until such time as no less than two-thirds of all provinces who have entered into an Implementation Agreement with Canada, having at least 50 per cent of the production margin in the previous program year have agreed to make the same amendment to their respective Implementation Agreements. In the event an amendment is made in accordance with this clause, the Parties agree that this constitutes consent for the purposes of the Framework Agreement; and
- 22.1.2 Canada shall not consent to an amendment to this Part respecting a production insurance program until such time as no less than two-thirds of all provinces who have entered into an Implementation Agreement with Canada, having at least 50 per cent of the total insured liability in the previous year have agreed to make the same amendment to their respective Implementation Agreements. In the event an amendment is made in accordance with this clause, the Parties agree that this constitutes consent for the purposes of the Framework Agreement.

23.0 OTHER PROVINCIAL PROGRAM PAYMENTS

23.1 **Offsets** No federal contribution shall be made to provinces in respect of payments from provincial programs that reduce or might reduce payments that would otherwise be made under programs that are cost-shared under Part Two of this Implementation Agreement.

24.0 WORLD TRADE ORGANIZATION

24.1 **WTO Compliance** Where Canada determines that government expenditures under the programs in Part II of this Implementation Agreement that are subject to the total allowable domestic support levels under the Agreement (as defined in section 2 of the federal *World Trade Organization Agreement Implementation Act*), including any successor agreements thereto, will exceed such allowable levels for any applicable reporting period, the Parties shall make adjustments during that period to ensure that such expenditures do not exceed such allowable levels.

25.0 BRM TRANSITION PROGRAMMING

25.1 **BRM Existing Programs** Annex C contains the Business Risk Management Existing Programs included pursuant to clause 6 of the Framework Agreement, and, for those programs eligible to continue beyond April 1, 2006 under clause 13 of this Implementation Agreement, any schedule of changes to be made that will result in compliance, by no later than March 31, 2006, with clause 5.2 of the Framework Agreement and the common risk management programming base.

25.2 **Production Insurance Transition** The Parties shall agree to a schedule of changes in order to implement the cost-sharing ratios contained in clauses 19.1.1 and 19.1.2 starting with the 2006 crop year, to ensure full compliance by the 2006 crop year.

25.3 **Linkages Between the NISA program and production insurance** The parties agree that there shall be a linkage implemented in the 2004 crop year, based on the principles set out in clause 19.1.27, and the linkage shall be agreed to no later than July 21, 2003. A linkage shall be adopted if supported by Canada and at least two-thirds of the Provinces or Territories participating in the NISA program and a production insurance program, where those Provinces or Territories represent at least 50 per cent of the total insured liability in the previous crop year.

25.4 ***Pilot Project*** For the 2003 crop year and program year, Manitoba will undertake a pilot project to determine the effect of imputing the net benefit that producers who either did not participate, or did not fully participate, in production insurance could have received under the program. Manitoba and the administrators of the NISA program will co-operate to determine and report on

25.4.1 the impact on NISA payments using an individual producer and a regional imputed benefit and for a range of production insurance coverage levels;

25.4.2 the added administrative costs associated with imputing benefits;

25.4.3 the data sharing needs and compatibility issues between the two organizations; and

25.4.4 any unexpected benefits or consequences.

25.5 ***Results of Pilot Project*** The pilot project will initially concentrate on those producers applying for disaster payments under the NISA program. The results of the pilot project will be used to determine if imputing net benefits for production insurance is a practical and cost-effective means of achieving the objectives outlined in clauses 19.1.27 and 25.4, and whether it could be implemented in other provinces, starting with the 2005-06 crop year.

25.6 ***Incremental Costs of Pilot Project*** Incremental costs associated with the administration of the Manitoba pilot project shall qualify for federal funding under section 3.2 of the Framework Agreement.

25.7 ***Additional Studies*** The Parties may agree to undertake additional studies or pilot projects to evaluate various forms of program linkage.

25.8 ***Investment*** The Parties agree that an investment component to the new program will be introduced no earlier than the 2006 program year.

26.0 RISK MANAGEMENT INDICATORS

26.1 ***Indicators*** The Parties shall use, in whole or in part, but are not limited to, the following indicators to measure progress on risk management programming:

- 26.1.1 comparing farmers' aggregate sector margin to the reference margin in order to determine the extent to which farm margins have been stabilized by risk management programs;
- 26.1.2 tracking the usage of private and public risk management tools and strategic planning practices by farmers in order to determine the extent to which whole-farm risks are being covered; and
- 26.1.3 analyzing administrative procedures in order to monitor improvements in the administrative efficiency of risk management programs.

27.0 NISA INDICATORS

- 27.1 **Indicators** The Parties shall use, in whole or in part, but are not limited to, the following indicators to measure the extent to which the NISA program has met its objectives:

Increased Farm Income Stability

- 27.1.1 withdrawal patterns of target group related to economic indicators;
- 27.1.2 reduced volatility of income over time;
- 27.1.3 percentage of target group adopting agricultural risk programs and tools;

Adoption of Appropriate Mix of Financial and Risk Management Tools

- 27.1.4 change in participation rate of target group in the NISA Program taking into account program influences;
- 27.1.5 change in number and value of payments;

Sufficient knowledge and understanding of the NISA program

- 27.1.6 manner in which the features of the NISA program are used;
- 27.1.7 percentage of participants not fully utilizing the NISA program and the reasons for such;

27.1.8 number of inquiries related to program description, policy and forms logged on toll-free lines;

Awareness of NISA Program Enhancements and Activities

27.1.9 number of participants who participate in new program initiatives;

Appropriate Groups Apply and Receive Assistance

27.1.10 change in the number of participants;

27.1.11 change in the number of eligible producers who do not apply for program benefits;

27.1.12 analyze differences between eligible producers who do participate and those who do not participate;

Satisfaction with Overall Program (Information, Services, and Delivery)

27.1.13 change in target group's satisfaction with program information and services;

27.1.14 change in the number of participant opt-outs identifying "dissatisfaction" as reason for opt-out;

27.1.15 change in the number of appeals related to information and services received;

27.1.16 change in the participation rate of target group in the NISA Program; and

27.1.17 timeliness of payments.

28.0 PRODUCTION INSURANCE INDICATORS

28.1 **Indicators** The Parties shall use, in whole or in part, but are not limited to, the following indicators to measure progress on performance measures pursuant to clause 19.1.28:

Universality

- 28.1.1 the operation of production insurance in all provinces;
- 28.1.2 the operation of production insurance in all regions in each province, where administratively feasible;

Comprehensiveness of Protection

- 28.1.3 the value of commodities insured compared to the total market value of all commodities (values from Statistics Canada Census or better);
- 28.1.4 the value of commodities insured compared to the total market value of those insured commodities;
- 28.1.5 the value of non-insured commodities compare to the total market value of all commodities;
- 28.1.6 the value of new commodities added for the year compared to the total market value of all commodities;
- 28.1.7 the number of formal requests to develop insurance plans from provincial commodity associations;
- 28.1.8 the number of formal requests for insurance plans forwarded to Risk Management Partnerships;
- 28.1.9 the number and type of program options available for major crop categories (grains, oilseeds, special crops, horticulture, forage and pasture), including,
 - 28.1.9.1 individual multi-peril crop insurance (crops with accurate yields and prices);
 - 28.1.9.2 basket of crops/whole farm (cost-effective options encouraging multiple crop coverage and emphasizing higher coverage for severe losses);

- 28.1.9.3 cost-effective options for forage and pasture (weather derivatives);
- 28.1.9.4 cost-effective options for horticulture (value insurance and proxy crops);
- 28.1.9.5 variable price options (valuing commodities more accurately at time of loss); and
- 28.1.9.6 extended coverage benefits either separate or as part of a production risk plan;

Sound Insurance Practices and Actuarial Principles

- 28.1.10 sound insurance practices and actuarial principles include timely and accurate independent certifications of premium rates, self-sustaining and probable yields and unit price testing, and shall be measured, in whole or in part, by
 - 28.1.10.1 the number of instances of material shortcomings or limitations recorded in certifications;
 - 28.1.10.2 the number of years the program has been in deficit or surplus since its inception;
 - 28.1.10.3 the probability of program going into or recovering from deficit in the next five years;
 - 28.1.10.4 the commodities affected and the magnitude of federal holdbacks due to overdue certifications or tests (only reported on every three to five years);
 - 28.1.10.5 the maximum probable change (increase/decrease) in annual premium rates (stability or responsiveness); and
 - 28.1.10.6 the maximum probable change (increase/decrease) in annual probable yields/value of insurance;

Cost-Effective and Transparent Program Delivery

- 28.1.11 the provincial and national average program delivery costs reported as
 - 28.1.11.1 the total administration costs as a percentage of total insured coverage;
 - 28.1.11.2 the total administration costs as a percentage of total premium;
 - 28.1.11.3 the total administration costs per insured farmer or contract;
 - 28.1.11.4 the provincial average program delivery costs for each program type available;
 - 28.1.11.5 the provincial average program delivery costs measures for the current year compared to the previous three-year average;
 - 28.1.11.6 the initiatives undertaken and the savings achieved for the year in question to reduce program delivery costs (via program design, technology, collaboration, information and resource-sharing and common databases); may also include the implementation status of national program delivery effectiveness/best practices study recommendations;
 - 28.1.11.7 the identification of provinces with common data platforms, ensuring direct linkages with NISA and direct access/sharing of program data;
 - 28.1.11.8 the percentage of total premiums, coverage and government subsidies in a province attributed to risk splitting benefits or high- cost program designs;
 - 28.1.11.9 the current average premium rate expressed as 100 per cent coverage, compared to the previous three-year average; and

- 28.1.11.10 the identification of provinces and programs that do not conform with the common program base requirements set out in clause 19, and any adjustments made to federal funding resulting from increased participation in Production Insurance attributed to the operation of these programs in accordance with clause 20.1;

Linkages to the NISA Program and Environmental Initiatives

- 28.1.12 the status of the linkages with the NISA program, including, but not limited to the mechanisms put in place and data sharing;
- 28.1.13 the size of the overlap eliminated (reduced payments) due to the linkages between the NISA program and production insurance;
- 28.1.14 the average increase in eligible net sales or production margin for those with production insurance and those without production insurance;
- 28.1.15 the identification of specific insurance plans that contribute directly to environmental sustainability;
- 28.1.16 the magnitude of production insurance premium discounts and/or changes in insurance coverage resulting from environmentally sustainable practices;

Program Performance Criteria

- 28.1.17 the provincial participation rate compared with the target level of 70 per cent of crop acres or crop value insured;
- 28.1.18 the provincial participation rate compared with the target level of 50 per cent of the forage and pasture acreage or value insured;
- 28.1.19 the number of new program options introduced, the additional producers and amount of additional insurance protection sold since introducing production insurance;

- 28.1.20 the average program delivery cost and the relative change since introducing production insurance;
- 28.1.21 the average premium cost of programs and the relative change since introducing production insurance; and
- 28.1.22 the average level of government subsidy provided and the degree of federal cost- share variability between provinces.
- 28.2 ***Right of set-off*** Where a Participant is indebted to the Crown under other agricultural programs, the Administration may, upon request from a program administrator and notification of the Participant, have such amounts deducted from any monies paid out of the Participant's NISA account, and applied to the debt. The Administration may set-off other debts from monies payable out of NISA accounts as authorized by law.
- 28.3 ***Purpose of Supply Management.*** The Parties remain committed to the supply management system, which is a cornerstone of Canadian agricultural policy and constitutes an essential risk management tool. The Parties recognize the importance of maintaining the three basic pillars of supply management: 1) import controls on products and many by-products; 2) a pricing policy with respect to production costs; and 3) production control.

PART THREE - OTHER PROGRAMS AND EXISTING PROGRAMS

29.0 IMPLEMENTATION MEASURES

- 29.1 ***Activities and Expenditures Plan*** The Activities and Expenditures Plan consists of Other Programs or Existing Programs that the Parties agree meet the requirements of clause 5.2 or clause 6 of the Framework Agreement, and that the Parties agree are eligible for Contributions under this Implementation Agreement.
- 29.2 ***Federal and Provincial Measures Plan*** The Parties agree to a Federal and Provincial Measures Plan (attached as Schedule 1 and Schedule 3 of Annex D), which consists of Other Programs or Existing Programs that the Parties agree meet the requirements of clause 5.2 or clause 6 of the Framework Agreement, but that the Parties agree are not eligible for a Contribution under this Implementation Agreement unless transferred to the Activities and Expenditures Plan by the Management Committee under clause 3.3.
- 29.3 ***Existing Programs*** In the case of an Existing Program that falls within the scope of clause 6 of the Framework Agreement, the Parties agree that the program shall not be eligible for Contributions under this Implementation Agreement after March 31, 2006, unless it is compliant with clause 5.2 of the Framework Agreement at that time.
- 29.4 ***Equivalent provincial program*** Where Canada agrees to include a provincial program in an Implementation Agreement with any of the other signatories to the Framework Agreement, other than a signatory identified in clause 3.4 of the Framework Agreement, and the program is not included on the basis that it is an Existing Program, then Canada must, at the request of the Province, consent to the inclusion of an equivalent provincial program in, this Implementation Agreement. In the event that an equivalent provincial program is included in the Activities and Expenditure Plan or in Part Two of this Implementation Agreement, the Contribution by each of the Parties to the Implementation Agreement must be consistent with clauses 3 and 4 of the Framework Agreement.
- 29.5 ***Equivalent federal programs*** Where a federal program, other than a federal program relating to any of the Parties identified in clause 3.4 of the Framework Agreement, has been included in an Implementation Agreement of a Party to the Framework Agreement, and the program is not included on the basis that it is an Existing Program, then Canada must, at the request of the Province, consent to the inclusion of a similar federal program in, this Implementation Agreement. In the

event that a federal program is included in the Activities and Expenditure Plan or in Part Two of this Implementation Agreement, the Contribution by each of the Parties to the Implementation Agreement must be consistent with clauses 3 and 4 of the Framework Agreement.

30.0 COORDINATION

- 30.1 *National Complementary Provincial/Territorial Policies and Measures* The Parties agree to work with other provinces and territories to develop and coordinate national policies and initiatives, exchange best practices on provincial/territorial initiatives and develop performance measures.

PART FOUR — INCLUDED AGREEMENTS

31.0 NISA AGREEMENT

31.1 *Party to the NISA Agreement* The Parties agree that, by executing the Implementation Agreement, each Party is deemed to be a party to the NISA Agreement, attached as Annex A, and agrees to be bound by all of its terms and conditions.

32.0 PRODUCTION INSURANCE AGREEMENT

32.1 *Party to the Production Insurance Agreement* The Parties agree that, by executing the Implementation Agreement, each Party is deemed to be a party to the Production Insurance Agreement, attached as Annex B, and agrees to be bound by all of its terms and conditions.

33.0 SEVERABILITY

33.1 *Severability of NISA and Crop Insurance* In the event that the Implementation Agreement should terminate or expire, both Annexes A and B shall be severed and continue to exist independently of the Implementation Agreement.

34.0 ANNEX C

34.1 *Party to Agreements* The Parties agree that, by executing the Implementation Agreement, each Party is deemed to be a party to each of the agreements contained in Annex C, and agrees to be bound by all of their terms and conditions.

34.2 *Consistency* To the extent that there is any conflict between the terms of Annex C and Part One to Four of this Implementation Agreement, the terms of Part One to Four govern.

PART FIVE — NUNAVUT

35.0 AMENDMENTS

35.1 *Amendments to the Framework Agreement* The Parties consent to amending the Framework Agreement in the following manner:

35.1.1 to add to the list of the parties to the Framework Agreement: “Nunavut, as represented by the Minister of Sustainable Development”;

35.1.2 to amend the definition of “Territory” to read as follows: “Territory” means the Northwest Territories, the Yukon Territory, or Nunavut”;

35.1.3 to delete, from clause 3.4.2, the word “and”;

35.1.4 to replace the period in clause 3.4.3 with a semicolon, and add thereafter the word “and”;

35.1.5 to add a new clause 3.4.4, reading as follows: “\$180,000 to Nunavut.”

IN WITNESS THEREOF, this Implementation Agreement is duly executed by the authorized representatives of the Parties.

ORIGINAL SIGNED BY 05 NOV 03

Witness

Date

ORIGINAL SIGNED BY

Minister of Agriculture and
Agri-Food for Canada

ORIGINAL SIGNED BY 05 NOV 03

Witness

Date

ORIGINAL SIGNED BY

Minister of Agriculture, Fisheries,
Aquaculture and Forestry for Prince
Edward Island

ANNEX A — FEDERAL / PROVINCIAL AGREEMENT RE-ESTABLISHING THE NET INCOME STABILIZATION ACCOUNT (NISA) PROGRAM

WHEREAS governments and producers jointly recognize the need for a program to stabilize the net farm income of producers and the need for a timely program response to income disasters facing farmers;

AND WHEREAS all parties desire to respond to these needs in an effective way that contributes to the health and stability of the Canadian primary agricultural sector;

AND WHEREAS all parties desire that the disaster component of the program conform to the basic requirements of the World Trade Organization Agreement on Agriculture, Annex 2, related to non-actionable income safety net programs and that such programming be offered to all farmers in Canada on equitable terms;

AND WHEREAS a Framework Agreement between Canada, the Provinces and Territories has been concluded which provides a basis for federal-provincial-territorial negotiation and management of agricultural risk management programs which are eligible or counted for federal-provincial-territorial cost-sharing;

AND WHEREAS the Parties to the Framework Agreement have agreed to terminate the existing NISA Agreement and re-establish the NISA Program in order to better achieve the purposes of the Framework Agreement;

THEREFORE, the parties covenant and agree as follows:

1.0 DEFINITIONS

1.1 In this Agreement:

“Account” means an account established under clause 7;

“Act” means the federal *Farm Income Protection Act*;

“Administering Party” means, with respect to each Province or Territory, the Party determined under clause 6.1;

“Administration” means the senior official in charge of a body designated to exercise powers, functions or duties under clause 6.2, to the extent of those powers, functions or duties;

“Committee” means the National NISA Committee established under clause 10;

“Default Financial Institution” means the Financial Institution designated by the Administering Party to hold Fund 1 deposits in the event a Participant does not designate a Financial Institution;

“Elected Coverage Level” means the percentage of the Reference Margin, not greater than the Maximum Coverage Level nor less than the Minimum Coverage Level, chosen by a Participant with respect to a Program Year for coverage in the event of a Margin Decline of 100 per cent of the Reference Margin;

“Eligible Administrative Costs” means costs incurred with respect to the administration of the NISA Program which are eligible for cost-sharing under clause 9, and any further principles provided for in Program Guidelines, net of any administrative revenue;

“Eligible Production Input Costs” means input costs directly related to production that are eligible to be deducted from Farm Revenue in the calculation of the Production Margin and Reference Margin, and may include items such as feed, livestock, seed, production insurance premiums, fertilizer, pesticides, containers, twine, fuel, electricity, trucking, storage, drying, and custom feeding, details of which shall be set out in Program Guidelines;

“Entity” means a corporation, co-operative organization, trust, communal organization, or other entity recognized by law as having rights and duties;

“Farm Revenue” means farm income reported for income tax purposes or, for producers exempt from taxation, as would be reportable for income tax purposes, including production insurance payments, but excluding other government program payments and subject to any limitations set out in the program guidelines;

“Financial Institution” means a bank, credit union, trust company, caisse populaire or other institution or agency which has entered into an agreement with

the Administering Party for Program purposes and which may legally hold a participant's money on deposit in Canada;

“Fiscal Year” means the period beginning April 1 and ending on March 31;

“Framework Agreement” means the Federal-Provincial-Territorial Framework Agreement on Agricultural and Agri-Food Policy for the Twenty-First Century;

“Government” means the federal, provincial and territorial governments that are parties to the NISA Agreement;

“Implementation Agreement” means an Implementation Agreement entered into by Canada and a Province or Territory under the terms of the Framework Agreement;

“*Income Tax Act*” means the federal *Income Tax Act*;

“Margin Decline” means, with respect to a Program Year, the difference between a Participant’s Production Margin for that Program Year and Reference Margin for that Program Year, but shall not be greater than the Participant’s Reference Margin for that Program Year;

“Margin Decline Ratio” means, with respect to a Program Year, the ratio between a Participant’s Margin Decline for that Program Year and Reference Margin for that Program Year;

“Maximum Coverage Level” means 100 per cent, or such other percentage as is established under clause 8.2 for a Program Year;

“Maximum Fund 1 Balance” means twice the Maximum Triggered Fund 1 Withdrawal if the Participant were to elect the Maximum Coverage Level;

“Maximum Government Contribution” means the amounts determined under clause 8.2;

“Maximum Triggered Fund 1 Withdrawal” means the amount calculated under clause 4.6;

“Minimum Coverage Level” means 70 per cent;

“Minister” means the Minister of Agriculture and Agri-Food for Canada;

“Net Farm Sales” means the sale of agricultural products, less the purchase of agricultural products for resale, to the extent that those purchases are not included in Eligible Production Input Costs;

“NISA Agreement” means the Federal / Provincial Agreement Re-Establishing the Net Income Stabilization Account (NISA) Program;

“Non-Administering Party” means, with respect to each Province or Territory, the Party which is not chosen as the Administering Party under clause 6.1;

“Notice Period” means the period of time established by the Administration, in excess of 90 days, during which Participants shall designate a Financial Institution to which their Fund 1 shall be transferred;

“Participant” means a holder of an Account;

“Participating Province or Territory” means a Province or Territory that is a party to the NISA Agreement;

“Prior NISA Account” means an account established under the Prior NISA Agreement;

“Prior NISA Agreement” means the Federal-Provincial Agreement Establishing the Net Income Stabilization Account Program;

“Production Insurance Programs” includes a crop insurance program as defined in section 2 of the Act;

“Production Margin” means the difference between Farm Revenue and Eligible Production Input Costs, subject to adjustments made under clause 5.2;

“Program Guidelines” means guidelines established under clause 6.6;

“Program Year” means the period for which the Participant files a return under the *Income Tax Act*, or such other period as is permitted by the Administration under clause 4.4;

“Reference Margin” means the amount determined under clause 5.3;

“Supply Managed Commodities” means commodities coming within the provisions of the *Canadian Dairy Commission Act* or for which national marketing agencies have been established under Part II of the *Farm Products Agencies Act*.

2.0 AGREEMENT STRUCTURE

- 2.1 The Prior NISA Agreement is hereby amended such that the interest bonus provided for under that Agreement shall not be payable after December 31, 2003.
- 2.2 Notwithstanding any other provision in the Prior NISA Agreement, the balance in a Participant’s Prior NISA Account may be paid in the following manner:
 - 2.2.1 Once the processing of a Participant’s Prior NISA Account for the 2002 Program Year is complete (or December 31, 2003, whichever is earlier), the Participant may withdraw from the Participant’s Prior NISA Account, from time to time, such amounts as the Participant may choose;
 - 2.2.2 Withdrawals under clause 2.2.1 shall be made in equal dollar amounts from Fund 1 and Fund 2, unless (a) one of those funds has no balance remaining; or (b) the excess withdrawal from Fund 1 is deposited into the Participant’s Fund 1 Account established under this NISA Agreement, where such a deposit would be permitted under the terms of this NISA Agreement;
 - 2.2.3 Participants must withdraw sufficient funds such that the balance in Fund 2 of the Prior NISA Account does not exceed the following percentages of the balance in Fund 2 of the Prior NISA Account as of March 31, 2004:
 - 2.2.3.1 As of March 31, 2005, no more than 80%;
 - 2.2.3.2 As of March 31, 2006, no more than 60%;
 - 2.2.3.3 As of March 31, 2007, no more than 40%;
 - 2.2.3.4 As of March 31, 2008, no more than 20%;

- 2.2.3.5 As of March 31, 2009, no more than 0%;
- 2.2.4 Participants must withdraw the entire balance in Fund 1 of the Prior NISA Account by no later than March 31, 2009.
- 2.3 Notwithstanding anything in the Prior NISA Agreement:
 - 2.3.1 no deposits may be made by the Producer under the Prior NISA Agreement with respect to the 2003 stabilization year or any following stabilization year;
 - 2.3.2 there shall be no adjustments, after December 31, 2003, to Fund 1 or Fund 2 of a Prior NISA Account, based on requests from the Producer; and
 - 2.3.3 no changes shall be made to the method of accounting used to report for the 2002 stabilization year from the method used to report for the 2001 stabilization year unless the change reflects the method of accounting used to report farm income for the 2002 income tax year under the *Income Tax Act*.
- 2.4 This NISA Agreement shall take effect when executed by sufficient Parties such that the amendments set out in clauses 2.1 to 2.3 would take effect. Canada shall notify the participating Provinces and Territories when this requirement is met.
- 2.5 Once this NISA Agreement has come into effect under clause 2.4:
 - 2.5.1 this NISA Agreement shall begin application with respect to the 2003 Program Year; and
 - 2.5.2 the Parties hereby consent to the termination of the Prior NISA Agreement, effective March 31, 2004.
- 2.6 For the 2003 and 2004 Program Years, the Administration may, notwithstanding any provision in this NISA Agreement, extend any deadlines set out in this NISA Agreement or the Program Guidelines.

3.0 PARTICIPANT ELIGIBILITY

- 3.1 An individual or Entity is eligible to participate in the NISA Program if the individual or Entity, with respect to a Program Year:
- 3.1.1 has (a) reported farm income for the purposes of the *Income Tax Act*, or (b) where the farm income is exempt from taxation, submitted to the Administration a statement of farming income and expenses prepared in accordance with Generally Accepted Accounting Principles;
 - 3.1.2 completed a minimum of six consecutive months of farming activity; and
 - 3.1.3 completed a production cycle.
- 3.2 Participants who are unable to meet the requirements of clause 3.1.2 or 3.1.3 in a Program Year due to natural hazards beyond their control shall be deemed to meet those requirements, subject to the Program Guidelines.
- 3.3 Publicly-funded institutions such as hospitals, research centres, universities, colleges and correctional institutions are not eligible Participants for purposes of this NISA Agreement.
- 3.4 An estate may participate in the Program to the extent that the deceased person would have been entitled to do so.

4.0 CONTRIBUTIONS AND WITHDRAWALS

- 4.1 Each Participant shall, with respect to a Program Year:
- 4.1.1 no later than nine months before the end of the Program Year, notify the Administration of the Participant's Elected Coverage Level for that Program Year;
 - 4.1.2 no later than the deadline established in the Program Guidelines, provide the Administration with such information as the Administration may require to determine the Participant's Reference Margin for that Program Year;

- 4.1.3 no later than the end of the Program Year, or such earlier date as is established in Program Guidelines, deposit into the Participant's Fund 1 such amount as is necessary so that the Participant's Fund 1 balance, at the end of the Program Year, is at least equal to (a) the Participant's Maximum Triggered Fund 1 Withdrawal for that Program Year; or (b) such lesser amount as is required under clause 4.2;
- 4.1.4 no later than the deadline established in the Program Guidelines, report such information as the Administration requires in order to determine the Participant's Production Margin for that Program Year.
- 4.2 The Fund 1 balance required under clause 4.1.3 shall be one-third of the Participant's Maximum Triggered Fund 1 Withdrawal for the Program Year in the following circumstances:
 - 4.2.1 for the 2003 and 2004 Program Years;
 - 4.2.2 for the first two Program Years for a new Participant in the Program; or
 - 4.2.3 where a Participant's Margin Decline Ratio for at least one of the two previous Program Years was greater than 30 per cent,
- 4.3 Where the Program Year for a Participant does not end on December 31, the Administration may, subject to the Program Guidelines, modify the deadlines provided for in clause 4.1, for the purpose of ensuring that elections are made before events which can be expected to materially influence the Participant's Production Margin for the Program Year.
- 4.4 A Participant shall take the steps set out in clause 4.1 according to procedures established by the Administration. If, subject to Program Guidelines, the Administration permits Participants to submit a statement of farming income and expenses prepared in accordance with Generally Accepted Accounting Principles, the statement must detail all income and expense information otherwise reportable for farm business income tax purposes and necessary for the calculation of entitlements for a Program Year (which shall be the calendar year or such other period as the Administration may permit). Participants who file in this manner must retain all source documents as would be required under the *Income Tax Act* such as sales invoices, purchase vouchers, bank records, ledgers and journals.

- 4.5 If a Participant fails to take any one of the steps set out in clause 4.1 with respect to a Program Year:
- 4.5.1 the Participant's Maximum Triggered Fund 1 Withdrawal for that Program Year shall be zero; and
 - 4.5.2 where the Participant is subject to clause 4.5.1 for two consecutive Program Years, the Participants Maximum Triggered Fund 1 Withdrawal for the following two Program Years shall be zero.
- 4.6 A Participant's Maximum Triggered Fund 1 Withdrawal shall be calculated by adding the following amounts:
- 4.6.1 20 per cent of the first 70 per cent of the Reference Margin;
 - 4.6.2 30 per cent of that portion of the Reference Margin which is between 70 per cent and the lesser of (a) 85 per cent; and (b) the Elected Coverage Level; and
 - 4.6.3 50 per cent of that portion of the Reference Margin, if any, which is between 85 per cent and the Elected Coverage Level.
- 4.7 Where a Participant experiences a Margin Decline in a Program Year, the Administration shall cause to be paid to the Participant, from the Participant's Fund 1, an amount calculated according to the following rules, which shall be applied in the order in which they appear. However, the total amount to be paid shall be no greater than the Participant's Maximum Triggered Fund 1 Withdrawal:
- 4.7.1 20 per cent of that portion of the Margin Decline which represents a Margin Decline Ratio greater than 30 per cent;
 - 4.7.2 30 per cent of that portion of the Margin Decline which represents a Margin Decline Ratio less than 30 per cent but greater than 15 per cent; and
 - 4.7.3 50 per cent of that portion of the Margin Decline which represents a Margin Decline Ratio less than 15 per cent but greater than the difference between Maximum Coverage Level and 100 per cent.

- 4.8 Where a triggered payment from Fund 1 is made under clause 4.7, Governments shall make a contribution to the Participant's Fund 2, calculated in the following manner, but which shall be (a) less than 70 per cent of the Participant's Margin Decline; and (b) less than the Maximum Government Contribution for that Participant:
- 4.8.1 For payments made with respect to clause 4.7.1, the amount of the payment multiplied by four;
 - 4.8.2 For payments made with respect to clause 4.7.2, the amount of the payment multiplied by two and one-third; and
 - 4.8.3 For payments made with respect to clause 4.7.3, the amount of the payment.
- 4.9 Where the Margin Decline Ratio for a Participant is less than or equal to 30 per cent, the payment triggered under clause 4.7 shall be reduced by the ratio between (a) the Farm Sales that derive from Supply Managed Commodities; and (b) the total Farm Sales reported by the Participant. This ratio shall be calculated using data from the years which are used to calculate the Participant's Reference Margin.
- 4.10 Once a Participant has provided the information required under clause 4.1.2 with respect to a Program Year, the Administration shall:
- 4.10.1 determine the balance required under clause 4.1.3 for that Program Year; and
 - 4.10.2 notify the Participant of the determination made under clause 4.10.1.
- 4.11 A Participant may, within 90 days of the notification provided under clause 4.10.2, appeal the determination made under clause 4.10.1 to the National NISA Committee, by taking the steps set out in the Program Guidelines. The National NISA Committee shall consider the appeal in accordance with procedures established in the Program Guidelines, and shall make a recommendation to the Administration. The Administration shall determine whether to accept the Committee's recommendation, and shall notify the Committee and the Participant of this determination.

- 4.12 A Participant may choose to make unmatched withdrawals from Fund 1 during a Program Year, within limits set out in the Program Guidelines, so long as the balance remaining in Fund 1 is greater than or equal to the Participant's Maximum Triggered Fund 1 Withdrawal for that Program Year.
- 4.13 A Participant may choose to make additional contributions to Fund 1 at any time, so long as the resulting balance would not exceed the Maximum Fund 1 Balance.
- 4.14 Once a Participant has provided the information required under clause 4.1.4 with respect to a Program Year, the Administration shall:
- 4.14.1 determine whether a payment has been triggered under clause 4.7 and, if so, the amount of the triggered payment; and
 - 4.14.2 notify the Participant of the determination made under clause 4.14.1, as well as the basis for that determination.
- 4.15 Where a payment is triggered under clause 4.7, and there are insufficient funds available in Fund 1 to make the payment, the Participant may deposit the required additional funds within 45 days of the notification provided for under clause 4.14.2. Where the amount of a triggered payment is increased under clause 4.16, and there are insufficient funds available in Fund 1 to make the increased payment, the Participant may deposit the required additional funds within 45 days of the notification provided for under clause 4.16. Any funds deposited after the expiry of the 45 day period shall not be used to make the payment that was triggered under clause 4.7.
- 4.16 A Participant may, within 90 days of the notification provided under clause 4.14.2, appeal the determination made under clause 4.14.1 to the National NISA Committee, by taking the steps set out in the Program Guidelines. The National NISA Committee shall consider the appeal in accordance with procedures established in the Program Guidelines, and shall make a recommendation to the Administration. The Administration shall determine whether to accept the Committee's recommendation, and shall notify the Committee and the Participant of this determination.
- 4.17 If a Participant's Fund 1 balance exceeds the Maximum Fund 1 Balance, then the Participant must withdraw from Fund 1 the amount required to reduce the balance of Fund 1 to the Maximum Fund 1 Balance.

- 4.18 The Administration shall cause any balance in Fund 2 to be paid to the Participant.
- 4.19 The Program Guidelines may allow Participants to request an interim payment or an advance prior to the Administration determining their entitlements for a Program Year. The Program Guidelines may set out the mechanism by which an interim payment or advance shall be made, including but not limited to the application process and related fees and consequences for Participants who obtain an interim payment or advance in excess of the calculated entitlements that are subsequently determined.
- 4.20 The Administration may order mandatory withdrawals where deposit or account limits have been exceeded, participants are ineligible or an Entity ceases operation.
- 4.21 Where a Participant is indebted to the Crown under other agricultural programs, the Administration may, upon request from a program administrator and notification of the Participant, have such amounts deducted from any monies paid out of the Participant's NISA account, and applied to the debt. The Administration may set-off other debts from monies payable out of NISA accounts as authorized by law.

5.0 RULES FOR CALCULATING ENTITLEMENT

- 5.1 Where a Participant's farming operation has undergone a change in ownership, business structure, size, farming practices, type of farming activity, method of accounting, or any other change that affects the farming operation's potential for profit, the Administration shall make adjustments to Production Margin and Reference Margin according to Program Guidelines. These adjustments may be waived by the Administration if, according to Program Guidelines, the changes were a result of circumstances beyond the Participant's control.
- 5.2 The Administration shall, according to Program Guidelines, make adjustments to the financial information reported by a Participant with respect to such matters as purchased inputs, commodity inventories, accounts payable and receivable and deferred income. The Participant shall supply such information as the Administration may require for this purpose.

- 5.3 A Participant's Reference Margin with respect to a Program Year shall be calculated in the following manner:
- 5.3.1 a three-year average of a Participant's Production Margin based on the five-year period preceding the Program Year, excluding the years with the highest and lowest Production Margin; or
 - 5.3.2 if it is not possible to determine the Participant's Production Margin for one or more of the preceding five years, the average of the Participant's Production Margin in the preceding three years. Where it is not possible to determine the Participant's Production Margin for one or more of those three years, the Administration shall estimate the missing Production Margin on the basis of like farms.
- 5.4 Each partner's share of the Production Margin of the partnership shall be attributed to that partner for the purpose of calculating that partner's NISA entitlements. For the purposes of this clause, "partnership" does not include the partnerships by joint stock pursuant to Article 2188 of the *Quebec Civil Code*.
- 5.5 The Administration may combine multiple Participants and farming operations, for the purpose of calculating program benefits, where those Participants or persons with an interest in those farming operations are related persons, within the meaning of the *Income Tax Act*, and according to such further criteria as are set out in Program Guidelines.
- 5.6 The Administration shall calculate a combined Production Margin and Reference Margin for Participants and farming operations combined under clause 5.5, and calculate program benefits for those Participants on the basis set out in Program Guidelines. The total Government contribution under clause 4.8 for Participants who have been combined under clause 5.5 shall not exceed the Maximum Government Contribution.
- 5.7 The deadline for account adjustments requested by a Participant that affect the Participant's payments under clause 4.7 or 4.8 with respect to a program year is limited to 90 days following the notification provided for under clause 4.14 for that program year, except for changes that results from a reassessment or audit by Canada Customs and Revenue Agency under the *Income Tax Act*. The deadline

for account adjustments requested by a producer that affect the calculation of the Reference Margin in future program years is limited to three years after the end of the program year for which the adjustment is requested.

- 5.8 Where a farming operation is transferred, in whole or part, to another individual or Entity, the Administration may make such adjustments with respect to Production Margin and Reference Margin as seem appropriate to the Administration in the circumstances.

6.0 ADMINISTRATION

- 6.1 Canada and each Province or Territory shall determine which Party shall be the Administering Party under this NISA Agreement for that Province or Territory.
- 6.2 The Administering Party may designate any suitable body to exercise some or all of the powers, functions or duties of the Administration with respect to some or all Participants.
- 6.3 The Administration shall establish any deadlines required for the administration of the Program, except as otherwise provided for in this NISA Agreement or the Program Guidelines.
- 6.4 Participants will share administration costs as a condition of participation. The annual share shall be \$55, or such other amount as is set out in the Program Guidelines. The Administration may require that each Participant pay the annual share, or may establish an alternate method of allocating the annual share among Participants, in such a manner that the average payment per Participant is at least equal to the annual share.
- 6.5 The Administration shall establish the procedure by which Participants must pay the annual share.
- 6.6 Program Guidelines shall be established to provide the details on Program eligibility and payment calculations and any other interpretation or clarification required for the proper operation of the Program on a basis that is consistent with the NISA Agreement and consistent across Provinces or Territories. The Program Guidelines shall require the consent of Canada and at least two-thirds of the participating Provinces or Territories where those Provinces or Territories represent at least fifty per cent of the total Production Margin for participating

- Provinces or Territories in the most recent year for which data is available (including data submitted under the Prior NISA Agreement, if necessary). The Administration and the Administering Party shall adhere to the Program Guidelines. For the purposes of this clause, “participating Province or Territory” shall include a Province or Territory administering a program which adheres to the common risk management program base for a NISA program, as set out in an Implementation Agreement between Canada and that Province or Territory.
- 6.7 All withdrawals or payments from a Participant’s Account must be authorized by the Administration. The Administration may make or authorize corrective adjustments to a Participant’s Account.
- 6.8 An Account will be opened in the Participant’s name when an individual or Entity which does not already have an Account enrolls in the Program, according to procedures established by the Administration. An individual must provide the individual’s Social Insurance Number. An Entity must provide its Business Numbers as used for income tax filing purposes, as well as the name and Social Insurance Number or Business Number of all individuals or Entities who are related persons, within the meaning of the *Income Tax Act*.
- 6.9 Participants may opt out of the Program at any time by written notice. Upon receipt of such notice, the Administration shall cause any balance in the Participant’s Account to be paid to the Participant. A Participant who opts out under this clause shall not be eligible to participate in the NISA Program in the two Program Years following the Program Year in which the Participant opts out.
- 6.10 Subject to applicable privacy legislation, all data compiled by a Party, including individual farm data, with respect to the NISA program shall be made available to the other Party for purposes such as audit and verification, consistent program delivery with common service standards across the country, assisting in future program development and ensuring adequate linkages between production insurance programs, the NISA program and other elements of the Framework Agreement.
- 6.11 The Parties agree to share, on a timely basis, all information required to forecast their respective financial commitments under the Program.

- 6.12 The Administration shall require Participants to repay any overpayments. The Administration shall recover overpayments by way of set-off against subsequent Program payments, or by other available means.
- 6.13 With the consent of Canada and at least two-thirds of the participating Provinces or Territories, deadlines established by or under this NISA Agreement or the Program Guidelines may be extended in extraordinary circumstances in order to ensure the effective delivery of the program.

7.0 ACCOUNTS

- 7.1 Each Participant's Account shall be composed of:
- 7.1.1 Fund 1, to which shall be credited all amounts paid by the Participant;
 - 7.1.2 Fund 2, to which shall be credited all other amounts paid in respect of the Participant.
- 7.2 The Administering Party shall provide for Fund 1 of the Accounts:
- 7.2.1 within a Specified Purpose Account of the Party's Consolidated Revenue Fund;
 - 7.2.2 by entering into agreements with Financial Institutions to establish Fund 1 within those institutions; or
 - 7.2.3 where the Administering Party is a Province or Territory, through another mechanism such as a trust account.
- 7.3 The Administering Party shall provide for Fund 2 of the Accounts:
- 7.3.1 within a Specified Purpose Account of the Party's Consolidated Revenue Fund; or
 - 7.3.2 where the Administering Party is a Province or Territory, by entering into agreements with Financial Institutions to establish Fund 2 within those institutions, or through another mechanism such as a trust account.

- 7.4 If Fund 1 is established in a Financial Institution, any amounts already on deposit in the Consolidated Revenue Fund in Fund 1 may be transferred from the Consolidated Revenue Fund to the Financial Institution designated by the Participant and thereafter, at the direction of the Participant, from one Financial Institution to another. A Participant may only have one Fund 1 and it must be held in one Financial Institution.
- 7.5 Should a Financial Institution give notice that it wants to terminate its agreement with an Administering Party, Participants shall be required to designate a Financial Institution to which their Account will be transferred. The Account of a Participant who fails to designate a Financial Institution during the Notice Period shall be transferred to the Default Financial Institution, or, in the absence of a Default Financial Institution, shall be held in the Consolidated Revenue Fund. When a Financial Institution terminates its participation in the Program, Fund 1 may be held in the Consolidated Revenue Fund until the termination of the Notice Period. No Fund 1 deposits shall be made into the Consolidated Revenue Fund after the termination of the Notice Period, except in the absence of a Default Financial Institution.

8.0 FINANCIAL PROVISIONS

- 8.1 Government contributions to Fund 2, and Eligible Administrative Costs, shall be shared between Canada and the Province or Territory of the Participant in a ratio of 60 per cent and 40 per cent respectively, or such other ratio as may be established under the Implementation Agreement with that Province or Territory. The Administration shall prorate the provincial or territorial portion of the Government contribution to Fund 2 according to the provisions of the Implementation Agreement between Canada and the Province or Territory of the Participant. Where a Province or Territory has chosen to invoke proration with respect to a Program Year, the Administration shall establish initial and final payment levels necessary for that purpose.
- 8.2 The Maximum Government Contribution with respect to Fund 2 shall be \$585,000 with respect to Canada's share of the contribution, and \$390,000 with respect to the provincial or territorial share of the contribution. These amounts shall be adjusted according to any changes in the cost-sharing ratio set out in clause 8.1. The Maximum Government Contribution shall not exceed the sum of the federal and the provincial contribution referenced herein.

- 8.3 The Maximum Coverage Level and other program parameters are subject to adjustments made pursuant to Implementation Agreements between Canada and the Provinces or Territories.
- 8.4 The Administration or the Administering Party shall invoice the Non-Administering Party for its share of the Government contributions to Fund 2, according to procedures that shall be provided for in Program Guidelines.
- 8.5 Where Canada incurs Eligible Administrative Costs with respect to the Provinces or Territories for whom Canada is the Administering Party, Canada shall attribute those costs to each of those Provinces or Territories on the basis of the ratio of the number of Participants in each of those Provinces or Territories to the total number of Participants for whom Canada is the Administering Party. Canada shall invoice each of those Provinces or Territories for its share of those Eligible Administrative Costs, according to procedures that shall be provided for in Program Guidelines.
- 8.6 Where Canada incurs Eligible Administrative Costs with respect to the NISA Program generally, Canada shall attribute those costs to each of the participating Provinces or Territories on the basis of the ratio of the number of Participants in each of those Provinces or Territories to the total number of Participants in the Program. Canada shall invoice each of those Provinces or Territories for its share of those Eligible Administrative Costs, according to procedures that shall be provided for in Program Guidelines.
- 8.7 Where Canada incurs Eligible Administrative Costs with respect to a specific Province or Territory, Canada shall invoice that Province or Territory for its share of those Eligible Administrative Costs, according to procedures that shall be provided for in Program Guidelines.
- 8.8 Each Province or Territory that is an Administering Party shall invoice Canada for its share of Eligible Administrative Costs, according to procedures that shall be provided for in Program Guidelines.
- 8.9 Where a Province or Territory incurs Eligible Administrative Costs with respect to another Province or Territory, the Province or Territory shall invoice Canada and the other Province or Territory for their respective share of the Eligible Administrative Costs, according to procedures that shall be provided for in Program Guidelines.

9.0 ADMINISTRATIVE COST-SHARING PRINCIPLES

9.1 Definitions for the purposes of clause 9:

“charged directly to” means that all expenses which are specific to each program or programs shall be identified at the time the expense is incurred, and all expenses which are clearly identifiable with a specific program or group of programs shall be recorded in separate general ledger expense accounts. Such amounts shall not be included in common or shared costs;

“claimant” means the Party that is making a claim for reimbursement of Eligible Administrative Costs;

“common or shared costs” means those administrative expenses which cannot be specifically identified as relating to the NISA Program;

“payer” means a Party that is to receive a claim for reimbursement of Eligible Administrative Costs;

“out-of-pocket cost” means the actual amount incurred in respect of an employee or supplier of materials and services. This means that, if a material or service is provided by another department or branch of the government or a government-owned agency, the out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount;

“reasonable allocation” means that portion of expenses consumed by the NISA Program. Expenses may only be allocated to the NISA Program if verifiable documentation or independent studies can be provided which confirm that the amount allocated reflects the Program’s share of the cost.

9.2 No charges shall be made for services or materials provided free of charge. Eligible Administrative Costs are limited to:

9.2.1 the out-of-pocket cost of amounts charged directly to the Program for:

- 9.2.1.1 payroll and benefits of personnel working solely on the administration of the Program, including severance payments made in accordance with collective agreements**

or with employment contracts or which are consistent with the established policy and where the termination is to further operational needs;

- 9.2.1.2 travel, postage, freight, express and long distance communications;
 - 9.2.1.3 advertising, publishing, printing, audio-visual and public relations;
 - 9.2.1.4 legal expenses, computer system development, actuarial services, association dues, audit and evaluation;
 - 9.2.1.5 rental of office accommodation and equipment;
 - 9.2.1.6 utilities, materials and supplies;
 - 9.2.1.7 repair and maintenance of equipment; and
 - 9.2.1.8 other expenditures;
- 9.2.2 a reasonable allocation of the out-of-pocket cost of common or shared costs with respect to:
- 9.2.2.1 payroll and benefits of personnel working in part on the administration of the Program;
 - 9.2.2.2 travel, postage, freight, express and long distance communications;
 - 9.2.2.3 advertising, publishing, printing, audio-visual and public relations;
 - 9.2.2.4 legal expenses, computer system development, actuarial services, audit and evaluation;
 - 9.2.2.5 rental of office accommodation and equipment;
 - 9.2.2.6 utilities, materials and supplies;

- 9.2.2.7 repair and maintenance of equipment; and
- 9.2.2.8 other expenditures.
- 9.2.3 charges representing the fair market value of accommodations; and
- 9.2.4 such other amounts as are specifically authorized in writing by the payer.
- 9.3 Only those costs incurred to deliver program benefits subsequent to April 1, 2003 are eligible for reimbursement.
- 9.4 Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits or rebates.
- 9.5 Where other programs are administered in conjunction with the NISA program, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and only the portion attributable to the NISA program shall be considered Eligible Administrative Costs.
- 9.6 Capital expenditures on equipment, machinery or vehicles greater than \$100,000 total cost per unit shall not be Eligible Administrative Costs without the written approval of the payer. No amount shall be considered Eligible Administrative Costs for capital expenditures on buildings and road infrastructures. This does not include leasehold improvements.
- 9.7 Notwithstanding clause 9.3, unused capital carry-forwards on eligible CFIP Program capital purchases shall be considered Eligible Administrative Costs.
- 9.8 Within 120 days of the day this NISA Agreement takes effect, and by March 1 of each subsequent year, a claimant shall be responsible for submitting, to each payer, costs of services associated with employees other than those directly employed in a program.
- 9.9 Within 120 days of the day this NISA Agreement takes effect, and by March 1 of each subsequent year, a claimant shall be responsible for submitting, to each payer, a description of the methodology to be used to apportion administrative expenses and revenues between programs and between payers. Verifiable documentation or independent studies should be available to support the methodology.

- 9.10 Billings and cost transfers from other departments or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates or transfers of budgeted amounts, shall not be Eligible Administrative Costs.
- 9.11 Where there is a disagreement concerning Eligible Administrative Costs, contributions towards the portion of the costs in dispute may be withheld or denied by the payer until the issues related to their eligibility have been resolved.
- 9.12 Benefits (e.g., severance pay, holiday pay, or living allowances) for staff pertaining to their service prior to the start-up of activities under this NISA Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be Eligible Administrative Costs.
- 9.13 If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts affected by this denial shall not be Eligible Administrative Costs.
- 9.14 A claimant shall be responsible for preparing reconciliations of their claims for Program payments and administrative expenses with the amounts reported in their audited financial statements. A claimant shall be responsible for conducting an audit of these reconciliations which shall be carried out by a recognized independent accredited auditor. The claimant shall provide the audit to payers within nine months of the end of each fiscal year.
- 9.15 Compliance audits to determine that the Program has been administered in accordance with the terms and conditions set out in this NISA Agreement and the Program Guidelines shall be carried out by Canada using a recognized independent accredited auditor selected by Canada. Compliance audits shall be performed periodically at the discretion of Canada.

10.0 THE NATIONAL NISA COMMITTEE

- 10.1 Pursuant to section 5 (3) of the *Act*, a National NISA Committee (referred to as the Committee) shall be established to assist in the administration of the Program.
- 10.2 The Minister shall appoint to the Committee:

- 10.2.1 ten producers to represent commodity groups and regions of Canada, and who are directly or indirectly participating (or agreeing to become a participant) in the Program;
 - 10.2.2 one producer who is an aboriginal person; and
 - 10.2.3 four federal officials.
- 10.3 Each participating Province or Territory shall appoint to the Committee:
- 10.3.1 one provincial or territorial official; and
 - 10.3.2 one producer.
- 10.4 Producers shall be appointed for a maximum of a three-year term.
- 10.5 Canada shall name the chairperson of the Committee from the members appointed under clause 10.2.3. The chairperson shall be responsible to refer matters of significant financial impact to the parties to this NISA Agreement for approval.
- 10.6 Each member will have equal voting power.
- 10.7 The Committee shall:
- 10.7.1 monitor the operation of this Program and the NISA Agreement and submit annually, or more frequently, to Canada and the participating Provinces and Territories, a report with recommendations relating to the NISA Agreement and the need to amend the NISA Agreement;
 - 10.7.2 advise each Administration on the issues that relate to the ongoing operation of the Program; and
 - 10.7.3 advise the Parties on the operation of the NISA Agreement generally.
- 10.8 The Committee may consider an appeal from a Participant and subsequently recommend action to the Administration. The Committee's recommendation is not binding on the Administration. The Committee may establish sub-committees to hear appeals, and may appoint members to those sub-committees who are not members of the Committee.

- 10.9 The Committee may establish and appoint any required sub-committees to assist in carrying out its responsibilities.
- 10.10 The Committee shall participate in the five-year review of the Program.
- 10.11 Canada shall supply secretariat services to the Committee.
- 10.12 Canada shall pay producer members of the Committee or sub-committees for services, travelling and living expenses incurred while absent from their usual place of residence. All costs associated with government officials shall be borne by their respective governments.

11.0 VERIFICATION OF PARTICIPANT DATA

- 11.1 Participant files may be audited from time to time on a random basis or as deemed necessary to verify the accuracy of information submitted by the Participant and to ensure consistent compliance by participants with Program eligibility rules. Audits may require the exchange of relevant information between the Administration and Canada Customs and Revenue Agency, as provided for in section 11 and section 26 of the *Act*, or the examination and verification of relevant information by other appropriate means.
- 11.2 The onus is on applicants to demonstrate, to the satisfaction of the Administration, that their farming operation is eligible to receive a payment under the terms of the NISA Agreement.
- 11.3 The Administration shall require that Participants consent to the verification of the information used to calculate their payments from all relevant sources, including, but not limited to, their income tax records and information collected under other federal, provincial and territorial programs.
- 11.4 Individuals or entities wishing to open an Account must submit to the Administration full and accurate information as required.
- 11.5 A Participant, by enrolling in the Program, authorizes the Administration to have access to any information pertinent to the administration of the Participant's Account and consents to allow the Minister of Agriculture and Agri-Food and the Provincial or Territorial Ministers of Agriculture to have access to any information the Participant provides for the purpose of audit, analysis, evaluation,

- program development and calculating and making special assistance payments subject to the provisions of their respective Privacy Acts.
- 11.6 Information provided by participants under the Program shall be subject to verification. Participants shall maintain all books and records pertaining to their accounts for the same length of time as books and records must be maintained as required under Section 230 and Regulation 5800 of the *Income Tax Act*. Information reported by Participants may be confirmed with Canada Customs and Revenue Agency.
- 11.7 Any participant who provides false information or is in breach of any of the conditions of eligibility may be considered ineligible to hold an Account and is subject to other consequences as set out in Program Guidelines.
- 11.8 Audit and verification shall be subject to the following principles:
- 11.8.1 notwithstanding any verification processes that are put in place by the Administration, in all circumstances the onus of proof for any information provided, or claim made, rests with the Participant;
- 11.8.2 to have in place a visible process to verify that Participants are eligible to receive a payment under the Program and that the amount of the payment issued to an eligible Participant is plausible under the circumstances. This process must seek to minimize the risk of payment errors at a reasonable cost while treating all Participants in a consistent manner;
- 11.8.3 to ensure the Administration meets the legislative requirements for the expenditure of public monies as required under the federal *Financial Administration Act* for the federal contribution and similar provincial or territorial legislation for the provincial or territorial contribution. This includes verifying that there are sufficient funds available before making payments to eligible Participants;
- 11.8.4 there must be an appropriately-designed process in place to verify whether Participants are eligible to receive a payment under the Program and that the amount of the payment issued to eligible Participants is plausible under the circumstances; and

- 11.8.5 the verification work must be adequately documented, describing the nature, scope, and results of the verification activities to support the payments to eligible Participants;
- 11.9 Verification processes shall be subject to any further requirements set out in Program Guidelines.
- 12.0 COMMUNICATIONS**
- 12.1 The Parties agree that all public information and advertising activities by the Parties in connection with the NISA Agreement shall clearly make reference to the NISA Agreement and shall fully and fairly reflect the Contribution of each Party.
- 12.2 Announcements involving the Contribution of Canada, or a Province or Territory, under the NISA Agreement or reporting on accomplishments and results arising out of, or related to, the NISA Agreement shall be conducted as follows:
- 12.2.1 news releases shall be publicized and issued jointly by the Parties. To ensure proper visibility of the Parties, all joint news releases must contain quotes from the federal, and provincial or territorial, Ministers, include the wordmark of the Parties, and list federal, and provincial or territorial, contact persons;
- 12.2.2 each Party shall notify the others in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of each Party or designated alternates.
- 12.3 Canada's participation in the NISA program shall be identified by the prominent placement of the Government of Canada wordmark on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites, Internet publications and other material related to the NISA Agreement. The size of the Canada wordmark shall in no case be smaller than the provincial or territorial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.

- 12.4 The participation of each Province or Territory in the NISA program shall be identified by the provincial or territorial wordmark being prominently placed on all communications products relating to that Province or Territory, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites, Internet publications and other material related to the NISA Agreement. The size of the wordmark shall in no case be smaller than Canada's wordmark. A provincial or territorial ministry's participation shall be shown by the use of the ministry's signature.
- 12.5 The Parties agree to co-operate to discharge the obligations imposed by clauses 12 in an efficient manner.
- 12.6 All communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all policies and directions provided by the Treasury Board of Canada. All incremental costs associated with complying with clause 12.6 shall be borne by Canada.

13.0 REPORTING

- 13.1 A comprehensive review of the Program shall be undertaken at least every five years, and shall include an environmental assessment of the Program. The findings will be reported to the parties to the NISA Agreement and to each House of Parliament.
- 13.2 Each Administration shall prepare an annual report of the operations, revenues and expenditures pursuant to the NISA Agreement as soon as possible following the end of each fiscal year.
- 13.3 The Parties agree to complete an environmental assessment of the Program within two years of the NISA Agreement coming into effect. Subsequent environmental assessments may be integrated into the comprehensive review of the Program referred to in clause 13.1.

14.0 AMENDMENT AND TERMINATION

- 14.1 This NISA Agreement between Canada and any one Province or Territory shall end on any date mutually agreed upon by Canada and that Province or Territory or by one of the Parties giving two full fiscal years advance notice in writing of such intent. Upon termination of the NISA Agreement with respect to a Party, the

balance in Participants' accounts with respect to that Party will be paid to the Participant.

- 14.2 This NISA Agreement may be amended from time to time by the agreement of Canada and at least two-thirds of the participating Provinces or Territories where those Provinces or Territories represent at least fifty per cent of the total Production Margin for participating Provinces or Territories. A Party which does not wish to comply with an amendment respecting significant financial implications, may elect, by written notice to Canada, to withdraw from the NISA Agreement as of the end of the next calendar year and the amendments will not apply to that Party for this period. For the purposes of this clause, Production Margin shall be calculated for the most recent year for which data is available, which may include data submitted under the Prior NISA Agreement, if necessary.
- 14.3 Notwithstanding any other provision in this NISA Agreement, the Program may be used for the purpose of taking any action under section 12 of the *Act*.

ANNEX B — CANADA-PRINCE EDWARD ISLAND PRODUCTION INSURANCE AGREEMENT

This Agreement shall be consistent with the Act, Regulations and Part Two of the Implementation Agreement and, in the event of any conflict, the Act, Regulations and Part Two of the Implementation Agreement shall apply.

1.0 DEFINITIONS

- 1.1 “Act” means the *Farm Income Protection Act*.
- 1.2 “Actuarial Certification Guidelines” means guidelines prepared by Canada and the provinces that provide detail on the work and the documentation required by the Actuary to achieve the certification required by the Regulations.
- 1.3 “Actuary” means a Fellow of the Canadian Institute of Actuaries.
- 1.4 “Administrative Fees” means the fees charged to each Insured Producer on the basis of acreage insured, other than late filing fees and interest charges on overdue accounts, which are used to offset administrative expenses that would otherwise be payable by the Parties.
- 1.5 “Administrative Revenue” means any revenues earned by the Province in the course of operating the Insurance Program, but does not include Premiums and interest earned on Premiums.
- 1.6 “Agreement” means the Canada-Prince Edward Island Production Insurance Agreement.
- 1.7 “Comprehensive Production Coverage” means all production insurance coverage that is consistent with the principles in clauses 14 and 18 of Part II of the Implementation Agreement, but does not include catastrophic loss benefits, High-cost Production Coverage and Wildlife Compensation.
- 1.8 “Contract of Insurance” means a policy of insurance issued under an Insurance Program which covers all areas where a Crop is produced by one Insured Producer or more than one Insured Producer who have a common interest in that Crop.

- 1.9 “Contribution” means the amount to be paid by Canada to the Province pursuant to this Agreement.
- 1.10 “Coverage Level” means the percentage of the Production Value of a Crop that is insured.
- 1.11 “Crop” means an agricultural product as defined in the Act, including non-production-based protection.
- 1.12 “Crop Year” means the period set out in the Operational Document for each Crop.
- 1.13 “Fiscal Year” means the twelve-month period beginning April 1 of any year and ending March 31 of the following year.
- 1.14 “Framework Agreement” means the Federal-Provincial Territorial Framework Agreement on Agricultural and Agri-Food Policy for the Twenty-First Century.
- 1.15 “High-cost Production Coverage” means risk-splitting benefits, Coverage Levels above 80 per cent for High-risk Crops, as well as Insurance Plans with unit values or Production Values, for non-production-based protection, that exceed the actual or replacement value of a Crop and that operate with administrative controls to prevent moral hazard.
- 1.16 “High-risk Crop” is a Crop insured above the 80 per cent Coverage Level, where the total pure Premium cost is greater than 9 per cent of the Production Value.
- 1.17 “Implementation Agreement” means the Canada-Prince Edward Island Implementation Agreement.
- 1.18 “Insurance Plan” means a set of insurance features for a Crop under an Insurance Program.
- 1.19 “Insurance Program” means a program, established by provincial law and administered by the Province, that provides for production-based or Non-production-based Coverage against losses arising from natural perils, and includes Wildlife Compensation.
- 1.20 “Insurable Value” means the amount of coverage purchased by an Insured Producer which is eligible to be cost-shared under this Agreement.

- 1.21 “Insured Producer” means a holder of a Contract of Insurance with an insurable interest in the Crop covered by an Insurance Plan.
- 1.22 “New Crop” means a Crop for which protection is being offered at a Coverage Level which does not exceed 70 per cent of the probable yield of that Crop and for which insufficient data exists to meet the Actuarial Certification Guidelines.
- 1.23 “Non-production-based Coverage” means insurance coverage that is not based on the probable yield of a Crop.
- 1.24 “Operational Document” means the agreement that contains the details of provisions as required by the Canada-Prince Edward Island Production Insurance Agreement.
- 1.25 “Premium” means the amount of money assessed by the Province in any year to insure a Crop under the Insurance Program and, except in the case of a New Crop, is determined in accordance with section 8.
- 1.26 “Production Guarantee” means the amount of insurance protection provided under a Contract of Insurance for a Crop based on the units insured multiplied by the probable yield of that Crop, multiplied by the Coverage Level established for that Contract of Insurance.
- 1.27 “Production Insurance Program” means a program for the insurance of specified agricultural products against loss from natural causes that is established by the laws of a province and administered by a province and includes a crop insurance program as defined in the Act.
- 1.28 “Production Value” means 100 per cent of the probable yield of a Crop for production-based plans or 100 per cent of the total value of production of a Crop for non-production-based plans.
- 1.29 “Regulations” means the federal *Crop Insurance Regulations, 1990*.
- 1.30 “Responsible Officer” means a person identified by the Province to be responsible for submitting the records and information required by this Agreement.
- 1.31 “Transitional Period” means the 2003 to 2005 Crop Years, inclusive.

1.32 “Wildlife” means the specific waterfowl and wildlife identified in the Operational Document.

1.33 “Wildlife Compensation” means the amount paid to producers to compensate them for damage, identified in the Operational Document, caused by Wildlife where such damage is not included as part of an Insurance Plan.

2.0 ELIGIBILITY

2.1 Each Crop set out in the Operational Document for which there is an Insurance Plan agreed to by the Parties is eligible under this Agreement.

2.2 The areas to which each Insurance Plan extends shall be set out in the Operational Document.

3.0 INSURANCE DEADLINES

3.1 All enrollment and seeding deadlines for each Insurance Plan shall be set out in the Operational Document

3.2 If the Province changes an enrollment or a seeding deadline, the cost of assuming any additional risk, as determined by Canada, shall be provided for in Premiums or by any other means that will compensate for the added risk as agreed to by the Parties.

4.0 PROBABLE YIELD DETERMINATION

4.1 The manner of determining probable yields shall be in accordance with the Actuarial Certification Guidelines set out in the Operational Document. The description of each probable yield methodology shall be set out in the Operational Document.

4.2 For the purposes of probable yield determination, where quality protection is provided, an adjustment shall be made to the total production or Insurable Value to reflect the quality loss, unless it can be demonstrated by an Actuary in the certification of probable yields that the probable yield calculated without an adjustment for quality does not overstate the productive capability of the Crop.

4.3 The Province shall provide the Federal Minister with a written opinion signed by an Actuary certifying that the probable yield methodologies result in yields that

do not overstate each Crop's demonstrated productive capability. The probable yield methodology for each Crop shall be certified every five years. In addition, the methodology shall be certified whenever a new methodology is developed for a Crop or a portion of an existing methodology is revised.

- 4.4 Where probable yield does not form the basis for determining the Coverage Level, an alternative means of determining the basis of coverage shall be developed and set out in the Operational Document to allow coverage of a wider range of products. Where such alternative means are used, the Production Value shall not exceed the expected or replacement value of the Crops being insured. Canada and the provinces shall develop and apply common standards for the purposes of verifying that the Production Value have not exceeded the expected or replacement value of the Crops being insured. The common standards are those referenced in Part II of the Implementation Agreement and shall be added to the Actuarial Certification Guidelines. The Province shall verify the methodology used to determine the Production Value is consistent with the common standards once every five years and whenever changes are made.

5.0 COVERAGE

- 5.1 The Coverage Levels shall be set out in the Operational Document.
- 5.2 The method used to establish a Coverage Level above 80 per cent and up to 90 per cent shall be set out in the Operational Document and shall be consistent with the Regulations. A statistical assessment of risk related to the total pure Premium cost shall be used to determine the maximum Coverage Level available for a Crop. Where the total pure Premium costs associated with Coverage Levels between 80 per cent and 90 per cent of the Production Value does not exceed 9 per cent of the Production Value, Canada's Contributions to Premiums shall be paid in accordance with the Comprehensive Production Coverage in clause 19.1.1.2 of the Implementation Agreement. Where the total pure Premium costs of Coverage Levels between 80 per cent and 90 per cent of the Production Value exceeds 9 per cent of the Production Value, the additional Premium cost greater than 9 per cent of the Production Value shall be considered to be High-cost Production Coverage and Canada's Contributions to Premiums shall be limited to the amount allocated for High-cost Production Coverage in clause 19.1.1.3 of the Implementation Agreement.
- 5.3 Non-production-based Coverage may be provided to Insured Producers for losses, including losses due to:

- 5.3.1 destruction in whole or in part of a stand of fruit trees, vines or perennial plants;
 - 5.3.2 perennial plants that fail to establish;
 - 5.3.3 the inability to seed or plant a Crop due to excess ground moisture, weather or other agricultural hazards; and
 - 5.3.4 reseeding or replanting.
- 5.4 Program details related to the provision of benefits for Non-production-based Coverage, including the establishment of the amount of protection and the determination of indemnities, shall be set out in the Operational Document.
- 5.5 Catastrophic loss benefits shall be provided for the purpose of measurably increasing the amount of insurance protection provided for loss situations that, based on an actuarial assessment, are determined to be a 93 percentile loss or greater. Canada and the provinces shall develop common standards and guidelines to be used to determine whether the design and operation of such catastrophic loss benefits have fulfilled or will fulfill that purpose. The program and implementation details relating to catastrophic loss benefits, consistent with the standards and guidelines, shall be set out in the Operational Document.
- 5.6 The risk-splitting benefits under High-cost Production Coverage include coverage for production losses calculated at anything less than the farm enterprise for a separately insured Crop. For greater certainty, this means that production losses shall only be paid when production for the entire Crop for an Insured Producer is less than the Coverage Level established for that Insured Producer.
- 5.7 Risk-splitting benefits also include coverage for Crops that do not satisfy all of the following criteria:
- 5.7.1 can be distinguished from other like Crops;
 - 5.7.2 have a separate market price from other like Crops;
 - 5.7.3 have different productive capabilities or production risks from other like Crops; and

- 5.7.4 have sufficient volume of production and availability of data to ensure the financial viability of an Insurance Plan related to that Crop.
- 5.8 Where an Insurance Plan or benefit is considered to be risk-splitting, but the total program costs (Premium and administrative) of that plan or benefit are less than the total program costs for the same perils and level of protection under an Insurance Plan with losses paid in accordance with subsection 7.2, that plan or benefit shall be eligible for funding under the Comprehensive Production Coverage.
- 5.9 Program details for High-cost Production Coverage shall be set out in the Operational Document.

6.0 UNIT VALUE DETERMINATION

- 6.1 A methodology to determine the unit value or Production Value of each Crop shall be established in accordance with the Unit Value Certification Guidelines. Each value shall be tested to ensure that it does not exceed the actual or replacement value of the Crop. The methodologies, Unit Value Certification Guidelines and tests shall be set out in the Operational Document.

7.0 LOSS DETERMINATION

- 7.1 The eligible perils under an Insurance Plan shall be set out in the Operational Document.
- 7.2 Except as provided for in subsection 7.5, the determination of losses for Crops shall be based on the total production of the Crop, adjusted for quality losses where quality protection is provided, on all areas identified in the Contract of Insurance, compared to the total Production Guarantee for that Crop for the corresponding areas.
- 7.3 The loss of or damage to an Insured Producer's Crop shall be determined by the Province in accordance with documented standards and procedures, all of which shall be set out in the Operational Document.
- 7.4 For the purposes of loss determination, where quality protection is provided, an adjustment shall be made to the total production or the Insurable Value to reflect a quality loss. The method used to make this adjustment shall be set out in the Operational Document.

- 7.5 Where losses are not determined as specified in subsection 7.2, the procedure for determining such losses shall be set out on the Operational Document.
- 7.6 Where losses are eligible for payments under both an Insurance Plan and Wildlife Compensation, the Province shall ensure that compensation is paid only once for the same loss.

8.0 PREMIUM RATE DETERMINATION

- 8.1 Except in the case of a New Crop, the manner of determining Premium rates shall be in accordance with the Actuarial Certification Guidelines as set out in the Operational Document. A description of each Premium rate methodology and how it is applied in determining Premiums shall be set out in the Operational Document.
- 8.2 Beginning the initial date set out in the Operational Document and every five years thereafter and each time changes are made to the methodology used to determine Premium rates, the Province shall provide the Federal Minister with a written opinion signed by an Actuary stating that:
- 8.2.1 premium rate methodologies have been established according to generally-accepted actuarial principles; and
 - 8.2.2 the Insurance Program is financially self-sustaining, as defined in the Actuarial Certification Guidelines.

9.0 NEW CROPS

- 9.1 The Province shall conduct a review of each Insurance Plan for a New Crop no later than five years after implementation, to determine whether the provisions of the Regulations relating to New Crops shall continue to apply.

10.0 WILDLIFE COMPENSATION

- 10.1 Within 30 days of the signing of this Agreement or no later than March 1 before the first Fiscal Year in which Wildlife Compensation will be paid, the Responsible Officer shall advise Canada if the Province shall be providing Wildlife Compensation. The provisions of subsections 10.2 to 10.9 shall then apply and details for the compensation shall be set out in the Operational Document.

- 10.2 Compensation shall only be paid if the Province has in place a program for the mitigation and prevention of damage related to the losses sustained.
- 10.3 Compensation may be paid up to 80 per cent of the production loss, as set out in the Operational Document.
- 10.4 Compensation shall be paid at a lesser rate than that specified in subsection 10.3 if it is determined to be agronomically feasible to produce another Crop on the damaged area in the same growing season. In such cases, the amount of compensation and the basis of payment shall be the same as that provided under the Insurance Plan.
- 10.5 No compensation shall be provided where:
 - 10.5.1 the acreage of the damaged Crop has been harvested prior to inspection;
 - 10.5.2 it is determined that the Crop was seeded too late to reasonably expect normal yields;
 - 10.5.3 it is determined that the damage occurred after the majority of the Crops in the same vicinity were harvested;
 - 10.5.4 the Crop was a result of volunteer growth; or
 - 10.5.5 the Crop was seeded on land considered unsuitable for crop production.
- 10.6 Subject to the approval of Canada, the Province may limit the amount to be paid for livestock losses to an amount that will encourage producers to carry private insurance on valuable animals.
- 10.7 The amount to be paid for livestock losses covered by this Agreement shall be the lesser of the veterinary expenses incurred to treat the animal or the commercial value of the animal, as determined by the Province.
- 10.8 The minimum amount to be paid for losses in respect of any claim shall be as determined by the Province.
- 10.9 At the discretion of the Province, all or part of a Wildlife Compensation payment may be made in the form of materials that will help prevent similar damage in the future.

11.0 PAYMENTS BY CANADA

- 11.1 Canada shall pay any Contribution directly to the Province or, if the Province so instructs, to its designated agent.
- 11.2 Beginning no later than the 2006 Crop Year, Canada shall pay to the Province an amount equal to 60 per cent of all Premiums for catastrophic loss benefits, 36 per cent of all Premiums for Comprehensive Production Coverage, 20 per cent of all Premiums for High-cost Production Coverage and 60 per cent of costs for Wildlife Compensation.
- 11.3 Canada shall pay its Contribution for an Insurance Plan to the Province if the Responsible Officer, at the time of requesting the Contribution, delivers to the Federal Minister, in addition to the information required by subsection 11.4, the required budget and cashflow statement as specified in subsection 12.3.
- 11.4 Canada shall pay its Contribution for Premiums for an Insurance Plan to the Province providing the Responsible Officer delivers to the Federal Minister, not more frequently than monthly, a claim containing the following information:
- 11.4.1 the total Premiums collected from Producers during the period and cumulatively for the year; and
 - 11.4.2 the Premiums paid by the Province during the period.
- 11.5 Canada shall pay its Contribution for Wildlife Compensation to the Province providing the Responsible Officer delivers to the Federal Minister, not more frequently than monthly, a claim containing the total Wildlife Compensation paid to Producers during the period and cumulatively for the year, subject to the Responsible Officer having provided the required budget and cashflow statement as specified in subsection 12.3.
- 11.6 Canada shall pay to the Province an amount equal to 60 per cent of the administrative expenses incurred by the Province to administer the Insurance Program. Canada may pay advances for these administrative expenses to the Province not more frequently than monthly, on the basis of the budgets and cashflow statements referred to in subsection 11.5. Subject to the provision of subsection 12.3, administrative expenses shall be net of any Administrative Revenues.

- 11.7 Canada may adjust the advances referred to in subsection 11.6 on the basis of the cashflow statements referred to in subsection 12.3 to reflect the actual amounts reported for previous quarters.
- 11.8 The administrative expenses eligible for Contributions are set out in Schedule 1 to this Agreement.
- 11.9 Administrative Fees paid by Producers in the Province shall be considered to be payments in respect of Premiums for the purpose of establishing that the levels of federal funding have been complied with in accordance with clause 19.1.2 of the Implementation Agreement.
- 11.10 No Contributions shall be made towards Premiums or administrative expenses that result from negligence in the operation of the Insurance Program.

12.0 RESPONSIBILITIES OF THE PROVINCE

- 12.1 The Province shall pay an amount equal to at least two-thirds of the combined federal funding for the levels set out in subsection 11.2 and 40 per cent of the administrative expenses incurred by the Province to administer the Insurance Program.
- 12.2 Where the Province provides Wildlife Compensation, the Province shall pay in respect of each Fiscal Year an amount equal to 40 per cent of the administrative expenses incurred in that Fiscal Year. Administrative expenses shall be net of any Administrative Revenues.
- 12.3 Prior to March 1, an administrative expense budget for the following Fiscal Year, approved by the Responsible Officer, shall be provided to the Federal Minister. Prior to August 1, a budget for the current Fiscal Year, approved by the appropriate governing body, shall be provided to the Federal Minister. For each three-month period ending on the last day of June, September, December and March of each year, the Responsible Officer shall provide the Federal Minister with the cashflow statement by the 15th day of the month following each quarter. The statement shall be certified to be accurate, complete, and verifiable and in compliance with this Agreement. The information to be included in the budgets and cashflow statements shall be set out in the Operational Document.
- 12.4 For the purposes of the Insurance Program, the Province agrees to do all things required of the Province by the Act, Regulations and Agreement.

- 12.5 The Province shall ensure that it establishes and maintains an insurance fund account in which Premiums, interest and investment income earned and reinsurance recoveries of indemnities shall be credited and the insurance fund shall only be used to:
- 12.5.1 pay indemnities under Contracts of Insurance;
 - 12.5.2 if applicable, repay any amounts paid or advanced by Canada to the Province, out of funds not derived from the Premium receipts, for the payment of indemnities under Contracts of Insurance; and
 - 12.5.3 pay the reinsurance of the liabilities of the Province pursuant to a reinsurance agreement and the reinsurance of the Province in any other manner of any portion of its liabilities under the Insurance Program that is not covered by a reinsurance agreement.
- 12.6 It is understood that the Province may delegate to a provincial body any or all of its powers, duties and authority to administer the terms and conditions of this Agreement as it relates to the Province, including identifying the Responsible Officer. This delegation of authority from the Province shall be done by a letter to or agreement with the delegated body and the Province shall provide to Canada a certified copy of the letter or agreement. Any such delegation does not affect the Province's obligations under this Agreement, and any policy issues arising from this Agreement shall not be delegated but shall be dealt with by Canada and the Province.
- 12.7 Without limiting the generality of subsection 12.6 but for greater certainty, the Province may delegate to the agent responsibility for:
- 12.7.1 developing, designing and operating the Insurance Program;
 - 12.7.2 providing actuarial certifications that the program is self-sustaining, that the Premium rates are established following generally accepted actuarial principles and that the probable yield methodology reflects a Crop's demonstrated production capability;
 - 12.7.3 conducting financial audits;
 - 12.7.4 establishing and maintaining an account for the Insurance Program;

12.7.5 receiving and recording all Contributions paid to the account, recording all expenditures paid from the account, and providing audited reconciliation statements; and

12.7.6 any other obligations, responsibilities or duties which the Province has in relation to this Agreement.

13.0 PAYMENTS BY PRODUCERS

13.1 Producers shall pay their share of the Premiums for an Insurance Plan directly to the Province.

13.2 Beginning no later than the 2006 Crop Year, the Province shall determine the Insured Producer's share of Premiums in a manner consistent with the funding levels set out in subsection 11.2 for catastrophic loss benefits, Comprehensive Production Coverage and High-cost Production Coverage.

14.0 DISPUTE RESOLUTION

14.1 Where there is a disagreement between Canada and the Province concerning Contributions to the Insurance Program, the portion of Contributions in dispute shall be withheld by Canada until the issue is resolved.

14.2 Where, in the opinion of the Federal Minister, there has been a breach of the Act, the Regulations or this Agreement by the Province, the Contributions related to the breach shall be withheld or denied until the breach is resolved.

14.3 Any issue arising from this Agreement may be resolved through the Alternate Dispute Resolution Mechanism set out in the Operational Document or may be referred by either party to a court of competent jurisdiction for a determination.

14.4 Failure to take corrective action in accordance with the action plan required under subsection 14.3 shall be considered a breach of this Agreement.

14.5 Contributions withheld or denied under this section shall continue to be withheld or denied until the issue is resolved. If Contributions have already been made, Canada shall not recover its share of the Contributions in dispute until the earlier of the date that the issue is resolved or one year from the date that the issue is identified.

15.0 RECORDS AND INFORMATION

- 15.1 The Province shall maintain documented standards and procedures for its administration of the Insurance Plans and Wildlife Compensation and shall provide to Canada, where applicable and when requested, information related to these standards and procedures.
- 15.2 The Province shall maintain and make available to Canada reports and information for the Insurance Plans and Wildlife Compensation requested by Canada for the purpose of evaluating and forecasting Canada's future financial commitments and to ensure adequate linkages between production insurance programs, the NISA program and other elements of the Framework Agreement where there is an established linkage in accordance with provincial privacy legislation. The specific data to be provided shall be set out in the Operational Document.

16.0 PERFORMANCE MEASURES

- 16.1 There shall be minimum performance measures based on the objectives set out in clause 18.5 of the Framework Agreement in respect of program participation, program design, and program delivery. Progress on performance measures shall be measured by indicators in accordance with clause 28 of the Implementation Agreement. The Parties shall begin reporting annually on all pertinent measures to governments and the public within the first year of signing the Implementation Agreement.
- 16.2 The Parties shall undertake, as part of program performance, an assessment of whether probable yield and unit value determination and limitations on High-cost Production Coverage are preventing the flexibility to cover New Crops and, where these sections of the Agreement have prevented the development of Insurance Plans for New Crops, the Parties shall modify such sections, as necessary, to eliminate these impediments.

17.0 AUDIT MEASURES

- 17.1 The Province shall be responsible for conducting an annual financial audit of the Insurance Plans and Wildlife Compensation which shall be carried out by the provincial auditor or by a recognized independent accredited auditor. The annual financial audit report and an accompanying management letter shall be forwarded to Canada no later than November 30 following the end of the Fiscal Year.

- 17.2 Within 30 days of Canada's request, the Province shall provide Canada with a statement reconciling the Province's audited financial statement figures to the actual Contributions claimed during the Fiscal Year. Where the Province's financial period is not the Fiscal Year as defined in this Agreement, the Province shall provide Canada with an audited reconciliation statement. This statement will reconcile the Province's audited financial statement figures to its actual Contributions claimed for the Fiscal Year.
- 17.3 Compliance audits of the Insurance Plans and Wildlife Compensation shall be carried out by Canada, at Canada's expense, using the provincial auditor or a recognized independent accredited auditor selected by Canada. Compliance audits shall be performed every five years or more frequently at the discretion of Canada.
- 17.4 Where the audit referred to in subsection 17.3 reveals an area of non-compliance, a plan of action outlining procedures for corrective action shall be developed by the parties and be set out in the Operational Document.
- 17.5 The Province shall make available to the auditor all relevant documents required for the completion of audits.

18.0 ENVIRONMENTAL ASSESSMENT

- 18.1 As stipulated in the Act, Canada shall conduct, at Canada's expense, an environmental assessment of the Insurance Program no later than January 31, 2007 and every five years thereafter. Canada shall consult with the Province on the manner of conducting the assessment.
- 18.2 The circumstances and conditions under which insurance may be withheld, restricted or enhanced for the purpose of protecting the environment and encouraging sound management practices to ensure environmental sustainability shall be set out in the Operational Document.

19.0 RESPONSIBILITIES OF CANADA

- 19.1 For the purposes of this Agreement, Canada agrees to do all things required by the Act, Regulations and Agreement.
- 19.2 Where the terms and conditions of the Act, Regulations and Agreement are met, Canada shall make payments to the Province in accordance with section 11.

20.0 GENERAL PROVISIONS

- 20.1 The Province concurs that the Federal Minister shall cause the Agreement to be laid before Parliament.
- 20.2 Any conflict between any provisions of this Agreement and any provisions of the Operational Document shall be resolved in favour of this Agreement.
- 20.3 The Operational Document shall be signed by the officers authorized by Canada and by the Province.
- 20.4 Any agreed linkages between production insurance and the NISA program and any other elements of the Framework Agreement, as developed pursuant to the terms of the Implementation Agreement, shall, where appropriate, apply to this Agreement.

21.0 AMENDMENTS

- 21.1 As provided for in the Framework Agreement, amendments to this Agreement or changes to the specific provisions of the Insurance Program as outlined in the Operational Document may be necessary to conform to available funding. These amendments or changes shall be made at the earliest practical date.
- 21.2 Canada shall not consent to an amendment to this Agreement until such time as no less than two-thirds of all provinces who have entered into a Production Insurance Agreement with Canada, having at least 50 per cent of the total insured liability in the previous year, have agreed to make the same amendment to their respective Agreements. In the event that an amendment is made in accordance with this subsection, the Parties agree that this constitutes consent for the purposes of the Framework Agreement.
- 21.3 Notwithstanding subsection 21.2, a provincial Schedule may be amended, or added, at any time with the agreement of Canada and the applicable Province.

22.0 TRANSITION

- 22.1 During the Transitional Period, at a minimum the following shall apply:
- 22.1.1 beginning with the 2004 Crop Year, Canada's share of total Premiums shall be adjusted by no less than 25 per cent of the variance between its

share of total Premiums in 2003 and its share of total Premiums resulting from the cost-shares set out in clause 19.1 of the Implementation Agreement;

- 22.1.2 beginning with the 2005 Crop Year, Canada's share of total Premiums shall be adjusted by no less than 60 per cent of the variance between its share of total Premiums in 2003 and its share of total Premiums resulting from the cost-shares set out in clause 19.1 of the Implementation Agreement; and
- 22.1.3 beginning with the 2006 Crop Year, Canada's share of total Premiums shall be established in accordance with the cost-shares set out in clause 19.1 of the Implementation Agreement.
- 22.2 During the Transitional Period, Canada shall pay to the Province in respect of each Fiscal year an amount not to exceed 60 per cent of all eligible Premiums for the Insurance Program, net of the portion paid by the Insured Producer.
- 22.3 During the Transitional Period, the Province shall pay in respect of each Fiscal Year an amount equal to at least 40 per cent of all Premiums, net of the portion paid by the Insured Producer.
- 22.4 The Province's transition measures for the 2003 Crop Year shall be set out in Schedule 2.
- 22.5 The Parties agree to implement, as an option, coverage based on a whole-farm approach or a basket of crops by the 2005 Crop Year.

23.0 DEFICIT FINANCING

- 23.1 The terms and conditions of reinsurance between Canada and the Province and any other deficit financing arrangements are set out in Schedule 3.

24.0 TERMINATION - GENERAL

- 24.1 This Agreement may be terminated as follows:
 - 24.1.1 by both Parties at any date mutually agreed upon in writing;

- 24.1.2 by the Province upon providing notice in writing to Canada of its intent to terminate two complete Fiscal Years prior to termination; or
 - 24.1.3 by Canada upon providing notice in writing to the Province of its intent to terminate two complete Fiscal Years prior to termination.
- 24.2 If this Agreement is terminated and the Parties do not enter into a new agreement, the following applies:
- 24.2.1 any amount of Canada's Contribution that has been overpaid to the Province for risk management programming provided under the Framework Agreement and that has not otherwise been recovered shall be payable by the Province to Canada;
 - 24.2.2 all surpluses or deficits in the provincial insurance fund and, where applicable, the balance in each of the federal and provincial crop reinsurance funds shall be the responsibility of the party that holds the account; and
 - 24.2.3 all assets acquired by the Province for which Contributions were made by Canada shall be disposed of at fair market value and the proceeds therefrom shared equally by Canada and the Province unless both parties agree to an alternate arrangement.
- 24.3 If this Agreement is terminated and the Parties enter into a new agreement, all surpluses or deficits in the provincial insurance fund outstanding at the time of termination and, where applicable, the balance in each of the federal and provincial crop reinsurance funds shall not be extinguished and provision shall be made for the continuation of the surpluses or deficits under the new agreement.

25.0 EFFECTIVE DATE

- 25.1 This Agreement shall become effective on April 1, 2003 starting with coverage for the 2003 Crop Year.

26.0 AMENDMENT OF CROP INSURANCE AGREEMENT

26.1 The Parties agree that the crop insurance agreement entered into on June 20, 1997 is amended by adding subsection 23.3 as follows:

“The Canada-Prince Edward Island Crop Insurance Agreement is not applicable to any Contracts of Insurance issued after the 2002 Crop Year.”

SCHEDULE 1 TO ANNEX B

ADMINISTRATIVE EXPENSES AND REQUIREMENTS

1.0 DEFINITIONS

- 1.1 “Charged directly to” means that the Province shall identify all expenses which are specific to each program or programs it administers at the time the expense is incurred and shall record expenses which are clearly identifiable with a specific program or group of programs in separate general ledger expense accounts. Such amounts shall not be included in Common or shared costs.
- 1.2 “Common or shared costs” means those administrative expenses which cannot be specifically identified as relating to the Insurance Program.
- 1.3 “Out-of-pocket cost” means the actual amount incurred by the Province in respect of an employee or supplier of materials and services. This means that, if a material or service is provided to the Province by another department or branch of the provincial government or a provincially-owned agency, the Out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount.
- 1.4 “Reasonable allocation” means that portion of expenses consumed by the Insurance Program. The Province may only allocate expenses to the Program for which it can provide verifiable documentation or independent studies which support that the amount allocated reflects the Program’s share of the cost.

2.0 IDENTIFICATION OF EXPENSES

- 2.1 *Services* No charges shall be made for services or materials provided free of charge to or by the Province. Administrative expenses eligible for contributions by Canada are limited to:
- 2.1.1 the Out-of-pocket cost to the Province of amounts charged directly to the Program for:
- 2.1.1.1 payroll and benefits of Provincial personnel working solely on the administration of the Program, including severance

payments made in accordance with collective agreements or with employment contracts or which are consistent with the established policy of the Province and where the termination is to further the operational needs of the Province;

- 2.1.1.2 travel, postage, freight, express and long distance communications;
 - 2.1.1.3 advertising, publishing, printing, audio-visual and public relations;
 - 2.1.1.4 legal services, computer system development, actuarial services, association dues, audit and evaluation;
 - 2.1.1.5 rental of office accommodation and equipment;
 - 2.1.1.6 utilities, materials and supplies;
 - 2.1.1.7 repair and maintenance of equipment; and
 - 2.1.1.8 other expenditures;
- 2.1.2 a Reasonable allocation of the Out-of-pocket cost to the Province of common or shared costs for:
- 2.1.2.1 payroll and benefits of Provincial personnel working in part on the administration of the Program;
 - 2.1.2.2 payroll and benefits of other provincial personnel working in part on the administration of the Program;
 - 2.1.2.3 travel, postage, freight, express and long distance communications;
 - 2.1.2.4 advertising, publishing, printing, audio-visual and public relations;
 - 2.1.2.5 legal services, computer system development, actuarial services, audit and evaluation;

- 2.1.2.6 rental of office accommodation and equipment;
 - 2.1.2.7 utilities, materials and supplies;
 - 2.1.2.8 repair and maintenance of equipment;
 - 2.1.2.9 other expenditures;
- 2.1.3 charges representing the fair market value of accommodations which are specifically authorized in writing by Canada; and
- 2.1.4 such other amounts as are specifically authorized in writing by Canada.

Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits and/or rebates.

- 2.2 ***Other Programs*** Where the Province is administering other programs in conjunction with the Insurance Plans and Wildlife Compensation, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and Canada shall contribute only to the portion attributable to the Insurance Plans and Wildlife Compensation. The proportion to which Canada shall contribute shall be set out in the Operational Document.
- 2.3 ***Capital Expenditures*** Canada shall not contribute any amount for capital expenditures on equipment, machinery or vehicles greater than \$100,000 total cost per unit without the written approval of Canada,. No amount shall be contributed by Canada under this Program for capital expenditures on buildings and road infrastructures. This does not include leasehold improvements.
- 2.4 ***Employee Costs*** Within 30 days of signing the Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, costs of services associated with provincial employees other than those directly employed in a program.
- 2.5 ***Methodology to apportion administrative expenses and revenues*** Within 30 days of signing this Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, a description of the methodology to be used to apportion administrative expenses and revenues between the various programs to be administered by the Province

- during the subsequent Fiscal Year. Verifiable documentation or independent studies should be available to support the methodology.
- 2.6 **Billings and cost transfers** Billings and cost transfers from other claimant departments and/or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates and/or transfers of budgeted amounts, shall not be eligible for reimbursement.
- 2.7 **Costs in dispute** Where there is a disagreement between a payer and a claimant concerning contributions towards a claimant's administrative costs, payer contributions towards the portion of the costs in dispute may be withheld or denied until the issues related to their eligibility under a program have been resolved.
- 2.8 **Payroll benefits** Benefits (e.g., severance pay, holiday pay, or living allowances) for claimant staff pertaining to their service prior to the start-up of activities under this Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be eligible for reimbursement.
- 2.9 **Access to records** If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts so affected by this denial shall not be eligible for reimbursement.

SCHEDULE 2 TO ANNEX B

TRANSITION

For the 2003, 2004 and 2005 Crop Years, the following provisions shall be in effect.

1.0 DEFINITIONS

- 1.1 “Agency” means the Prince Edward Island Agricultural Insurance Corporation.
- 1.2 “Transitional period” means the 2003 to 2005 Crop Years, inclusive.

2.0 PAYMENTS BY CANADA

- 2.1 The Province directs Canada to pay any Contributions directly to the Agency.
- 2.2 For the 2003 Crop Year, Canada shall pay to the Province an amount equal to 40 percent of all eligible Premiums for the Insurance program. For the 2004 and 2005 Crop Years, Canada shall pay to the Province an amount equal to 39 and 37 percent respectively of all eligible Premiums for the Insurance program.
- 2.3 Canada shall pay to the Province an amount equal to 60 percent of the administrative expenses incurred by the Agency to administer the Insurance Programs, including Wildlife Compensation. Administrative expenses shall be net of any Administrative Revenues.

3.0 RESPONSIBILITIES BY PROVINCE

- 3.1 For the 2003 Crop Year, the Province shall pay an amount equal to at least 27 percent of all eligible Premiums for the Insurance program. For the 2004 and 2005 Crop Years, the Province shall pay an amount equal to at least 26 and 25 percent respectively of all eligible Premiums for the Insurance program.
- 3.2 The Province shall pay 40 percent of the administrative expenses incurred by the Corporation to administer the Insurance Programs, including Wildlife Compensation. Administrative expenses shall be net of any Administrative Revenues.

SCHEDULE 3 TO ANNEX B

PROVINCIAL DEFICIT FUNDING

1. The Province will fund 100 per cent of any deficit related to the Insurance Program and may charge interest on any deficits related to the Insurance Program. The Premium rates shall reflect the cost of deficit repayment including interest costs.
2. Where a Province charges interest on deficits in accordance with section 1, all interest costs included in the Premiums and interest earned on surpluses related to the Insurance Program shall be credited to the provincial insurance fund.

ANNEX C — EXISTING PROGRAMS

- 1.1 ***Adherence to Existing Programs*** The Province acknowledges that by signing this Implementation Agreement, it becomes a signatory to the agreements contained in the Schedules to Annex C herein and that it agrees to be bound by all of the terms and conditions contained therein.
- 1.2 ***Compliance with Framework Agreement*** Canada and the Province acknowledge that the Schedules attached to Annex C contain the Existing Programs that are to be included under clause 6 of the Framework Agreement and, where necessary, describe the changes that will cause them to be in compliance with clause 5.2 of the Framework Agreement.
- 1.3 ***Consistent Reading*** Canada and the Province recognize that, where the terms of the Schedules to Annex C conflict with the Implementation Agreement of the Framework Agreement, the latter shall take precedence.

SCHEDULE 1 TO ANNEX C

CANADA—PRINCE EDWARD ISLAND ELITE SEED POTATO QUALITY IMPROVEMENT PROGRAM AGREEMENT

PART ONE—GENERAL CLAUSES

Unless the context otherwise requires, the definitions, requirements, obligations, terms and conditions outlined in Part One of this Agreement shall apply to all Province-based Programming under the Framework Agreement.

1.0 DEFINITIONS

- 1.1 “Administrative Expenses” means those expenses defined in the Administrative Expenses and Requirements Sub-schedule 1 and incurred by the Province in the administration of the Program under this Agreement.
- 1.2 “Contribution” means funding provided by Canada or the Province for activities under this Agreement.
- 1.3 “Federal Minister” means the federal Minister of Agriculture and Agri-Food.
- 1.4 “Fiscal Year” means the twelve-month period beginning April 1 of any year and ending March 31 of the following year.
- 1.5 “Management Committee” means the body established under clause 3.6 of the Implementation Agreement.
- 1.6 “Other Programs” means such programs as defined in clause 1.1 of the Framework Agreement.
- 1.7 “Province” means the Province of Prince Edward Island.
- 1.8 “Province-based Programming” means those initiatives specific to the Province which may be funded during the Transitional Period.
- 1.9 “Provincial Legislature” means the Legislative Assembly of Prince Edward Island.

- 1.10 “Provincial Minister” means the Minister of Agriculture, Fisheries, Aquaculture and Forestry for Prince Edward Island.
- 1.11 “Record” means a written account, in printed or electronic form, of some act, court proceeding, transaction, or instrument relating to matters included in this Agreement and designed to remain a memorial or permanent evidence of the matters to which it relates.
- 1.12 “Transitional Period” means the period beginning on April 1, 2003 and ending on March 31, 2006.

2.0 FINANCIAL COMMITMENTS

- 2.1 ***Requisite authority*** Canada and the Province have the necessary authority to enter into this Agreement and to bind their respective governments and, if further authority is required to give effect to this Agreement, the Parties shall undertake to immediately and without delay take the necessary steps to secure such authority so as to bind their respective governments to all of the terms and conditions of this Agreement.
- 2.2 ***Appropriation of funding*** Any Contribution by Canada under this Agreement is subject to an appropriation by Parliament in respect of that Contribution and, similarly, any Contribution by the Province under this Agreement is subject to an appropriation by the Provincial Legislature. If, at any time during the life of this Agreement, the Parliament of Canada or the Provincial Legislature amends any appropriation relating to a Contribution under this Agreement, Canada and the Province shall make the necessary adjustments to this Agreement.
- 2.3 ***Central Agencies*** Any Contribution by Canada to this Agreement is subject to the policies and directions imposed on it by the Treasury Board of Canada and any of its central agencies. Any Contribution by the Province is also subject to the policies and directions imposed on it by its central agencies.
- 2.4 ***Allocation of risk management funding*** The allocation of risk management funding for Provinces shall be determined using the following base amounts:
- 2.4.1 for British Columbia, \$9.2 million;
- 2.4.2 for Alberta, \$20.9 million;

- 2.4.3 for Saskatchewan, \$17.7 million;
 - 2.4.4 for Manitoba, \$12.7 million;
 - 2.4.5 for Ontario, \$51.7 million;
 - 2.4.6 for Quebec, \$91.3 million;
 - 2.4.7 for New Brunswick, \$2.3 million;
 - 2.4.8 for Nova Scotia, \$2.3 million;
 - 2.4.9 for Prince Edward Island, \$2.7 million;
 - 2.4.10 for each other province or territory, \$0.
- 2.5 **Further Allocation** Canada shall allocate to each Province the following amounts, to be used for the purposes set out in clause 5.5 of the Implementation Agreement, and shall add to these amounts any amounts carried forward under subsection 2.6, 2.9 or 2.10:
- 2.5.1 for 2003-04, the amount determined under subsection 2.4;
 - 2.5.2 for 2004-05, two-thirds of the amount determined under subsection 2.4;
and
 - 2.5.3 for 2005-06, one-third of the amount determined under subsection 2.4.
- 2.6 **Carry Forward** Where the funds allocated under subsection 2.4 or 2.5 are not fully utilized, the remainder shall be carried forward and added to the funds to be allocated to that Province in subsequent Fiscal Year.
- 2.7 **Federal Contribution** Subject to the availability of funds under the Province's share of federal funding for Province-based Programming as set out in the Implementation Agreement, Canada's Contributions to this Agreement shall not exceed the following amount in a Fiscal Year:
- 2.7.1 Canada's funding allocated to the Province for Province-based Programming pursuant to the list referenced in subsection 2.8; plus

- 2.7.2 Canada's funding for General Risk Management Programming under the Framework Agreement on Agricultural Risk Management rolled over from previous years, if applicable, to the Framework Agreement.
- 2.8 **Payment** Canada shall not make its first payment under this Agreement until the Province provides Canada with a written list showing the order of priority in which funds are to be allocated to the Province-based Programming in the Province and the maximum federal Contribution to each Program, as applicable. The list may be amended, in writing, by the Province during a subsequent year prior to the first payment for that year for any listed program.
- 2.9 **Carry Forward for Other Programs** Where the funds allocated or carried forward from the previous Framework for a Province are not fully utilized during the Transitional Period, then the remaining funds shall be used for Other Programs in such manner as Canada and the Province shall agree. Agreements entered into under this subsection shall ensure that the Province provides, or has provided, funding that is equal to at least two-thirds of the funding provided by Canada under those agreements.
- 2.10 **Unspent Allocations from Existing Framework** In accordance with clause 3.9 of the Framework Agreement, where federal funds have been allocated to a Province under the Existing Framework, and those funds have not been fully spent under the Existing Framework, the remaining funds shall be carried forward and allocated to the Province. Those funds shall be added, as needed, to the funds which would otherwise be allocated to the Province under the Implementation Agreement, as directed by the Management Committee.
- 2.11 **Carry Forward of Provincial Contributions** If the Province has provided funding under the Existing Framework which exceeds the funding required under the Existing Framework, then the excess funding shall be considered a Contribution by the Province, up to a maximum of two-thirds of the funding provided for that Province under clause 7.1 of the Implementation Agreement. The provincial Contribution under this clause shall be designated for risk management programs or Other Programs in the same ratio as the funding provided under clause 7.1 of the Implementation Agreement.
- 2.12 **Provincially-funded Initiatives** Subject to subsections 2.9 to 2.11, only programs listed as Existing Programs in Schedule 3 to Annex D of the Implementation

Agreement may be counted towards the Province's share of overall funding under the Implementation Agreement during the Transitional Period.

3.0 FINANCIAL MANAGEMENT

- 3.1 ***Schedule of Administrative Expenses*** The Administrative Expenses eligible for Contributions are set out in Sub-schedule 1 to this Agreement.
- 3.2 ***Budgets*** The Province shall deliver to Canada, no later than 30 days after the signing of this Agreement for Fiscal Year 2003-04 and by March 1 of each upcoming subsequent Fiscal Year, a budget for the following Fiscal Year, approved by the Responsible Officer. Prior to August 1, a budget for the current Fiscal Year, approved by the appropriate governing body, shall be provided to Canada. The budget shall contain projections of Administrative Expenses, by category.
- 3.3 ***Basis for Payment of Eligible Administrative Expenses*** Within 30 days of signing the Agreement and by March 1 of each subsequent year, Canada and the Province shall agree whether Canada's share of eligible Administrative Expenses for the following Fiscal Year will be:
- 3.3.1 in the form of reimbursement to the Province on a quarterly basis for Canada's share of actual expenditures claimed as Administrative Expenses; or
 - 3.3.2 in the form of quarterly advances to the Province based on quarterly cash flow projections of Administrative Expenses.
- 3.4 ***Advances for Administrative Expenses*** Advances for Administrative Expenses shall be based on projections contained in quarterly cash flow statements certified by the Responsible Officer. These statements shall be provided by the Province to Canada by the 15th day of the month following the end of each quarter and shall contain details of the Administrative Expenses related specifically to the Program, by category as determined by Canada.
- 3.5 ***Cash flow Statements*** For each three-month period ending on the last day of June, September, December and March of each year, the Responsible Officer shall provide the Federal Minister with the cash flow statement by the 15th day of the month following each quarter. The statement shall be certified to be accurate,

complete, and verifiable and in compliance with this Agreement. Each cash flow statement shall contain the following information:

- 3.5.1 actual payments made during the period and during the Fiscal Year to date, by category, including the proposed and actual use of the funds;
 - 3.5.2 total contributions received from Canada and the Province during the period and during the Fiscal Year to date;
 - 3.5.3 projections of Administrative Expenses for subsequent quarters; and
 - 3.5.4 projections of contributions to be made by Canada and the Province for subsequent quarters, by category, including the proposed and actual use of the funds.
- 3.6 **Accounting** Accounting for advances shall be done on the basis of the quarterly cash flow statements. In these statements, prior quarters shall be updated using actual Administrative Expenses paid by category and upcoming quarters shall be updated using more recent estimates. At no time shall more than one quarter's advance be outstanding and unaccounted for. Any advances for a given Fiscal Year which cannot be accounted for by provincial expenditures related to the same Fiscal Year shall be returned to Canada.
- 3.7 **Reconciliation Statement** Within 30 days of Canada's request, the Province shall provide Canada with a statement reconciling its audited financial statement figures to its actual Contributions claimed during the Fiscal Year. Where the Province's financial period is not the Fiscal Year as defined in this Agreement, the Province shall provide Canada with an audited reconciliation statement. This statement will reconcile the Province's audited financial statement figures to its actual Contributions claimed for the Fiscal Year.
- 3.8 **Reconciliation** Within 60 days of the receipt of the audited financial statements, Canada shall pay the Province's final claim for the balance owing by Canada, if any, for the difference between actual and forecasted expenditures. If an amount is repayable by the Province with respect to any Fiscal Year, Canada shall deduct the said amount from the first contribution payment following receipt of the audited financial statements. Upon termination of the Agreement by one of the

parties, any outstanding amount identified on the final reconciliation shall be paid or reimbursed to the appropriate party within 60 days of the receipt of the final audited financial statements.

- 3.9 **CARD/SNCP database** The Province shall ensure that all applicable data fields, as determined by Canada, are completed in the Canadian Adaption and Rural Development (CARD) fund and Safety Net Companion Program (SNCP) database before forwarding a claim to Canada.

4.0 **AUDIT, EVALUATION AND REVIEW**

- 4.1 **Audit** Canada and the Province reserve the right at any time to conduct an audit on any activities covered by this Agreement. In instances where an audit is performed by one of the Parties, a copy of the audit report must be forwarded to the other Party by no later than 30 days from the date that the report has been completed. In instances where the audit is jointly requested by both Parties, the costs of the audit shall be borne equally by both Parties. Where the audit has been requested by one of the Parties to this Agreement, the cost of the audit shall be borne by that Party.
- 4.2 **Audited financial statements and audited statement of expenditures** Canada or the Province, as the case may be, shall deliver to the other Party, on an annual basis, but no later than eight months after fiscal year end, audited financial statements and an audited statement of expenditures confirming the actual amounts spent by that Party under this Agreement. All financial statements or audited statements of expenditures are subject to audit in accordance with applicable federal and provincial regulation, as the case may be.
- 4.3 **Compliance Audit** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible, at its expense, to ensure an independent audit is conducted to determine that activities under this Agreement have been administered in accordance with the terms and conditions set out in this Agreement. Where practical and in order to avoid duplication, Canada will coordinate the audit with any similar audit undertaken by the Province with respect to the Province's share of Contributions.
- 4.4 **Evaluation** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible for an evaluation of the activities under this

- Agreement, either individually or as part of an overall evaluation of all Province-based Programming.
- 4.5 ***Environmental Review*** Canada shall, if it deems necessary, review, at its expense, the environmental impact of this Agreement and identify the circumstances and conditions under which federal Contributions under this Agreement may be withheld, restricted or enhanced for the purposes of protecting the environment. The terms of reference for the review shall be formulated in consultation with the Province.
- 4.6 ***Access to Documentation*** Subject to applicable privacy legislation, Canada and the Province shall allow representatives of the other Party to have access to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of activities described in this Agreement, and for the verification of invoices with respect to payments made to applicants under this Agreement as well as any other associated eligible administrative expense. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement provide access to representatives of the other Party to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of the activities undertaken by that third party.
- 4.7 ***Documentation*** Unless otherwise agreed to by the Parties, Canada and the Province shall keep all Records, information, databases, audit and evaluation reports and all other documentation related to activities for a period of six years from the date that the final activity under this Agreement is completed. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement comply with these requirements.
- 4.8 ***Application of Privacy Legislation*** Each Party agrees to do such things as may be required to perform the obligations imposed by this Agreement in accordance with applicable privacy legislation.

5.0 COMMUNICATIONS

- 5.1 ***Public Information*** The Parties agree that all public information and advertising activities in connection with this Agreement by either or both Parties shall clearly make reference to this Agreement and shall fully and fairly reflect the Contribution of each Party.

- 5.2 **Announcements** Unless otherwise agreed to by the Parties, announcements involving Canada's or the Province's Contribution under this Agreement or reporting on accomplishments and results arising out of or related to matters covered in this Agreement shall be conducted as follows:
- 5.2.1 news releases shall be publicized and issued jointly by the Parties; to ensure proper visibility of both Parties, all joint news releases shall contain quotes from the Federal and Provincial Ministers, include the wordmark of both Parties and list a federal and provincial contact person;
 - 5.2.2 each Party shall notify the other in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of both Parties or designated alternates;
 - 5.2.3 in the event that a third party is involved in the administration of activities under this Agreement, the Party that retains the third party to administer the activities shall ensure that all announcements involving Canada's and the Province's Contribution by that third party conform to these requirements.
- 5.3 **Identification of Canada** Unless otherwise agreed to by the Parties, Canada's participation in any matters relating to this Agreement shall be identified by the Government of Canada wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites/Internet publications and other material related to this Agreement, including but not limited to, cheques, notification on details or programs. The size of the Canada wordmark shall in no case be smaller than the provincial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.
- 5.4 **Identification of the Province** Unless otherwise agreed to by the Parties, the Province's participation in any matters relating to this Agreement shall be identified by the provincial wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites/Internet publications and other material related to this Agreement. The size of the provincial wordmark

shall in no case be smaller than Canada's wordmark. A provincial ministry's participation shall be shown by the use of the ministry's signature.

- 5.5 ***Co-operation in Meeting Obligations*** The Parties agree to co-operate to discharge the obligations imposed by subsections 5.3 and 5.4 in an efficient manner. With the agreement of both Parties, communications products that do not conform with subsections 5.3 or 5.4 may continue to be distributed until stock existing as of March 31, 2003, is depleted.
- 5.6 ***Access to Information*** All information under this Agreement shall be treated in accordance with the requirements of applicable federal and provincial privacy legislation, as the case may be.
- 5.7 ***Bilingual Communication*** For the purposes of this section, Canada and the Province recognize that all communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all policies and directions provided by the Commissioner of Official Languages for Canada. All incremental costs associated with complying with this clause shall be borne by Canada.

6.0 GENERAL PROVISIONS

- 6.1 ***Forfeiture of Rights*** Any applicant who wilfully provides false information or is in breach of any conditions of the Agreement, the contract or the enrolment form shall be deemed to have terminated participation in the program and shall be required to repay any monies received from the program.
- 6.2 ***Indemnification of the Crown*** The Parties shall indemnify each other in accordance with the following terms and conditions:
- 6.2.1 a Party who administers a program or activity under this Agreement shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings whatsoever made by any third party arising out of or related to the administration of activities under this Agreement;
- 6.2.2 in the event that a program is jointly administered, both Parties shall be equally responsible for all claims, demands, damages, actions and losses in relation to or arising out of those activities;

- 6.2.3 unless otherwise agreed to in writing by both Parties, where a third party has been charged with administering activities, the Party making a Contribution to the third party shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of the program or activity;
- 6.2.4 in instances where both Parties are to make a Contribution to a third party charged with the administration of activities, the Parties must decide prior to making any such Contribution which Party will be responsible for that third party and the Party so selected shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of those activities;
- 6.2.5 in the event that either Canada or the Province is named in an action or a proceeding of any nature where liability is at issue:
- 6.2.5.1 the Party or Parties named may defend the action or proceeding in its own name; and
- 6.2.5.2 each Party shall provide assistance to the other with respect to the action or proceeding, and refrain from conduct which would prejudice the successful conclusion of the action or proceeding; and
- 6.2.6 the right to indemnification under subsection 6.2.1 to 6.2.6 is limited in time to the prescription period contained in the legislation of the Province.
- 6.3 ***Representation by a Party*** The Parties agree that nothing in this Agreement is to be construed as authorizing one Party to contract or incur any obligation on behalf of the other Party, unless specifically provided for in this Agreement.
- 6.4 ***Eligibility of Members of the House of Commons*** No Member of the House of Commons shall be allowed to derive any financial advantage resulting from Canada's Contributions under this Agreement that would not be permitted under the *Parliament of Canada Act*. Where a Province is responsible for the

- administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.5 ***Eligibility of Members of the Provincial Legislature*** Members of the Provincial Legislature shall be governed by provincial conflict of interest guidelines in effect during the term of the Agreement.
- 6.6 ***Eligibility of Former Federal Public Office Holders or Servants*** Applicants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Agreement shall not derive a direct benefit from Canada's Contributions under this Agreement. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.7 ***Registration of lobbyists*** The administrator of a program funded, in part or in whole, by Canada under this Implementation Agreement shall not permit a person to lobby, as defined in the federal *Lobbyists Registration Act*, on behalf of an applicant in the Province, unless that person is registered pursuant to the Act. For greater clarity, this Act excludes from registration, among others, members of the Provincial Legislature or their staffs and employees of the provincial government.
- 6.8 ***Transparency*** The Parties agree that transparency between Canada and the Province is required to ensure that the terms of this Agreement are respected. The Parties further agree that the actions of one government often have effects on other governments and, therefore, shall give notice to all parties to the Framework Agreement prior to implementation of a major change in a policy or program which could have an impact on the operation of the Framework Agreement or any Implementation Agreement, even if the policy or program is outside the scope of this Agreement.
- 6.9 ***Governance*** Where this Agreement confers a power or a duty on the Parties, that power or duty may be exercised by the representatives of each Party as set out in the Agreement, or such delegates as those representatives may designate for the exercise of that power or duty.
- 6.10 ***Tabling Before Parliament*** The Parties concur that the Federal Minister shall cause this Agreement to be laid before Parliament pursuant to the provisions of the *Farm Income Protection Act*.

7.0 DURATION OF AGREEMENT

7.1 **Duration** Canada's financial commitments under this Agreement shall take effect on April 1, 2003 and shall terminate on March 31, 2006 or until terminated by the Parties in accordance with subsection 7.3.

7.2 **Amendment** This Agreement may be amended at any time with the agreement of Canada and the Province.

7.3 **Termination** This Agreement, or parts thereof, may be terminated in writing by any mutually agreed upon date. In the event that there is no agreement with respect to termination, one of the Parties may terminate this Agreement, or parts thereof, in accordance with the terms for termination of the Framework Agreement.

7.4 **Account Balances Upon Termination or Expiration** The following terms and conditions apply upon the termination or expiration, in part or in whole, of this Agreement with respect to any account balances remaining in a program where both Canada and the Province have made a Contribution under this Agreement.

7.4.1 If the Parties do not enter into a new Agreement within six months of the termination or expiration of this Agreement,

7.4.1.1 any amount of Canada's Contribution that exceeds an entitlement owing to the Province under this Agreement and that has not been recovered by Canada shall be payable by the Province by no later than 30 days after the amount owing to Canada has been determined and notice has been given to the Province; until such time as these amounts are repaid, the amount owing remains a debt to Canada;

7.4.1.2 all surpluses or deficits outstanding at the time of termination shall be the responsibility of the Party that holds the account; and

7.4.1.3 all assets acquired by the Province for which Contributions were made by Canada shall be disposed of at fair market value within six months of the termination or expiration of this Agreement and the proceeds of sale shall be shared

equally by Canada and the Province, unless both Parties agree otherwise.

- 7.4.2 If the Parties enter into a new agreement within six months of the expiration or termination of this Agreement, all surpluses or deficits outstanding at the time of termination relating to the parts terminated shall not be extinguished and provision shall be made for the continuation of the surplus or deficits under the new agreement.
- 7.4.3 For the purposes of this subsection, withdrawal from the Implementation Agreement by one of the Parties constitutes termination of this Agreement. In the event that a third party is charged with the delivery of activities under this Agreement, the Party making the Contribution to the third party shall ensure that the requirements of subsection 7.4 are respected by that third party before making the Contribution.

PART TWO—SPECIFIC CLAUSES

For the purposes of Part Two of this Agreement, the definitions, requirements, obligations, and terms and conditions found herein shall take precedence over those definitions, requirements, obligations, and terms and conditions identified in Part One of this Agreement.

8.0 DEFINITIONS

- 8.1 “Agreement” means the Canada-Prince Edward Island Elite Seed Potato Quality Improvement Program Agreement.
- 8.2 “Eligible Producers” means producers enrolled in the Elite Seed Potato Plan under the Insurance Program.
- 8.3 “Eligible Program Expenditures” means the total expenditures under the ESPQIP, less expenditures for inspection and testing services, and less any administrative expenses.
- 8.4 “ESPQIP” means the Prince Edward Island Elite Seed Potato Quality Improvement Program.

- 8.5 “Insurance Program” means the Province’s Production Insurance Program as established under the Canada-Prince Edward Island Production Insurance Agreement.
- 8.6 “Operational Document” means the operational document established between Canada and the Province for the purpose of administering the Insurance Program.
- 8.7 “Program Payment” means the payment to Eligible Producers under the ESPQIP.
- 8.8 “Responsible Officer” means the person identified by the Province to be responsible for submitting the records and information required by this Agreement.

9.0 PURPOSE

- 9.1 **Purpose** The purpose of this Agreement is to provide for a Contribution by Canada to compensate the Province, in part, for incentives being provided to Eligible Producers under the Elite Seed Potato Quality Improvement Program in the form of a reduction to the Eligible Producer’s portion of premium costs.

10.0 FINANCIAL COMMITMENTS

- 10.1 Subject to the allocations outlined in subsections 2.4 and 2.5, Canada shall contribute up to \$80,000 to the Program for the 2003-04 Fiscal Year, up to \$53,000 for the 2004-05 Fiscal Year, and up to \$27,000 for the 2005-06 Fiscal Year.
- 10.2 Subject to subsections 2.4 and 2.5, the Province is responsible for all Program payments, Administrative Expenses and costs in excess of the amounts provided for in subsection 10.1 and including all Program payments, Administrative Expenses and costs incurred after March 31, 2006.

11.0 FINANCIAL MANAGEMENT

- 11.1 **Basis of Payment** The total payment to Eligible Producers shall be the amount required to reduce the Eligible Producer’s share of premiums to 25 percent for each of the 2003, 2004 and 2005 Crop Years on seed potatoes insured under the Elite Seed Potato Plan as outlined in the Operational Document of the Province’s Insurance Program.

- 11.2 ***Additional Documentation*** The supporting documentation submitted to Canada, where applicable under Section 3, shall also include a listing of all payments showing the Eligible Producer and entity names, corresponding share of the Insurance Program premiums and number of acres for medium, late and very late maturing varieties of potatoes.
- 11.3 ***Audit Requirements*** Financial information relating to the ESPQIP shall be presented separately in the Province's audited financial statement or report, as required by Sub-section 4.2 of this Agreement. Notwithstanding Sub-section 4.2, the Province shall provide Canada with a copy of the audit statement or report and accompanying letter, no later than November 30, 2004, November 30, 2005 and November 30, 2006 for the 2003, 2004 and 2005 crop years respectively.

12.0 ADMINISTRATION

- 12.1 ***Provincial Responsibilities*** The Province shall be responsible for the administration of the Program, including but not limited to the following:
- (a) developing and distributing an application form;
 - (b) determining each Eligible Producers' eligibility for payments under the ESPQIP, including the processing of application forms;
 - (c) calculating and issuing Program Payments to Eligible Producers under the ESPQIP;
 - (d) responding to producer enquiries related to the administration of the ESPQIP;
 - (e) accounting for Canada's and the Province's respective shares of the cost of Program Payments;
 - (f) providing information to Canada on ESPQIP activities, including but not limited to the number of applicants, amount of payments, and total costs;
 - (g) establishing a payment review process; and
 - (h) having a financial audit conducted by the provincial auditor or an independent accredited auditor.

12.2 ***Federal Responsibilities*** Canada shall be responsible for:

- (a) approving written public information describing the activities to be funded under this Agreement including news releases, information bulletins and any other related promotional material; and
- (b) making payments to the Province pursuant to this Agreement.

SUB-SCHEDULE 1 TO SCHEDULE 1

ADMINISTRATIVE EXPENSES AND REQUIREMENTS

1.0 DEFINITIONS

- 1.1 “Charged directly to” means that the Province shall identify all expenses which are specific to each program or programs it administers at the time the expense is incurred and shall record expenses which are clearly identifiable with a specific program or group of programs in separate general ledger expense accounts. Such amounts shall not be included in Common or shared costs.
- 1.2 “Common or shared costs” means those Administrative Expenses which cannot be specifically identified as relating to the Program.
- 1.3 “Out-of-pocket cost” means the actual amount incurred by the Province in respect of an employee or supplier of materials and services. This means that, if a material or service is provided to the Province by another department or branch of the provincial government or a provincially-owned agency, the Out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount.
- 1.4 “Reasonable allocation” means that portion of expenses consumed by the Program. The Province may only allocate expenses to the Program for which it can provide verifiable documentation or independent studies which support that the amount allocated reflects the Program’s share of the cost.

2.0 IDENTIFICATION OF EXPENSES

- 2.1 *Services* No charges shall be made for services or materials provided free of charge to or by the Province. Administrative Expenses eligible for Contributions by Canada are limited to:
- 2.1.1 the Out-of-pocket cost to the Province of amounts charged directly to the Program for:

- 2.1.1.1 payroll and benefits of Provincial personnel working solely on the administration of the Program, including severance payments made in accordance with collective agreements or with employment contracts or which are consistent with the established policy of the Province and where the termination is to further the operational needs of the Province;
- 2.1.1.2 travel, postage, freight, express and long distance communications;
- 2.1.1.3 advertising, publishing, printing, audio-visual and public relations;
- 2.1.1.4 legal expenses, computer system development, actuarial services, association dues, audit and evaluation;
- 2.1.1.5 rental of office accommodation and equipment;
- 2.1.1.6 utilities, materials and supplies;
- 2.1.1.7 repair and maintenance of equipment; and
- 2.1.1.8 other expenditures;
- 2.1.2 a Reasonable allocation of the Out-of-pocket cost to the Province of common or shared costs for:
 - 2.1.2.1 payroll and benefits of Provincial personnel working in part on the administration of the Program;
 - 2.1.2.2 payroll and benefits of other provincial personnel working in part on the administration of the Program;
 - 2.1.2.3 travel, postage, freight, express and long distance communications;
 - 2.1.2.4 advertising, publishing, printing, audio-visual and public relations;

- 2.1.2.5 legal expenses, computer system development, actuarial services, audit and evaluation;
- 2.1.2.6 rental of office accommodation and equipment;
- 2.1.2.7 utilities, materials and supplies;
- 2.1.2.8 repair and maintenance of equipment;
- 2.1.2.9 other expenditures;
- 2.1.3 charges representing the fair market value of accommodations which are specifically authorized in writing by Canada; and
- 2.1.4 such other amounts as are specifically authorized in writing by Canada.

Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits and/or rebates.

- 2.2 **Other Programs** Where the Province is administering other programs in conjunction with this Program, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and Canada shall contribute only to the portion attributable to this Program.
- 2.3 **Capital Expenditures** Capital expenditures are specifically excluded from eligible Administrative Expenses.
- 2.4 **Employee Costs** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, costs of services associated with provincial employees other than those directly employed in a program.
- 2.5 **Methodology to apportion Administrative Expenses and revenues** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, a description of the methodology to be used to apportion Administrative Expenses and revenues between the various programs to be

- administered by the Province during the subsequent Fiscal Year. Verifiable documentation or independent studies should be available to support the methodology.
- 2.6 ***Billings and cost transfers*** Billings and cost transfers from other claimant departments and/or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates and/or transfers of budgeted amounts, shall not be eligible for reimbursement.
- 2.7 ***Costs in dispute*** Where there is a disagreement between a payer and a claimant concerning Contributions towards a claimant's administrative costs, payer Contributions towards the portion of the costs in dispute may be withheld or denied until the issues related to their eligibility under a program have been resolved.
- 2.8 ***Payroll benefits*** Benefits (e.g., severance pay, holiday pay, or living allowances) for claimant staff pertaining to their service prior to the start-up of activities under this Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be eligible for reimbursement.
- 2.9 ***Access to records*** If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts so affected by this denial shall not be eligible for reimbursement.

SCHEDULE 2 TO ANNEX C

CANADA—PRINCE EDWARD ISLAND AGRICULTURAL RESEARCH INVESTMENT PROGRAM AGREEMENT

PART ONE—GENERAL CLAUSES

Unless the context otherwise requires, the definitions, requirements, obligations, terms and conditions outlined in Part One of this Agreement shall apply to all Province-based Programming under the Framework Agreement.

1.0 DEFINITIONS

- 1.1 “Administrative Expenses” means those expenses defined in the Administrative Expenses and Requirements Sub-schedule 1 and incurred by the Province in the administration of the Program under this Agreement.
- 1.2 “Contribution” means funding provided by Canada or the Province for activities under this Agreement.
- 1.3 “Federal Minister” means the federal Minister of Agriculture and Agri-Food.
- 1.4 “Fiscal Year” means the twelve-month period beginning April 1 of any year and ending March 31 of the following year.
- 1.5 “Management Committee” means the body established under clause 3.6 of the Implementation Agreement.
- 1.6 “Other Programs” means such programs as defined in clause 1.1 of the Framework Agreement.
- 1.7 “Province” means the Province of Prince Edward Island.
- 1.8 “Province-based Programming” means those initiatives specific to the Province which may be funded during the Transitional Period.
- 1.9 “Provincial Legislature” means the Legislative Assembly of Prince Edward Island.

- 1.10 “Provincial Minister” means the Minister of Agriculture, Fisheries, Aquaculture and Forestry for Prince Edward Island.
- 1.11 “Record” means a written account, in printed or electronic form, of some act, court proceeding, transaction, or instrument relating to matters included in this Agreement and designed to remain a memorial or permanent evidence of the matters to which it relates.
- 1.12 “Transitional Period” means the period beginning on April 1, 2003 and ending on March 31, 2006.

2.0 FINANCIAL COMMITMENTS

- 2.1 ***Requisite authority*** Canada and the Province have the necessary authority to enter into this Agreement and to bind their respective governments and, if further authority is required to give effect to this Agreement, the Parties shall undertake to immediately and without delay take the necessary steps to secure such authority so as to bind their respective governments to all of the terms and conditions of this Agreement.
- 2.2 ***Appropriation of funding*** Any Contribution by Canada under this Agreement is subject to an appropriation by Parliament in respect of that Contribution and, similarly, any Contribution by the Province under this Agreement is subject to an appropriation by the Provincial Legislature. If, at any time during the life of this Agreement, the Parliament of Canada or the Provincial Legislature amends any appropriation relating to a Contribution under this Agreement, Canada and the Province shall make the necessary adjustments to this Agreement.
- 2.3 ***Central Agencies*** Any Contribution by Canada to this Agreement is subject to the policies and directions imposed on it by the Treasury Board of Canada and any of its central agencies. Any Contribution by the Province is also subject to the policies and directions imposed on it by its central agencies.
- 2.4 ***Allocation of risk management funding*** The allocation of risk management funding for Provinces shall be determined using the following base amounts:
- 2.4.1 for British Columbia, \$9.2 million;
- 2.4.2 for Alberta, \$20.9 million;

- 2.4.3 for Saskatchewan, \$17.7 million;
 - 2.4.4 for Manitoba, \$12.7 million;
 - 2.4.5 for Ontario, \$51.7 million;
 - 2.4.6 for Quebec, \$91.3 million;
 - 2.4.7 for New Brunswick, \$2.3 million;
 - 2.4.8 for Nova Scotia, \$2.3 million;
 - 2.4.9 for Prince Edward Island, \$2.7 million;
 - 2.4.10 for each other province or territory, \$0.
- 2.5 **Further Allocation** Canada shall allocate to each Province the following amounts, to be used for the purposes set out in clause 5.5 of the Implementation Agreement, and shall add to these amounts any amounts carried forward under subsection 2.6, 2.9 or 2.10:
- 2.5.1 for 2003-04, the amount determined under subsection 2.4;
 - 2.5.2 for 2004-05, two-thirds of the amount determined under subsection 2.4;
and
 - 2.5.3 for 2005-06, one-third of the amount determined under subsection 2.4.
- 2.6 **Carry Forward** Where the funds allocated under subsection 2.4 or 2.5 are not fully utilized, the remainder shall be carried forward and added to the funds to be allocated to that Province in subsequent Fiscal Year.
- 2.7 **Federal Contribution** Subject to the availability of funds under the Province's share of federal funding for Province-based Programming as set out in the Implementation Agreement, Canada's Contributions to this Agreement shall not exceed the following amount in a Fiscal Year:
- 2.7.1 Canada's funding allocated to the Province for Province-based Programming pursuant to the list referenced in subsection 2.8; plus

- 2.7.2 Canada's funding for General Risk Management Programming under the Framework Agreement on Agricultural Risk Management rolled over from previous years, if applicable, to the Framework Agreement.
- 2.8 **Payment** Canada shall not make its first payment under this Agreement until the Province provides Canada with a written list showing the order of priority in which funds are to be allocated to the Province-based Programming in the Province and the maximum federal Contribution to each Program, as applicable. The list may be amended, in writing, by the Province during a subsequent year prior to the first payment for that year for any listed program.
- 2.9 **Carry Forward for Other Programs** Where the funds allocated or carried forward from the previous Framework for a Province are not fully utilized during the Transitional Period, then the remaining funds shall be used for Other Programs in such manner as Canada and the Province shall agree. Agreements entered into under this subsection shall ensure that the Province provides, or has provided, funding that is equal to at least two-thirds of the funding provided by Canada under those agreements.
- 2.10 **Unspent Allocations from Existing Framework** In accordance with clause 3.9 of the Framework Agreement, where federal funds have been allocated to a Province under the Existing Framework, and those funds have not been fully spent under the Existing Framework, the remaining funds shall be carried forward and allocated to the Province. Those funds shall be added, as needed, to the funds which would otherwise be allocated to the Province under the Implementation Agreement, as directed by the Management Committee.
- 2.11 **Carry Forward of Provincial Contributions** If the Province has provided funding under the Existing Framework which exceeds the funding required under the Existing Framework, then the excess funding shall be considered a Contribution by the Province, up to a maximum of two-thirds of the funding provided for that Province under clause 7.1 of the Implementation Agreement. The provincial Contribution under this clause shall be designated for risk management programs or Other Programs in the same ratio as the funding provided under clause 7.1 of the Implementation Agreement.

2.12 ***Provincially-funded Initiatives*** Subject to subsections 2.9 to 2.11, only programs listed as Existing Programs in Schedule 3 to Annex D of the Implementation Agreement may be counted towards the Province's share of overall funding under the Implementation Agreement during the Transitional Period.

3.0 FINANCIAL MANAGEMENT

3.1 ***Schedule of Administrative Expenses*** The Administrative Expenses eligible for Contributions are set out in Sub-schedule 1 to this Agreement.

3.2 ***Budgets*** The Province shall deliver to Canada, no later than 30 days after the signing of this Agreement for Fiscal Year 2003-04 and by March 1 of each upcoming subsequent Fiscal Year, a budget for the following Fiscal Year, approved by the Responsible Officer. Prior to August 1, a budget for the current Fiscal Year, approved by the appropriate governing body, shall be provided to Canada. The budget shall contain projections of Administrative Expenses, by category.

3.3 ***Basis for Payment of Eligible Administrative Expenses*** Within 30 days of signing the Agreement and by March 1 of each subsequent year, Canada and the Province shall agree whether Canada's share of eligible Administrative Expenses for the following Fiscal Year will be:

3.3.1 in the form of reimbursement to the Province on a quarterly basis for Canada's share of actual expenditures claimed as Administrative Expenses; or

3.3.2 in the form of quarterly advances to the Province based on quarterly cash flow projections of Administrative Expenses.

3.4 ***Advances for Administrative Expenses*** Advances for Administrative Expenses shall be based on projections contained in quarterly cash flow statements certified by the Responsible Officer. These statements shall be provided by the Province to Canada by the 15th day of the month following the end of each quarter and shall contain details of the Administrative Expenses related specifically to the Program, by category as determined by Canada.

3.5 ***Cash flow Statements*** For each three-month period ending on the last day of June, September, December and March of each year, the Responsible Officer

- shall provide the Federal Minister with the cash flow statement by the 15th day of the month following each quarter. The statement shall be certified to be accurate, complete, and verifiable and in compliance with this Agreement. Each cash flow statement shall contain the following information:
- 3.5.1 actual payments made during the period and during the Fiscal Year to date, by category, including the proposed and actual use of the funds;
 - 3.5.2 total contributions received from Canada and the Province during the period and during the Fiscal Year to date;
 - 3.5.3 projections of Administrative Expenses for subsequent quarters; and
 - 3.5.4 projections of contributions to be made by Canada and the Province for subsequent quarters, by category, including the proposed and actual use of the funds.
- 3.6 **Accounting** Accounting for advances shall be done on the basis of the quarterly cash flow statements. In these statements, prior quarters shall be updated using actual Administrative Expenses paid by category and upcoming quarters shall be updated using more recent estimates. At no time shall more than one quarter's advance be outstanding and unaccounted for. Any advances for a given Fiscal Year which cannot be accounted for by provincial expenditures related to the same Fiscal Year shall be returned to Canada.
- 3.7 **Reconciliation Statement** Within 30 days of Canada's request, the Province shall provide Canada with a statement reconciling its audited financial statement figures to its actual Contributions claimed during the Fiscal Year. Where the Province's financial period is not the Fiscal Year as defined in this Agreement, the Province shall provide Canada with an audited reconciliation statement. This statement will reconcile the Province's audited financial statement figures to its actual Contributions claimed for the Fiscal Year.
- 3.8 **Reconciliation** Within 60 days of the receipt of the audited financial statements, Canada shall pay the Province's final claim for the balance owing by Canada, if any, for the difference between actual and forecasted expenditures. If an amount is repayable by the Province with respect to any Fiscal Year, Canada shall deduct the said amount from the first contribution payment following receipt of the audited financial statements. Upon termination of the Agreement by one of the

parties, any outstanding amount identified on the final reconciliation shall be paid or reimbursed to the appropriate party within 60 days of the receipt of the final audited financial statements.

- 3.9 **CARD/SNCP database** The Province shall ensure that all applicable data fields, as determined by Canada, are completed in the Canadian Adaption and Rural Development (CARD) fund and Safety Net Companion Program (SNCP) database before forwarding a claim to Canada.

4.0 **AUDIT, EVALUATION AND REVIEW**

- 4.1 **Audit** Canada and the Province reserve the right at any time to conduct an audit on any activities covered by this Agreement. In instances where an audit is performed by one of the Parties, a copy of the audit report must be forwarded to the other Party by no later than 30 days from the date that the report has been completed. In instances where the audit is jointly requested by both Parties, the costs of the audit shall be borne equally by both Parties. Where the audit has been requested by one of the Parties to this Agreement, the cost of the audit shall be borne by that Party.
- 4.2 **Audited financial statements and audited statement of expenditures** Canada or the Province, as the case may be, shall deliver to the other Party, on an annual basis, but no later than eight months after fiscal year end, audited financial statements and an audited statement of expenditures confirming the actual amounts spent by that Party under this Agreement. All financial statements or audited statements of expenditures are subject to audit in accordance with applicable federal and provincial regulation, as the case may be.
- 4.3 **Compliance Audit** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible, at its expense, to ensure an independent audit is conducted to determine that activities under this Agreement have been administered in accordance with the terms and conditions set out in this Agreement. Where practical and in order to avoid duplication, Canada will coordinate the audit with any similar audit undertaken by the Province with respect to the Province's share of Contributions.

- 4.4 ***Evaluation*** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible for an evaluation of the activities under this Agreement, either individually or as part of an overall evaluation of all Province-based Programming.
- 4.5 ***Environmental Review*** Canada shall, if it deems necessary, review, at its expense, the environmental impact of this Agreement and identify the circumstances and conditions under which federal Contributions under this Agreement may be withheld, restricted or enhanced for the purposes of protecting the environment. The terms of reference for the review shall be formulated in consultation with the Province.
- 4.6 ***Access to Documentation*** Subject to applicable privacy legislation, Canada and the Province shall allow representatives of the other Party to have access to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of activities described in this Agreement, and for the verification of invoices with respect to payments made to applicants under this Agreement as well as any other associated eligible administrative expense. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement provide access to representatives of the other Party to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of the activities undertaken by that third party.
- 4.7 ***Documentation*** Unless otherwise agreed to by the Parties, Canada and the Province shall keep all Records, information, databases, audit and evaluation reports and all other documentation related to activities for a period of six years from the date that the final activity under this Agreement is completed. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement comply with these requirements.
- 4.8 ***Application of Privacy Legislation*** Each Party agrees to do such things as may be required to perform the obligations imposed by this Agreement in accordance with applicable privacy legislation.

5.0 COMMUNICATIONS

- 5.1 ***Public Information*** The Parties agree that all public information and advertising activities in connection with this Agreement by either or both Parties shall clearly

- make reference to this Agreement and shall fully and fairly reflect the Contribution of each Party.
- 5.2 ***Announcements*** Unless otherwise agreed to by the Parties, announcements involving Canada's or the Province's Contribution under this Agreement or reporting on accomplishments and results arising out of or related to matters covered in this Agreement shall be conducted as follows:
- 5.2.1 news releases shall be publicized and issued jointly by the Parties; to ensure proper visibility of both Parties, all joint news releases shall contain quotes from the Federal and Provincial Ministers, include the wordmark of both Parties and list a federal and provincial contact person;
- 5.2.2 each Party shall notify the other in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of both Parties or designated alternates;
- 5.2.3 in the event that a third party is involved in the administration of activities under this Agreement, the Party that retains the third party to administer the activities shall ensure that all announcements involving Canada's and the Province's Contribution by that third party conform to these requirements.
- 5.3 ***Identification of Canada*** Unless otherwise agreed to by the Parties, Canada's participation in any matters relating to this Agreement shall be identified by the Government of Canada wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites/Internet publications and other material related to this Agreement, including but not limited to, cheques, notification on details or programs. The size of the Canada wordmark shall in no case be smaller than the provincial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.
- 5.4 ***Identification of the Province*** Unless otherwise agreed to by the Parties, the Province's participation in any matters relating to this Agreement shall be identified by the provincial wordmark being prominently placed on all

communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites/Internet publications and other material related to this Agreement. The size of the provincial wordmark shall in no case be smaller than Canada's wordmark. A provincial ministry's participation shall be shown by the use of the ministry's signature.

- 5.5 ***Co-operation in Meeting Obligations*** The Parties agree to co-operate to discharge the obligations imposed by subsections 5.3 and 5.4 in an efficient manner. With the agreement of both Parties, communications products that do not conform with subsections 5.3 or 5.4 may continue to be distributed until stock existing as of March 31, 2003, is depleted.
- 5.6 ***Access to Information*** All information under this Agreement shall be treated in accordance with the requirements of applicable federal and provincial privacy legislation, as the case may be.
- 5.7 ***Bilingual Communication*** For the purposes of this section, Canada and the Province recognize that all communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all policies and directions provided by the Commissioner of Official Languages for Canada. All incremental costs associated with complying with this clause shall be borne by Canada.

6.0 GENERAL PROVISIONS

- 6.1 ***Forfeiture of Rights*** Any applicant who wilfully provides false information or is in breach of any conditions of the Agreement, the contract or the enrolment form shall be deemed to have terminated participation in the program and shall be required to repay any monies received from the program.
- 6.2 ***Indemnification of the Crown*** The Parties shall indemnify each other in accordance with the following terms and conditions:
- 6.2.1 a Party who administers a program or activity under this Agreement shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings whatsoever made by any third party arising out of or related to the administration of activities under this Agreement;

- 6.2.2 in the event that a program is jointly administered, both Parties shall be equally responsible for all claims, demands, damages, actions and losses in relation to or arising out of those activities;
 - 6.2.3 unless otherwise agreed to in writing by both Parties, where a third party has been charged with administering activities, the Party making a Contribution to the third party shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of the program or activity;
 - 6.2.4 in instances where both Parties are to make a Contribution to a third party charged with the administration of activities, the Parties must decide prior to making any such Contribution which Party will be responsible for that third party and the Party so selected shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of those activities;
 - 6.2.5 in the event that either Canada or the Province is named in an action or a proceeding of any nature where liability is at issue:
 - 6.2.5.1 the Party or Parties named may defend the action or proceeding in its own name; and
 - 6.2.5.2 each Party shall provide assistance to the other with respect to the action or proceeding, and refrain from conduct which would prejudice the successful conclusion of the action or proceeding; and
 - 6.2.6 the right to indemnification under subsection 6.2.1 to 6.2.6 is limited in time to the prescription period contained in the legislation of the Province.
- 6.3 ***Representation by a Party*** The Parties agree that nothing in this Agreement is to be construed as authorizing one Party to contract or incur any obligation on behalf of the other Party, unless specifically provided for in this Agreement.

- 6.4 ***Eligibility of Members of the House of Commons*** No Member of the House of Commons shall be allowed to derive any financial advantage resulting from Canada's Contributions under this Agreement that would not be permitted under the *Parliament of Canada Act*. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.5 ***Eligibility of Members of the Provincial Legislature*** Members of the Provincial Legislature shall be governed by provincial conflict of interest guidelines in effect during the term of the Agreement.
- 6.6 ***Eligibility of Former Federal Public Office Holders or Servants*** Applicants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Agreement shall not derive a direct benefit from Canada's Contributions under this Agreement. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.7 ***Registration of lobbyists*** The administrator of a program funded, in part or in whole, by Canada under this Implementation Agreement shall not permit a person to lobby, as defined in the federal *Lobbyists Registration Act*, on behalf of an applicant in the Province, unless that person is registered pursuant to the Act. For greater clarity, this Act excludes from registration, among others, members of the Provincial Legislature or their staffs and employees of the provincial government.
- 6.8 ***Transparency*** The Parties agree that transparency between Canada and the Province is required to ensure that the terms of this Agreement are respected. The Parties further agree that the actions of one government often have effects on other governments and, therefore, shall give notice to all parties to the Framework Agreement prior to implementation of a major change in a policy or program which could have an impact on the operation of the Framework Agreement or any Implementation Agreement, even if the policy or program is outside the scope of this Agreement.
- 6.9 ***Governance*** Where this Agreement confers a power or a duty on the Parties, that power or duty may be exercised by the representatives of each Party as set out in the Agreement, or such delegates as those representatives may designate for the exercise of that power or duty.

6.10 **Tabling Before Parliament** The Parties concur that the Federal Minister shall cause this Agreement to be laid before Parliament pursuant to the provisions of the *Farm Income Protection Act*.

7.0 DURATION OF AGREEMENT

7.1 **Duration** Canada's financial commitments under this Agreement shall take effect on April 1, 2003 and shall terminate on March 31, 2006 or until terminated by the Parties in accordance with subsection 7.3.

7.2 **Amendment** This Agreement may be amended at any time with the agreement of Canada and the Province.

7.3 **Termination** This Agreement, or parts thereof, may be terminated in writing by any mutually agreed upon date. In the event that there is no agreement with respect to termination, one of the Parties may terminate this Agreement, or parts thereof, in accordance with the terms for termination of the Framework Agreement.

7.4 **Account Balances Upon Termination or Expiration** The following terms and conditions apply upon the termination or expiration, in part or in whole, of this Agreement with respect to any account balances remaining in a program where both Canada and the Province have made a Contribution under this Agreement.

7.4.1 If the Parties do not enter into a new Agreement within six months of the termination or expiration of this Agreement,

7.4.1.1 any amount of Canada's Contribution that exceeds an entitlement owing to the Province under this Agreement and that has not been recovered by Canada shall be payable by the Province by no later than 30 days after the amount owing to Canada has been determined and notice has been given to the Province; until such time as these amounts are repaid, the amount owing remains a debt to Canada;

7.4.1.2 all surpluses or deficits outstanding at the time of termination shall be the responsibility of the Party that holds the account; and

- 7.4.1.3 all assets acquired by the Province for which Contributions were made by Canada shall be disposed of at fair market value within six months of the termination or expiration of this Agreement and the proceeds of sale shall be shared equally by Canada and the Province, unless both Parties agree otherwise.
- 7.4.2 If the Parties enter into a new agreement within six months of the expiration or termination of this Agreement, all surpluses or deficits outstanding at the time of termination relating to the parts terminated shall not be extinguished and provision shall be made for the continuation of the surplus or deficits under the new agreement.
- 7.4.3 For the purposes of this subsection, withdrawal from the Implementation Agreement by one of the Parties constitutes termination of this Agreement. In the event that a third party is charged with the delivery of activities under this Agreement, the Party making the Contribution to the third party shall ensure that the requirements of subsection 7.4 are respected by that third party before making the Contribution.

PART TWO—SPECIFIC CLAUSES

For the purposes of Part Two of this Agreement, the definitions, requirements, obligations, and terms and conditions found herein shall take precedence over those definitions, requirements, obligations, and terms and conditions identified in Part One of this Agreement.

8.0 DEFINITIONS

- 8.1 “Agreement” means the Canada-Prince Edward Island Agricultural Research Investment Program Agreement.
- 8.2 “Agriculture” means the production of plants and animals useful to humans, including the cultivation, development and/or management of crops and livestock. Trees for non-food purposes and aquaculture are excluded.
- 8.3 “Applied Research” means work undertaken for the advancement of scientific knowledge with a specific practical agricultural application in view.

- 8.4 “Developmental Research” means the use of results of basic or applied agriculture research for the purpose of creating new or improving existing materials, devices, products or processes.
- 8.5 “Fund” means the Agricultural Research Investment Fund.
- 8.6 “Pilot Project” means a trial run or an investigation conducted to solve problems and provide guidance before a full scale research project is undertaken.
- 8.7 “Account” means an account established by the Province to fund Projects in accordance with this Agreement;
- 8.8 “Program” means the Canada-Prince Edward Island Research Investment Program.
- 8.9 “Project” means a research or development activity approved by the Province in accordance with the terms and conditions of this Agreement.

9.0 PURPOSE

- 9.1 The purpose of this Agreement is to provide Contributions to the Program for the 2003-04, 2004-05 and 2005-06 Fiscal Years. The Program provides industry organizations, producers and agri-business with increased access to Applied Research and Developmental Research which can address priorities and opportunities in the industry. The Program is aimed at improving the competitiveness and sustainability of the Province’s agriculture and agri-food sectors.

10.0 FINANCIAL COMMITMENTS

- 10.1 Subject to the allocations outlined in subsections 2.4 and 2.5, Canada shall contribute up to \$200,000 to the Program for the 2003-04 Fiscal Year, up to \$133,000 for the 2004-05 Fiscal Year, and up to \$67,000 for the 2005-06 Fiscal Year.
- 10.2 Subject to the allocation outlined in subsections 2.4 and 2.5, the Province is responsible for all Program payments, Administrative Expenses and costs in excess of the amounts provided for in subsection 10.1 and including all Program payments, Administrative Expenses and cost incurred after March 31, 2006.

- 10.3 The maximum Contribution to an individual project is \$60,000 per year. Private industry may contribute to the funding of an approved project and the Province is responsible for identifying any restrictions and limitations on these Contributions.
- 10.4 Expenditures for Projects must meet the terms and conditions of this Agreement; otherwise, such monies shall be refunded to Canada by the Province.

11.0 ELIGIBILITY

- 11.1 Commodity boards, producer associations, industry associations, individual producers and private businesses in the Province are eligible to apply as primary applicants. Private businesses may include a corporation, partnership, sole proprietorship or cooperative, but does not include a crown corporation or subsidiary thereof.
- 11.2 Eligibility for funding under this Agreement will be considered for Projects that:
- (a) focus on specific opportunities or challenges facing the Province's agri-food sector;
 - (b) do not duplicate or overlap, but could augment, on-going federal and provincial activities;
 - (c) do not support normal commercial expansion or activities of private companies;
 - (d) are consistent with federal and provincial policy directions, acts, regulations and environmental directives;
 - (e) are consistent with Canada's international, domestic and trade commitments;
 - (f) fall within the mandate of Agriculture and Agri-Food Canada; and
 - (g) conform to the principles and guidelines outlined in the Framework Agreement.

12.0 ADMINISTRATION

- 12.1 The Province shall administer and maintain the Account in accordance with the terms and conditions of this Agreement. All amounts, including credited Contributions from Canada and the Province including interest earned therefrom, shall be credited to the Account. The Account shall only be used to pay Project costs, Administrative Expenses and repayments to Canada provided for under this Agreement.
- 12.2 Subject to the maximum amount provided for in subsection 10.1, the Province shall be responsible for approving Projects, Project costs and the related Administrative Expenses.
- 12.3 To be eligible for Contributions, Projects must be approved and contracts signed by March 15, 2006.
- (a) All actual expenditures for Project costs for approved projects must be submitted to Canada no later than March 31, 2007.
 - (b) All actual expenditures for Administrative Expenses must be submitted to Canada by April 15 of each year for Administrative Expenses covering the previous fiscal year.
- 12.4 It is understood that the Province is responsible for administration of this Agreement including identifying the Responsible Officer. For greater certainty, the Province is responsible for, but not limited to, the following:
- (a) developing specific rules of procedure for the operation of the Program as well as the operation of any committee or sub-committee;
 - (b) developing the specific objectives and criteria for research and development activities;
 - (c) approving Projects, Project costs and Administrative Expenses in accordance with this Agreement;
 - (d) submitting fully completed claims to Canada in accordance with subsection 3.9 of this Agreement;

- (e) establishing roles and responsibilities for Project management;
- (f) establishing a process to recommend research or development Projects for funding approval;
- (g) conducting financial audits;
- (h) establishing and maintaining an Account for the Fund;
- (I) receiving and recording all Contributions paid to the Fund, recording all expenditures paid from the Fund, and providing audited reconciliation statements;
- (j) making payments from the Fund for Project costs and Administrative Expenses approved by the Province and return any payments to Canada as required by this Agreement;
- (k) establishing deadlines for the submission of final Project findings to the Program and the dates the reports become public;
- (l) establishing the definition of and the rights to intellectual property resulting from a Project; and
- (m) any other obligations, responsibilities or duties which the Province has in relation to this Agreement.

SUB-SCHEDULE 1 TO SCHEDULE 2

ADMINISTRATIVE EXPENSES AND REQUIREMENTS

1.0 DEFINITIONS

- 1.1 “Charged directly to” means that the Province shall identify all expenses which are specific to each program or programs it administers at the time the expense is incurred and shall record expenses which are clearly identifiable with a specific program or group of programs in separate general ledger expense accounts. Such amounts shall not be included in Common or shared costs.
- 1.2 “Common or shared costs” means those Administrative Expenses which cannot be specifically identified as relating to the Program.
- 1.3 “Out-of-pocket cost” means the actual amount incurred by the Province in respect of an employee or supplier of materials and services. This means that, if a material or service is provided to the Province by another department or branch of the provincial government or a provincially-owned agency, the Out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount.
- 1.4 “Reasonable allocation” means that portion of expenses consumed by the Program. The Province may only allocate expenses to the Program for which it can provide verifiable documentation or independent studies which support that the amount allocated reflects the Program’s share of the cost.

2.0 IDENTIFICATION OF EXPENSES

- 2.1 *Services* No charges shall be made for services or materials provided free of charge to or by the Province. Administrative Expenses eligible for Contributions by Canada are limited to:
- 2.1.1 the Out-of-pocket cost to the Province of amounts charged directly to the Program for:

- 2.1.1.1 payroll and benefits of Provincial personnel working solely on the administration of the Program, including severance payments made in accordance with collective agreements or with employment contracts or which are consistent with the established policy of the Province and where the termination is to further the operational needs of the Province;
- 2.1.1.2 travel, postage, freight, express and long distance communications;
- 2.1.1.3 advertising, publishing, printing, audio-visual and public relations;
- 2.1.1.4 legal expenses, computer system development, actuarial services, association dues, audit and evaluation;
- 2.1.1.5 rental of office accommodation and equipment;
- 2.1.1.6 utilities, materials and supplies;
- 2.1.1.7 repair and maintenance of equipment; and
- 2.1.1.8 other expenditures;
- 2.1.2 a Reasonable allocation of the Out-of-pocket cost to the Province of common or shared costs for:
 - 2.1.2.1 payroll and benefits of Provincial personnel working in part on the administration of the Program;
 - 2.1.2.2 payroll and benefits of other provincial personnel working in part on the administration of the Program;
 - 2.1.2.3 travel, postage, freight, express and long distance communications;
 - 2.1.2.4 advertising, publishing, printing, audio-visual and public relations;

- 2.1.2.5 legal expenses, computer system development, actuarial services, audit and evaluation;
- 2.1.2.6 rental of office accommodation and equipment;
- 2.1.2.7 utilities, materials and supplies;
- 2.1.2.8 repair and maintenance of equipment;
- 2.1.2.9 other expenditures;
- 2.1.3 charges representing the fair market value of accommodations which are specifically authorized in writing by Canada; and
- 2.1.4 such other amounts as are specifically authorized in writing by Canada.

Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits and/or rebates.

- 2.2 **Other Programs** Where the Province is administering other programs in conjunction with this Program, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and Canada shall contribute only to the portion attributable to this Program.
- 2.3 **Capital Expenditures** Capital expenditures are specifically excluded from eligible Administrative Expenses.
- 2.4 **Employee Costs** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, costs of services associated with provincial employees other than those directly employed in a program.
- 2.5 **Methodology to apportion Administrative Expenses and revenues** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, a description of the methodology to be used to apportion Administrative Expenses and revenues between the various programs to be

- administered by the Province during the subsequent Fiscal Year. Verifiable documentation or independent studies should be available to support the methodology.
- 2.6 ***Billings and cost transfers*** Billings and cost transfers from other claimant departments and/or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates and/or transfers of budgeted amounts, shall not be eligible for reimbursement.
- 2.7 ***Costs in dispute*** Where there is a disagreement between a payer and a claimant concerning Contributions towards a claimant's administrative costs, payer Contributions towards the portion of the costs in dispute may be withheld or denied until the issues related to their eligibility under a program have been resolved.
- 2.8 ***Payroll benefits*** Benefits (e.g., severance pay, holiday pay, or living allowances) for claimant staff pertaining to their service prior to the start-up of activities under this Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be eligible for reimbursement.
- 2.9 ***Access to records*** If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts so affected by this denial shall not be eligible for reimbursement.

SCHEDULE 3 TO ANNEX C

CANADA—PRINCE EDWARD ISLAND AGRICULTURAL FOOD TRUST BRAND DEVELOPMENT PROGRAM AGREEMENT

PART ONE—GENERAL CLAUSES

Unless the context otherwise requires, the definitions, requirements, obligations, terms and conditions outlined in Part One of this Agreement shall apply to all Province-based Programming under the Framework Agreement.

1.0 DEFINITIONS

- 1.1 “Administrative Expenses” means those expenses defined in the Administrative Expenses and Requirements Sub-schedule 1 and incurred by the Province in the administration of the Program under this Agreement.
- 1.2 “Contribution” means funding provided by Canada or the Province for activities under this Agreement.
- 1.3 “Federal Minister” means the federal Minister of Agriculture and Agri-Food.
- 1.4 “Fiscal Year” means the twelve-month period beginning April 1 of any year and ending March 31 of the following year.
- 1.5 “Management Committee” means the body established under clause 3.6 of the Implementation Agreement.
- 1.6 “Other Programs” means such programs as defined in clause 1.1 of the Framework Agreement.
- 1.7 “Province” means the Province of Prince Edward Island.
- 1.8 “Province-based Programming” means those initiatives specific to the Province which may be funded during the Transitional Period.
- 1.9 “Provincial Legislature” means the Legislative Assembly of Prince Edward Island.

- 1.10 “Provincial Minister” means the Minister of Agriculture, Fisheries, Aquaculture and Forestry for Prince Edward Island.
- 1.11 “Record” means a written account, in printed or electronic form, of some act, court proceeding, transaction, or instrument relating to matters included in this Agreement and designed to remain a memorial or permanent evidence of the matters to which it relates.
- 1.12 “Transitional Period” means the period beginning on April 1, 2003 and ending on March 31, 2006.

2.0 FINANCIAL COMMITMENTS

- 2.1 ***Requisite authority*** Canada and the Province have the necessary authority to enter into this Agreement and to bind their respective governments and, if further authority is required to give effect to this Agreement, the Parties shall undertake to immediately and without delay take the necessary steps to secure such authority so as to bind their respective governments to all of the terms and conditions of this Agreement.
- 2.2 ***Appropriation of funding*** Any Contribution by Canada under this Agreement is subject to an appropriation by Parliament in respect of that Contribution and, similarly, any Contribution by the Province under this Agreement is subject to an appropriation by the Provincial Legislature. If, at any time during the life of this Agreement, the Parliament of Canada or the Provincial Legislature amends any appropriation relating to a Contribution under this Agreement, Canada and the Province shall make the necessary adjustments to this Agreement.
- 2.3 ***Central Agencies*** Any Contribution by Canada to this Agreement is subject to the policies and directions imposed on it by the Treasury Board of Canada and any of its central agencies. Any Contribution by the Province is also subject to the policies and directions imposed on it by its central agencies.
- 2.4 ***Allocation of risk management funding*** The allocation of risk management funding for Provinces shall be determined using the following base amounts:
- 2.4.1 for British Columbia, \$9.2 million;
- 2.4.2 for Alberta, \$20.9 million;

- 2.4.3 for Saskatchewan, \$17.7 million;
 - 2.4.4 for Manitoba, \$12.7 million;
 - 2.4.5 for Ontario, \$51.7 million;
 - 2.4.6 for Quebec, \$91.3 million;
 - 2.4.7 for New Brunswick, \$2.3 million;
 - 2.4.8 for Nova Scotia, \$2.3 million;
 - 2.4.9 for Prince Edward Island, \$2.7 million;
 - 2.4.10 for each other province or territory, \$0.
- 2.5 **Further Allocation** Canada shall allocate to each Province the following amounts, to be used for the purposes set out in clause 5.5 of the Implementation Agreement, and shall add to these amounts any amounts carried forward under subsection 2.6, 2.9 or 2.10:
- 2.5.1 for 2003-04, the amount determined under subsection 2.4;
 - 2.5.2 for 2004-05, two-thirds of the amount determined under subsection 2.4;
and
 - 2.5.3 for 2005-06, one-third of the amount determined under subsection 2.4.
- 2.6 **Carry Forward** Where the funds allocated under subsection 2.4 or 2.5 are not fully utilized, the remainder shall be carried forward and added to the funds to be allocated to that Province in subsequent Fiscal Year.
- 2.7 **Federal Contribution** Subject to the availability of funds under the Province's share of federal funding for Province-based Programming as set out in the Implementation Agreement, Canada's Contributions to this Agreement shall not exceed the following amount in a Fiscal Year:
- 2.7.1 Canada's funding allocated to the Province for Province-based Programming pursuant to the list referenced in subsection 2.8; plus

- 2.7.2 Canada's funding for General Risk Management Programming under the Framework Agreement on Agricultural Risk Management rolled over from previous years, if applicable, to the Framework Agreement.
- 2.8 **Payment** Canada shall not make its first payment under this Agreement until the Province provides Canada with a written list showing the order of priority in which funds are to be allocated to the Province-based Programming in the Province and the maximum federal Contribution to each Program, as applicable. The list may be amended, in writing, by the Province during a subsequent year prior to the first payment for that year for any listed program.
- 2.9 **Carry Forward for Other Programs** Where the funds allocated or carried forward from the previous Framework for a Province are not fully utilized during the Transitional Period, then the remaining funds shall be used for Other Programs in such manner as Canada and the Province shall agree. Agreements entered into under this subsection shall ensure that the Province provides, or has provided, funding that is equal to at least two-thirds of the funding provided by Canada under those agreements.
- 2.10 **Unspent Allocations from Existing Framework** In accordance with clause 3.9 of the Framework Agreement, where federal funds have been allocated to a Province under the Existing Framework, and those funds have not been fully spent under the Existing Framework, the remaining funds shall be carried forward and allocated to the Province. Those funds shall be added, as needed, to the funds which would otherwise be allocated to the Province under the Implementation Agreement, as directed by the Management Committee.
- 2.11 **Carry Forward of Provincial Contributions** If the Province has provided funding under the Existing Framework which exceeds the funding required under the Existing Framework, then the excess funding shall be considered a Contribution by the Province, up to a maximum of two-thirds of the funding provided for that Province under clause 7.1 of the Implementation Agreement. The provincial Contribution under this clause shall be designated for risk management programs or Other Programs in the same ratio as the funding provided under clause 7.1 of the Implementation Agreement.
- 2.12 **Provincially-funded Initiatives** Subject to subsections 2.9 to 2.11, only programs listed as Existing Programs in Schedule 3 to Annex D of the Implementation

Agreement may be counted towards the Province's share of overall funding under the Implementation Agreement during the Transitional Period.

3.0 FINANCIAL MANAGEMENT

- 3.1 ***Schedule of Administrative Expenses*** The Administrative Expenses eligible for Contributions are set out in Sub-schedule 1 to this Agreement.
- 3.2 ***Budgets*** The Province shall deliver to Canada, no later than 30 days after the signing of this Agreement for Fiscal Year 2003-04 and by March 1 of each upcoming subsequent Fiscal Year, a budget for the following Fiscal Year, approved by the Responsible Officer. Prior to August 1, a budget for the current Fiscal Year, approved by the appropriate governing body, shall be provided to Canada. The budget shall contain projections of Administrative Expenses, by category.
- 3.3 ***Basis for Payment of Eligible Administrative Expenses*** Within 30 days of signing the Agreement and by March 1 of each subsequent year, Canada and the Province shall agree whether Canada's share of eligible Administrative Expenses for the following Fiscal Year will be:
- 3.3.1 in the form of reimbursement to the Province on a quarterly basis for Canada's share of actual expenditures claimed as Administrative Expenses; or
 - 3.3.2 in the form of quarterly advances to the Province based on quarterly cash flow projections of Administrative Expenses.
- 3.4 ***Advances for Administrative Expenses*** Advances for Administrative Expenses shall be based on projections contained in quarterly cash flow statements certified by the Responsible Officer. These statements shall be provided by the Province to Canada by the 15th day of the month following the end of each quarter and shall contain details of the Administrative Expenses related specifically to the Program, by category as determined by Canada.
- 3.5 ***Cash flow Statements*** For each three-month period ending on the last day of June, September, December and March of each year, the Responsible Officer shall provide the Federal Minister with the cash flow statement by the 15th day of the month following each quarter. The statement shall be certified to be accurate,

- complete, and verifiable and in compliance with this Agreement. Each cash flow statement shall contain the following information:
- 3.5.1 actual payments made during the period and during the Fiscal Year to date, by category, including the proposed and actual use of the funds;
 - 3.5.2 total contributions received from Canada and the Province during the period and during the Fiscal Year to date;
 - 3.5.3 projections of Administrative Expenses for subsequent quarters; and
 - 3.5.4 projections of contributions to be made by Canada and the Province for subsequent quarters, by category, including the proposed and actual use of the funds.
- 3.6 **Accounting** Accounting for advances shall be done on the basis of the quarterly cash flow statements. In these statements, prior quarters shall be updated using actual Administrative Expenses paid by category and upcoming quarters shall be updated using more recent estimates. At no time shall more than one quarter's advance be outstanding and unaccounted for. Any advances for a given Fiscal Year which cannot be accounted for by provincial expenditures related to the same Fiscal Year shall be returned to Canada.
- 3.7 **Reconciliation Statement** Within 30 days of Canada's request, the Province shall provide Canada with a statement reconciling its audited financial statement figures to its actual Contributions claimed during the Fiscal Year. Where the Province's financial period is not the Fiscal Year as defined in this Agreement, the Province shall provide Canada with an audited reconciliation statement. This statement will reconcile the Province's audited financial statement figures to its actual Contributions claimed for the Fiscal Year.
- 3.8 **Reconciliation** Within 60 days of the receipt of the audited financial statements, Canada shall pay the Province's final claim for the balance owing by Canada, if any, for the difference between actual and forecasted expenditures. If an amount is repayable by the Province with respect to any Fiscal Year, Canada shall deduct the said amount from the first contribution payment following receipt of the audited financial statements. Upon termination of the Agreement by one of the

parties, any outstanding amount identified on the final reconciliation shall be paid or reimbursed to the appropriate party within 60 days of the receipt of the final audited financial statements.

- 3.9 **CARD/SNCP database** The Province shall ensure that all applicable data fields, as determined by Canada, are completed in the Canadian Adaption and Rural Development (CARD) fund and Safety Net Companion Program (SNCP) database before forwarding a claim to Canada.

4.0 **AUDIT, EVALUATION AND REVIEW**

- 4.1 **Audit** Canada and the Province reserve the right at any time to conduct an audit on any activities covered by this Agreement. In instances where an audit is performed by one of the Parties, a copy of the audit report must be forwarded to the other Party by no later than 30 days from the date that the report has been completed. In instances where the audit is jointly requested by both Parties, the costs of the audit shall be borne equally by both Parties. Where the audit has been requested by one of the Parties to this Agreement, the cost of the audit shall be borne by that Party.
- 4.2 **Audited financial statements and audited statement of expenditures** Canada or the Province, as the case may be, shall deliver to the other Party, on an annual basis, but no later than eight months after fiscal year end, audited financial statements and an audited statement of expenditures confirming the actual amounts spent by that Party under this Agreement. All financial statements or audited statements of expenditures are subject to audit in accordance with applicable federal and provincial regulation, as the case may be.
- 4.3 **Compliance Audit** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible, at its expense, to ensure an independent audit is conducted to determine that activities under this Agreement have been administered in accordance with the terms and conditions set out in this Agreement. Where practical and in order to avoid duplication, Canada will coordinate the audit with any similar audit undertaken by the Province with respect to the Province's share of Contributions.
- 4.4 **Evaluation** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible for an evaluation of the activities under this

- Agreement, either individually or as part of an overall evaluation of all Province-based Programming.
- 4.5 ***Environmental Review*** Canada shall, if it deems necessary, review, at its expense, the environmental impact of this Agreement and identify the circumstances and conditions under which federal Contributions under this Agreement may be withheld, restricted or enhanced for the purposes of protecting the environment. The terms of reference for the review shall be formulated in consultation with the Province.
- 4.6 ***Access to Documentation*** Subject to applicable privacy legislation, Canada and the Province shall allow representatives of the other Party to have access to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of activities described in this Agreement, and for the verification of invoices with respect to payments made to applicants under this Agreement as well as any other associated eligible administrative expense. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement provide access to representatives of the other Party to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of the activities undertaken by that third party.
- 4.7 ***Documentation*** Unless otherwise agreed to by the Parties, Canada and the Province shall keep all Records, information, databases, audit and evaluation reports and all other documentation related to activities for a period of six years from the date that the final activity under this Agreement is completed. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement comply with these requirements.
- 4.8 ***Application of Privacy Legislation*** Each Party agrees to do such things as may be required to perform the obligations imposed by this Agreement in accordance with applicable privacy legislation.

5.0 COMMUNICATIONS

- 5.1 ***Public Information*** The Parties agree that all public information and advertising activities in connection with this Agreement by either or both Parties shall clearly make reference to this Agreement and shall fully and fairly reflect the Contribution of each Party.

- 5.2 **Announcements** Unless otherwise agreed to by the Parties, announcements involving Canada's or the Province's Contribution under this Agreement or reporting on accomplishments and results arising out of or related to matters covered in this Agreement shall be conducted as follows:
- 5.2.1 news releases shall be publicized and issued jointly by the Parties; to ensure proper visibility of both Parties, all joint news releases shall contain quotes from the Federal and Provincial Ministers, include the wordmark of both Parties and list a federal and provincial contact person;
 - 5.2.2 each Party shall notify the other in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of both Parties or designated alternates;
 - 5.2.3 in the event that a third party is involved in the administration of activities under this Agreement, the Party that retains the third party to administer the activities shall ensure that all announcements involving Canada's and the Province's Contribution by that third party conform to these requirements.
- 5.3 **Identification of Canada** Unless otherwise agreed to by the Parties, Canada's participation in any matters relating to this Agreement shall be identified by the Government of Canada wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites/Internet publications and other material related to this Agreement, including but not limited to, cheques, notification on details or programs. The size of the Canada wordmark shall in no case be smaller than the provincial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.
- 5.4 **Identification of the Province** Unless otherwise agreed to by the Parties, the Province's participation in any matters relating to this Agreement shall be identified by the provincial wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites/Internet publications and other material related to this Agreement. The size of the provincial wordmark

shall in no case be smaller than Canada's wordmark. A provincial ministry's participation shall be shown by the use of the ministry's signature.

- 5.5 ***Co-operation in Meeting Obligations*** The Parties agree to co-operate to discharge the obligations imposed by subsections 5.3 and 5.4 in an efficient manner. With the agreement of both Parties, communications products that do not conform with subsections 5.3 or 5.4 may continue to be distributed until stock existing as of March 31, 2003, is depleted.
- 5.6 ***Access to Information*** All information under this Agreement shall be treated in accordance with the requirements of applicable federal and provincial privacy legislation, as the case may be.
- 5.7 ***Bilingual Communication*** For the purposes of this section, Canada and the Province recognize that all communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all policies and directions provided by the Commissioner of Official Languages for Canada. All incremental costs associated with complying with this clause shall be borne by Canada.

6.0 GENERAL PROVISIONS

- 6.1 ***Forfeiture of Rights*** Any applicant who wilfully provides false information or is in breach of any conditions of the Agreement, the contract or the enrolment form shall be deemed to have terminated participation in the program and shall be required to repay any monies received from the program.
- 6.2 ***Indemnification of the Crown*** The Parties shall indemnify each other in accordance with the following terms and conditions:
- 6.2.1 a Party who administers a program or activity under this Agreement shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings whatsoever made by any third party arising out of or related to the administration of activities under this Agreement;
- 6.2.2 in the event that a program is jointly administered, both Parties shall be equally responsible for all claims, demands, damages, actions and losses in relation to or arising out of those activities;

- 6.2.3 unless otherwise agreed to in writing by both Parties, where a third party has been charged with administering activities, the Party making a Contribution to the third party shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of the program or activity;
- 6.2.4 in instances where both Parties are to make a Contribution to a third party charged with the administration of activities, the Parties must decide prior to making any such Contribution which Party will be responsible for that third party and the Party so selected shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of those activities;
- 6.2.5 in the event that either Canada or the Province is named in an action or a proceeding of any nature where liability is at issue:
- 6.2.5.1 the Party or Parties named may defend the action or proceeding in its own name; and
- 6.2.5.2 each Party shall provide assistance to the other with respect to the action or proceeding, and refrain from conduct which would prejudice the successful conclusion of the action or proceeding; and
- 6.2.6 the right to indemnification under subsection 6.2.1 to 6.2.6 is limited in time to the prescription period contained in the legislation of the Province.
- 6.3 ***Representation by a Party*** The Parties agree that nothing in this Agreement is to be construed as authorizing one Party to contract or incur any obligation on behalf of the other Party, unless specifically provided for in this Agreement.
- 6.4 ***Eligibility of Members of the House of Commons*** No Member of the House of Commons shall be allowed to derive any financial advantage resulting from Canada's Contributions under this Agreement that would not be permitted under the *Parliament of Canada Act*. Where a Province is responsible for the

- administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.5 ***Eligibility of Members of the Provincial Legislature*** Members of the Provincial Legislature shall be governed by provincial conflict of interest guidelines in effect during the term of the Agreement.
- 6.6 ***Eligibility of Former Federal Public Office Holders or Servants*** Applicants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Agreement shall not derive a direct benefit from Canada's Contributions under this Agreement. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.7 ***Registration of lobbyists*** The administrator of a program funded, in part or in whole, by Canada under this Implementation Agreement shall not permit a person to lobby, as defined in the federal *Lobbyists Registration Act*, on behalf of an applicant in the Province, unless that person is registered pursuant to the Act. For greater clarity, this Act excludes from registration, among others, members of the Provincial Legislature or their staffs and employees of the provincial government.
- 6.8 ***Transparency*** The Parties agree that transparency between Canada and the Province is required to ensure that the terms of this Agreement are respected. The Parties further agree that the actions of one government often have effects on other governments and, therefore, shall give notice to all parties to the Framework Agreement prior to implementation of a major change in a policy or program which could have an impact on the operation of the Framework Agreement or any Implementation Agreement, even if the policy or program is outside the scope of this Agreement.
- 6.9 ***Governance*** Where this Agreement confers a power or a duty on the Parties, that power or duty may be exercised by the representatives of each Party as set out in the Agreement, or such delegates as those representatives may designate for the exercise of that power or duty.
- 6.10 ***Tabling Before Parliament*** The Parties concur that the Federal Minister shall cause this Agreement to be laid before Parliament pursuant to the provisions of the *Farm Income Protection Act*.

7.0 DURATION OF AGREEMENT

7.1 **Duration** Canada's financial commitments under this Agreement shall take effect on April 1, 2003 and shall terminate on March 31, 2006 or until terminated by the Parties in accordance with subsection 7.3.

7.2 **Amendment** This Agreement may be amended at any time with the agreement of Canada and the Province.

7.3 **Termination** This Agreement, or parts thereof, may be terminated in writing by any mutually agreed upon date. In the event that there is no agreement with respect to termination, one of the Parties may terminate this Agreement, or parts thereof, in accordance with the terms for termination of the Framework Agreement.

7.4 **Account Balances Upon Termination or Expiration** The following terms and conditions apply upon the termination or expiration, in part or in whole, of this Agreement with respect to any account balances remaining in a program where both Canada and the Province have made a Contribution under this Agreement.

7.4.1 If the Parties do not enter into a new Agreement within six months of the termination or expiration of this Agreement,

7.4.1.1 any amount of Canada's Contribution that exceeds an entitlement owing to the Province under this Agreement and that has not been recovered by Canada shall be payable by the Province by no later than 30 days after the amount owing to Canada has been determined and notice has been given to the Province; until such time as these amounts are repaid, the amount owing remains a debt to Canada;

7.4.1.2 all surpluses or deficits outstanding at the time of termination shall be the responsibility of the Party that holds the account; and

7.4.1.3 all assets acquired by the Province for which Contributions were made by Canada shall be disposed of at fair market value within six months of the termination or expiration of this Agreement and the proceeds of sale shall be shared

equally by Canada and the Province, unless both Parties agree otherwise.

- 7.4.2 If the Parties enter into a new agreement within six months of the expiration or termination of this Agreement, all surpluses or deficits outstanding at the time of termination relating to the parts terminated shall not be extinguished and provision shall be made for the continuation of the surplus or deficits under the new agreement.
- 7.4.3 For the purposes of this subsection, withdrawal from the Implementation Agreement by one of the Parties constitutes termination of this Agreement. In the event that a third party is charged with the delivery of activities under this Agreement, the Party making the Contribution to the third party shall ensure that the requirements of subsection 7.4 are respected by that third party before making the Contribution.

PART TWO—PROVINCE-SPECIFIC ELEMENTS

For the purposes of Part Two of this Agreement, the definitions, requirements, obligations, and terms and conditions found herein shall take precedence over those definitions, requirements, obligations, and terms and conditions identified in Part One of this Agreement.

8.0 DEFINITIONS

- 8.1 “Account” means an account established by the Province to fund Projects in accordance with this Agreement.
- 8.2 “Agreement” means the Canada-Prince Edward Island Agriculture and Forestry FoodTrust Brand Development Program.
- 8.3 “Contributions” means financial contributions made by Canada to the Province under this Agreement.
- 8.4 “Program” means the Canada-Prince Edward Island Agriculture and Forestry FoodTrust Brand Development Program.

9.0 PURPOSE

9.1 The purpose of this Agreement is to provide Contributions to the Program for the 2003-04 and 2004-05 Fiscal Years. To develop a values-based consumer brand-to-market high quality products from sustainable systems. The development and market entry of the FoodTrust brand can serve as a national pilot for further development of Brand Canada for food products.

10.0 FINANCIAL COMMITMENTS

10.1 Subject to the allocation outlined in sub-section 2.4, Canada shall contribute up to \$750,000 to the Program for the 2003-04 Fiscal Year. Pursuant to subsection 2.5 of this Agreement, Canada shall contribute up to \$317,000 to the Program for the 2004-05 Fiscal Year.

10.2 Subject to the allocation outlined in subsections 2.4 and 2.5, the Province is responsible for all Program payments, Administrative Expenses and costs in excess of the amounts provided for in subsection 10.1 and including all costs and Administrative Expenses incurred after March 31, 2006.

11.0 FINANCIAL MANAGEMENT

11.1 The Province shall administer and maintain an Account in accordance with the terms and conditions of this Agreement. All amounts, including credited contributions from Canada and the Province and including interest earned therefrom, shall be credited to the Account. The Account shall only be used to pay Program costs, Administrative Expenses (listed in sub-schedule 1 to Schedule 3) and repayments to Canada provided for under this Agreement.

11.2 Subject to the maximum amount provided for in subsections 10.1, the Province shall be responsible for submitting:

- (a) All actual expenditures for Program costs must be submitted to Canada no later than March 31, 2007.
- (b) All actual expenditures for Administrative Expenses must be submitted to Canada by April 15 of each year for Administrative Expenses covering the previous fiscal year.

- 11.3 Any Eligible program costs and Administrative Expenses not paid by Canada shall be paid by the Province, including all Program costs and Administrative Expenses incurred after March 31, 2006.

12.0 ADMINISTRATION

- 12.1 Activities funded from this Agreement may include:
- 12.1.1 Refinement and development of brand standards for areas including food quality, food safety, environmental stewardship, social responsibility and product wholesomeness, which all products must meet in order to access the brand structure for marketing;
 - 12.1.2 Developing the standards across a range of products to ensure they encompass all issues, develop an information technology, monitoring and verification systems to ensure adherence to brand standards;
 - 12.1.3 Creation of values-based branding materials for entry into the United States and other international market places;
 - 12.1.4 Transfer of the values of the brand from the retail channel to e-commerce and food service channels; and
 - 12.1.5 Develop linkages between food purchasing in the marketplace to Canadian (PEI) tourism experiences. This will further develop an integrated customer relationship management system which encompasses all brand values. Efforts in this area will focus on sustainable experiences.
- 12.2 The Province is responsible for the administration of this Agreement. For greater certainty, the Province is responsible for the following:
- (a) developing specific rules of procedure for the FoodTrust's operation as well as the operation of any committee or sub-committee;
 - (b) developing the specific objectives and criteria for research and development activities;
 - (c) approving Eligible costs and Administrative Expenses in accordance with this Agreement;

- (d) establishing roles and responsibilities for the FoodTrust management;
- (e) having financial audits conducted by an independent auditor based on a terms of reference agreed to by Canada and the Province;
- (f) establishing and maintaining an Account for the Fund;
- (g) receiving and recording all Contributions paid to the Fund, recording all expenditures paid from the Fund, and providing audited reconciliation statements;
- (h) making payments from the Fund for Project costs and Administrative Expenses approved by the FoodTrust and return any payments to Canada as required by this Agreement;
- (I) submitting fully completed claims to Canada for Program costs and eligible Administrative Expenses; and
- (j) any other obligations, responsibilities or duties which the Province has in relation to this Agreement.

12.3 It is understood that the Province may delegate to the FoodTrust of Prince Edward Island Limited (FoodTrust) any or all of its powers, duties and authority to administer the terms and conditions of this Agreement as it relates to the Province, including identifying the Responsible Officer. This delegation of authority from the Province to the FoodTrust shall be done by a letter or agreement. The Province shall provide to Canada a certified copy of the letter or agreement delegating authority to the FoodTrust. However, any such delegation does not affect the Province's obligations under this Agreement.

12.4 Without limiting the generality of subsection 12.3 but for greater certainty, the Province may delegate to the FoodTrust responsibility for any of the activities listed in subsection 12.2.

12.5 It is understood that the FoodTrust will assume certain responsibilities for the Province in carrying out the duties of this Agreement and that the Province will bind the FoodTrust to the terms of this Agreement.

SUB-SCHEDULE 1 TO SCHEDULE 3

ADMINISTRATIVE EXPENSES AND REQUIREMENTS

1.0 DEFINITIONS

- 1.1 “Charged directly to” means that the Province shall identify all expenses which are specific to each program or programs it administers at the time the expense is incurred and shall record expenses which are clearly identifiable with a specific program or group of programs in separate general ledger expense accounts. Such amounts shall not be included in Common or shared costs.
- 1.2 “Common or shared costs” means those Administrative Expenses which cannot be specifically identified as relating to the Program.
- 1.3 “Out-of-pocket cost” means the actual amount incurred by the Province in respect of an employee or supplier of materials and services. This means that, if a material or service is provided to the Province by another department or branch of the provincial government or a provincially-owned agency, the Out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount.
- 1.4 “Reasonable allocation” means that portion of expenses consumed by the Program. The Province may only allocate expenses to the Program for which it can provide verifiable documentation or independent studies which support that the amount allocated reflects the Program’s share of the cost.

2.0 IDENTIFICATION OF EXPENSES

- 2.1 *Services* No charges shall be made for services or materials provided free of charge to or by the Province. Administrative Expenses eligible for contributions by Canada are limited to:
- 2.1.1 the Out-of-pocket cost to the Province of amounts charged directly to the Program for:

- 2.1.1.1 payroll and benefits of Provincial personnel working solely on the administration of the Program, including severance payments made in accordance with collective agreements or with employment contracts or which are consistent with the established policy of the Province and where the termination is to further the operational needs of the Province;
- 2.1.1.2 travel, postage, freight, express and long distance communications;
- 2.1.1.3 advertising, publishing, printing, audio-visual and public relations;
- 2.1.1.4 legal expenses, computer system development, actuarial services, association dues, audit and evaluation;
- 2.1.1.5 rental of office accommodation and equipment;
- 2.1.1.6 utilities, materials and supplies;
- 2.1.1.7 repair and maintenance of equipment; and
- 2.1.1.8 other expenditures;
- 2.1.2 a Reasonable allocation of the Out-of-pocket cost to the Province of common or shared costs for:
 - 2.1.2.1 payroll and benefits of Provincial personnel working in part on the administration of the Program;
 - 2.1.2.2 payroll and benefits of other provincial personnel working in part on the administration of the Program;
 - 2.1.2.3 travel, postage, freight, express and long distance communications;
 - 2.1.2.4 advertising, publishing, printing, audio-visual and public relations;

- 2.1.2.5 legal expenses, computer system development, actuarial services, audit and evaluation;
- 2.1.2.6 rental of office accommodation and equipment;
- 2.1.2.7 utilities, materials and supplies;
- 2.1.2.8 repair and maintenance of equipment;
- 2.1.2.9 other expenditures;
- 2.1.3 charges representing the fair market value of accommodations which are specifically authorized in writing by Canada; and
- 2.1.4 such other amounts as are specifically authorized in writing by Canada.

Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits and/or rebates.

- 2.2 **Other Programs** Where the Province is administering other programs in conjunction with this Program, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and Canada shall contribute only to the portion attributable to this Program.
- 2.3 **Capital Expenditures** Capital expenditures are specifically excluded from eligible Administrative Expenses.
- 2.4 **Employee Costs** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, costs of services associated with provincial employees other than those directly employed in a program.
- 2.5 **Methodology to apportion Administrative Expenses and revenues** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, a description of the methodology to be used to apportion Administrative Expenses and revenues between the various programs to be

- administered by the Province during the subsequent Fiscal Year. Verifiable documentation or independent studies should be available to support the methodology.
- 2.6 ***Billings and cost transfers*** Billings and cost transfers from other claimant departments and/or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates and/or transfers of budgeted amounts, shall not be eligible for reimbursement.
- 2.7 ***Costs in dispute*** Where there is a disagreement between a payer and a claimant concerning contributions towards a claimant's administrative costs, payer contributions towards the portion of the costs in dispute may be withheld or denied until the issues related to their eligibility under a program have been resolved.
- 2.8 ***Payroll benefits*** Benefits (e.g., severance pay, holiday pay, or living allowances) for claimant staff pertaining to their service prior to the start-up of activities under this Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be eligible for reimbursement.
- 2.9 ***Access to records*** If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts so affected by this denial shall not be eligible for reimbursement.

SCHEDULE 4 TO ANNEX C

CANADA—PRINCE EDWARD ISLAND SUSTAINABLE RESOURCE CONSERVATION PROGRAM AGREEMENT (SRCP)

PART ONE—GENERAL CLAUSES

Unless the context otherwise requires, the definitions, requirements, obligations, terms and conditions outlined in Part One of this Agreement shall apply to all Province-based Programming under the Framework Agreement.

1.0 DEFINITIONS

- 1.1 “Administrative Expenses” means those expenses defined in the Administrative Expenses and Requirements Sub-schedule 1 and incurred by the Province in the administration of the Program under this Agreement.
- 1.2 “Contribution” means funding provided by Canada or the Province for activities under this Agreement.
- 1.3 “Federal Minister” means the federal Minister of Agriculture and Agri-Food.
- 1.4 “Fiscal Year” means the twelve-month period beginning April 1 of any year and ending March 31 of the following year.
- 1.5 “Management Committee” means the body established under clause 3.6 of the Implementation Agreement.
- 1.6 “Other Programs” means such programs as defined in clause 1.1 of the Framework Agreement.
- 1.7 “Province” means the Province of Prince Edward Island.
- 1.8 “Province-based Programming” means those initiatives specific to the Province which may be funded during the Transitional Period.
- 1.9 “Provincial Legislature” means the Legislative Assembly of Prince Edward Island.

- 1.10 “Provincial Minister” means the Minister of Agriculture, Fisheries, Aquaculture and Forestry for Prince Edward Island.
- 1.11 “Record” means a written account, in printed or electronic form, of some act, court proceeding, transaction, or instrument relating to matters included in this Agreement and designed to remain a memorial or permanent evidence of the matters to which it relates.
- 1.12 “Transitional Period” means the period beginning on April 1, 2003 and ending on March 31, 2006.

2.0 FINANCIAL COMMITMENTS

- 2.1 ***Requisite authority*** Canada and the Province have the necessary authority to enter into this Agreement and to bind their respective governments and, if further authority is required to give effect to this Agreement, the Parties shall undertake to immediately and without delay take the necessary steps to secure such authority so as to bind their respective governments to all of the terms and conditions of this Agreement.
- 2.2 ***Appropriation of funding*** Any Contribution by Canada under this Agreement is subject to an appropriation by Parliament in respect of that Contribution and, similarly, any Contribution by the Province under this Agreement is subject to an appropriation by the Provincial Legislature. If, at any time during the life of this Agreement, the Parliament of Canada or the Provincial Legislature amends any appropriation relating to a Contribution under this Agreement, Canada and the Province shall make the necessary adjustments to this Agreement.
- 2.3 ***Central Agencies*** Any Contribution by Canada to this Agreement is subject to the policies and directions imposed on it by the Treasury Board of Canada and any of its central agencies. Any Contribution by the Province is also subject to the policies and directions imposed on it by its central agencies.
- 2.4 ***Allocation of risk management funding*** The allocation of risk management funding for Provinces shall be determined using the following base amounts:
- 2.4.1 for British Columbia, \$9.2 million;
- 2.4.2 for Alberta, \$20.9 million;

- 2.4.3 for Saskatchewan, \$17.7 million;
 - 2.4.4 for Manitoba, \$12.7 million;
 - 2.4.5 for Ontario, \$51.7 million;
 - 2.4.6 for Quebec, \$91.3 million;
 - 2.4.7 for New Brunswick, \$2.3 million;
 - 2.4.8 for Nova Scotia, \$2.3 million;
 - 2.4.9 for Prince Edward Island, \$2.7 million;
 - 2.4.10 for each other province or territory, \$0.
- 2.5 **Further Allocation** Canada shall allocate to each Province the following amounts, to be used for the purposes set out in clause 5.5 of the Implementation Agreement, and shall add to these amounts any amounts carried forward under subsection 2.6, 2.9 or 2.10:
- 2.5.1 for 2003-04, the amount determined under subsection 2.4;
 - 2.5.2 for 2004-05, two-thirds of the amount determined under subsection 2.4;
and
 - 2.5.3 for 2005-06, one-third of the amount determined under subsection 2.4.
- 2.6 **Carry Forward** Where the funds allocated under subsection 2.4 or 2.5 are not fully utilized, the remainder shall be carried forward and added to the funds to be allocated to that Province in subsequent Fiscal Year.
- 2.7 **Federal Contribution** Subject to the availability of funds under the Province's share of federal funding for Province-based Programming as set out in the Implementation Agreement, Canada's Contributions to this Agreement shall not exceed the following amount in a Fiscal Year:
- 2.7.1 Canada's funding allocated to the Province for Province-based Programming pursuant to the list referenced in subsection 2.8; plus

- 2.7.2 Canada's funding for General Risk Management Programming under the Framework Agreement on Agricultural Risk Management rolled over from previous years, if applicable, to the Framework Agreement.
- 2.8 **Payment** Canada shall not make its first payment under this Agreement until the Province provides Canada with a written list showing the order of priority in which funds are to be allocated to the Province-based Programming in the Province and the maximum federal Contribution to each Program, as applicable. The list may be amended, in writing, by the Province during a subsequent year prior to the first payment for that year for any listed program.
- 2.9 **Carry Forward for Other Programs** Where the funds allocated or carried forward from the previous Framework for a Province are not fully utilized during the Transitional Period, then the remaining funds shall be used for Other Programs in such manner as Canada and the Province shall agree. Agreements entered into under this subsection shall ensure that the Province provides, or has provided, funding that is equal to at least two-thirds of the funding provided by Canada under those agreements.
- 2.10 **Unspent Allocations from Existing Framework** In accordance with clause 3.9 of the Framework Agreement, where federal funds have been allocated to a Province under the Existing Framework, and those funds have not been fully spent under the Existing Framework, the remaining funds shall be carried forward and allocated to the Province. Those funds shall be added, as needed, to the funds which would otherwise be allocated to the Province under the Implementation Agreement, as directed by the Management Committee.
- 2.11 **Carry Forward of Provincial Contributions** If the Province has provided funding under the Existing Framework which exceeds the funding required under the Existing Framework, then the excess funding shall be considered a Contribution by the Province, up to a maximum of two-thirds of the funding provided for that Province under clause 7.1 of the Implementation Agreement. The provincial Contribution under this clause shall be designated for risk management programs or Other Programs in the same ratio as the funding provided under clause 7.1 of the Implementation Agreement.
- 2.12 **Provincially-funded Initiatives** Subject to subsections 2.9 to 2.11, only programs listed as Existing Programs in Schedule 3 to Annex D of the Implementation

Agreement may be counted towards the Province's share of overall funding under the Implementation Agreement during the Transitional Period.

3.0 FINANCIAL MANAGEMENT

- 3.1 ***Schedule of Administrative Expenses*** The Administrative Expenses eligible for Contributions are set out in Sub-schedule 1 to this Agreement.
- 3.2 ***Budgets*** The Province shall deliver to Canada, no later than 30 days after the signing of this Agreement for Fiscal Year 2003-04 and by March 1 of each upcoming subsequent Fiscal Year, a budget for the following Fiscal Year, approved by the Responsible Officer. Prior to August 1, a budget for the current Fiscal Year, approved by the appropriate governing body, shall be provided to Canada. The budget shall contain projections of Administrative Expenses, by category.
- 3.3 ***Basis for Payment of Eligible Administrative Expenses*** Within 30 days of signing the Agreement and by March 1 of each subsequent year, Canada and the Province shall agree whether Canada's share of eligible Administrative Expenses for the following Fiscal Year will be:
- 3.3.1 in the form of reimbursement to the Province on a quarterly basis for Canada's share of actual expenditures claimed as Administrative Expenses; or
 - 3.3.2 in the form of quarterly advances to the Province based on quarterly cash flow projections of Administrative Expenses.
- 3.4 ***Advances for Administrative Expenses*** Advances for Administrative Expenses shall be based on projections contained in quarterly cash flow statements certified by the Responsible Officer. These statements shall be provided by the Province to Canada by the 15th day of the month following the end of each quarter and shall contain details of the Administrative Expenses related specifically to the Program, by category as determined by Canada.
- 3.5 ***Cash flow Statements*** For each three-month period ending on the last day of June, September, December and March of each year, the Responsible Officer shall provide the Federal Minister with the cash flow statement by the 15th day of the month following each quarter. The statement shall be certified to be accurate,

- complete, and verifiable and in compliance with this Agreement. Each cash flow statement shall contain the following information:
- 3.5.1 actual payments made during the period and during the Fiscal Year to date, by category, including the proposed and actual use of the funds;
 - 3.5.2 total contributions received from Canada and the Province during the period and during the Fiscal Year to date;
 - 3.5.3 projections of Administrative Expenses for subsequent quarters; and
 - 3.5.4 projections of contributions to be made by Canada and the Province for subsequent quarters, by category, including the proposed and actual use of the funds.
- 3.6 **Accounting** Accounting for advances shall be done on the basis of the quarterly cash flow statements. In these statements, prior quarters shall be updated using actual Administrative Expenses paid by category and upcoming quarters shall be updated using more recent estimates. At no time shall more than one quarter's advance be outstanding and unaccounted for. Any advances for a given Fiscal Year which cannot be accounted for by provincial expenditures related to the same Fiscal Year shall be returned to Canada.
- 3.7 **Reconciliation Statement** Within 30 days of Canada's request, the Province shall provide Canada with a statement reconciling its audited financial statement figures to its actual Contributions claimed during the Fiscal Year. Where the Province's financial period is not the Fiscal Year as defined in this Agreement, the Province shall provide Canada with an audited reconciliation statement. This statement will reconcile the Province's audited financial statement figures to its actual Contributions claimed for the Fiscal Year.
- 3.8 **Reconciliation** Within 60 days of the receipt of the audited financial statements, Canada shall pay the Province's final claim for the balance owing by Canada, if any, for the difference between actual and forecasted expenditures. If an amount is repayable by the Province with respect to any Fiscal Year, Canada shall deduct the said amount from the first contribution payment following receipt of the audited financial statements. Upon termination of the Agreement by one of the parties, any outstanding amount identified on the final reconciliation shall be paid

or reimbursed to the appropriate party within 60 days of the receipt of the final audited financial statements.

- 3.9 **CARD/SNCP database** The Province shall ensure that all applicable data fields, as determined by Canada, are completed in the Canadian Adaption and Rural Development (CARD) fund and Safety Net Companion Program (SNCP) database before forwarding a claim to Canada.

4.0 **AUDIT, EVALUATION AND REVIEW**

- 4.1 **Audit** Canada and the Province reserve the right at any time to conduct an audit on any activities covered by this Agreement. In instances where an audit is performed by one of the Parties, a copy of the audit report must be forwarded to the other Party by no later than 30 days from the date that the report has been completed. In instances where the audit is jointly requested by both Parties, the costs of the audit shall be borne equally by both Parties. Where the audit has been requested by one of the Parties to this Agreement, the cost of the audit shall be borne by that Party.
- 4.2 **Audited financial statements and audited statement of expenditures** Canada or the Province, as the case may be, shall deliver to the other Party, on an annual basis, but no later than eight months after fiscal year end, audited financial statements and an audited statement of expenditures confirming the actual amounts spent by that Party under this Agreement. All financial statements or audited statements of expenditures are subject to audit in accordance with applicable federal and provincial regulation, as the case may be.
- 4.3 **Compliance Audit** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible, at its expense, to ensure an independent audit is conducted to determine that activities under this Agreement have been administered in accordance with the terms and conditions set out in this Agreement. Where practical and in order to avoid duplication, Canada will coordinate the audit with any similar audit undertaken by the Province with respect to the Province's share of Contributions.
- 4.4 **Evaluation** Notwithstanding the requirements of the Implementation Agreement, Canada shall be responsible for an evaluation of the activities under this Agreement, either individually or as part of an overall evaluation of all Province-based Programming.

- 4.5 ***Environmental Review*** Canada shall, if it deems necessary, review, at its expense, the environmental impact of this Agreement and identify the circumstances and conditions under which federal Contributions under this Agreement may be withheld, restricted or enhanced for the purposes of protecting the environment. The terms of reference for the review shall be formulated in consultation with the Province.
- 4.6 ***Access to Documentation*** Subject to applicable privacy legislation, Canada and the Province shall allow representatives of the other Party to have access to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of activities described in this Agreement, and for the verification of invoices with respect to payments made to applicants under this Agreement as well as any other associated eligible administrative expense. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement provide access to representatives of the other Party to any Records, information, databases, audit and evaluation reports and other documentation for the purpose of audit and evaluation of the activities undertaken by that third party.
- 4.7 ***Documentation*** Unless otherwise agreed to by the Parties, Canada and the Province shall keep all Records, information, databases, audit and evaluation reports and all other documentation related to activities for a period of six years from the date that the final activity under this Agreement is completed. Canada and the Province shall ensure that all third parties involved in the administration of activities related to this Agreement comply with these requirements.
- 4.8 ***Application of Privacy Legislation*** Each Party agrees to do such things as may be required to perform the obligations imposed by this Agreement in accordance with applicable privacy legislation.

5.0 COMMUNICATIONS

- 5.1 ***Public Information*** The Parties agree that all public information and advertising activities in connection with this Agreement by either or both Parties shall clearly make reference to this Agreement and shall fully and fairly reflect the Contribution of each Party.
- 5.2 ***Announcements*** Unless otherwise agreed to by the Parties, announcements involving Canada's or the Province's Contribution under this Agreement or

reporting on accomplishments and results arising out of or related to matters covered in this Agreement shall be conducted as follows:

- 5.2.1 news releases shall be publicized and issued jointly by the Parties; to ensure proper visibility of both Parties, all joint news releases shall contain quotes from the Federal and Provincial Ministers, include the wordmark of both Parties and list a federal and provincial contact person;
 - 5.2.2 each Party shall notify the other in a timely fashion of planned press conferences to facilitate the attendance at these press conferences of both Parties or designated alternates;
 - 5.2.3 in the event that a third party is involved in the administration of activities under this Agreement, the Party that retains the third party to administer the activities shall ensure that all announcements involving Canada's and the Province's Contribution by that third party conform to these requirements.
- 5.3 **Identification of Canada** Unless otherwise agreed to by the Parties, Canada's participation in any matters relating to this Agreement shall be identified by the Government of Canada wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials, web-sites/Internet publications and other material related to this Agreement, including but not limited to, cheques, notification on details or programs. The size of the Canada wordmark shall in no case be smaller than the provincial wordmark. The participation of the federal Department of Agriculture and Agri-Food shall be shown by the use of its departmental signature. The departmental signature shall be shown in both English and French and the predominant language in which the material is being written shall determine which language is presented first.
- 5.4 **Identification of the Province** Unless otherwise agreed to by the Parties, the Province's participation in any matters relating to this Agreement shall be identified by the provincial wordmark being prominently placed on all communications products, including but not limited to brochures, handbooks, cheques, posters, audio-visual materials and web-sites/Internet publications and other material related to this Agreement. The size of the provincial wordmark shall in no case be smaller that Canada's wordmark. A provincial ministry's participation shall be shown by the use of the ministry's signature.

- 5.5 ***Co-operation in Meeting Obligations*** The Parties agree to co-operate to discharge the obligations imposed by subsections 5.3 and 5.4 in an efficient manner. With the agreement of both Parties, communications products that do not conform with subsections 5.3 or 5.4 may continue to be distributed until stock existing as of March 31, 2003, is depleted.
- 5.6 ***Access to Information*** All information under this Agreement shall be treated in accordance with the requirements of applicable federal and provincial privacy legislation, as the case may be.
- 5.7 ***Bilingual Communication*** For the purposes of this section, Canada and the Province recognize that all communications involving Canada must conform to the requirements of the federal *Official Languages Act* as well as all policies and directions provided by the Commissioner of Official Languages for Canada. All incremental costs associated with complying with this clause shall be borne by Canada.

6.0 GENERAL PROVISIONS

- 6.1 ***Forfeiture of Rights*** Any applicant who wilfully provides false information or is in breach of any conditions of the Agreement, the contract or the enrolment form shall be deemed to have terminated participation in the program and shall be required to repay any monies received from the program.
- 6.2 ***Indemnification of the Crown*** The Parties shall indemnify each other in accordance with the following terms and conditions:
- 6.2.1 a Party who administers a program or activity under this Agreement shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings whatsoever made by any third party arising out of or related to the administration of activities under this Agreement;
- 6.2.2 in the event that a program is jointly administered, both Parties shall be equally responsible for all claims, demands, damages, actions and losses in relation to or arising out of those activities;
- 6.2.3 unless otherwise agreed to in writing by both Parties, where a third party has been charged with administering activities, the Party making a

Contribution to the third party shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of the program or activity;

- 6.2.4 in instances where both Parties are to make a Contribution to a third party charged with the administration of activities, the Parties must decide prior to making any such Contribution which Party will be responsible for that third party and the Party so selected shall indemnify and save harmless the other Party, its Ministers and its officers, servants and agents against all claims, demands, losses, damages, actions and other proceedings made by any third party arising out of or related to the administration of those activities;
- 6.2.5 in the event that either Canada or the Province is named in an action or a proceeding of any nature where liability is at issue:
- 6.2.5.1 the Party or Parties named may defend the action or proceeding in its own name; and
- 6.2.5.2 each Party shall provide assistance to the other with respect to the action or proceeding, and refrain from conduct which would prejudice the successful conclusion of the action or proceeding; and
- 6.2.6 the right to indemnification under subsection 6.2.1 to 6.2.6 is limited in time to the prescription period contained in the legislation of the Province.
- 6.3 **Representation by a Party** The Parties agree that nothing in this Agreement is to be construed as authorizing one Party to contract or incur any obligation on behalf of the other Party, unless specifically provided for in this Agreement.
- 6.4 **Eligibility of Members of the House of Commons** No Member of the House of Commons shall be allowed to derive any financial advantage resulting from Canada's Contributions under this Agreement that would not be permitted under the *Parliament of Canada Act*. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.

- 6.5 **Eligibility of Members of the Provincial Legislature** Members of the Provincial Legislature shall be governed by provincial conflict of interest guidelines in effect during the term of the Agreement.
- 6.6 **Eligibility of Former Federal Public Office Holders or Servants** Applicants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Agreement shall not derive a direct benefit from Canada's Contributions under this Agreement. Where a Province is responsible for the administration of activities under this Agreement, Canada shall provide the Province with assistance to administer this provision.
- 6.7 **Registration of lobbyists** The administrator of a program funded, in part or in whole, by Canada under this Implementation Agreement shall not permit a person to lobby, as defined in the federal *Lobbyists Registration Act*, on behalf of an applicant in the Province, unless that person is registered pursuant to the Act. For greater clarity, this Act excludes from registration, among others, members of the Provincial Legislature or their staffs and employees of the provincial government.
- 6.8 **Transparency** The Parties agree that transparency between Canada and the Province is required to ensure that the terms of this Agreement are respected. The Parties further agree that the actions of one government often have effects on other governments and, therefore, shall give notice to all parties to the Framework Agreement prior to implementation of a major change in a policy or program which could have an impact on the operation of the Framework Agreement or any Implementation Agreement, even if the policy or program is outside the scope of this Agreement.
- 6.9 **Governance** Where this Agreement confers a power or a duty on the Parties, that power or duty may be exercised by the representatives of each Party as set out in the Agreement, or such delegates as those representatives may designate for the exercise of that power or duty.
- 6.10 **Tabling Before Parliament** The Parties concur that the Federal Minister shall cause this Agreement to be laid before Parliament pursuant to the provisions of the *Farm Income Protection Act*.

7.0 DURATION OF AGREEMENT

7.1 **Duration** Canada's financial commitments under this Agreement shall take effect on April 1, 2003 and shall terminate on March 31, 2006 or until terminated by the Parties in accordance with subsection 7.3.

7.2 **Amendment** This Agreement may be amended at any time with the agreement of Canada and the Province.

7.3 **Termination** This Agreement, or parts thereof, may be terminated in writing by any mutually agreed upon date. In the event that there is no agreement with respect to termination, one of the Parties may terminate this Agreement, or parts thereof, in accordance with the terms for termination of the Framework Agreement.

7.4 **Account Balances Upon Termination or Expiration** The following terms and conditions apply upon the termination or expiration, in part or in whole, of this Agreement with respect to any account balances remaining in a program where both Canada and the Province have made a Contribution under this Agreement.

7.4.1 If the Parties do not enter into a new Agreement within six months of the termination or expiration of this Agreement,

7.4.1.1 any amount of Canada's Contribution that exceeds an entitlement owing to the Province under this Agreement and that has not been recovered by Canada shall be payable by the Province by no later than 30 days after the amount owing to Canada has been determined and notice has been given to the Province; until such time as these amounts are repaid, the amount owing remains a debt to Canada;

7.4.1.2 all surpluses or deficits outstanding at the time of termination shall be the responsibility of the Party that holds the account; and

7.4.1.3 all assets acquired by the Province for which Contributions were made by Canada shall be disposed of at fair market value within six months of the termination or expiration of this Agreement and the proceeds of sale shall be shared

equally by Canada and the Province, unless both Parties agree otherwise.

- 7.4.2 If the Parties enter into a new agreement within six months of the expiration or termination of this Agreement, all surpluses or deficits outstanding at the time of termination relating to the parts terminated shall not be extinguished and provision shall be made for the continuation of the surplus or deficits under the new agreement.
- 7.4.3 For the purposes of this subsection, withdrawal from the Implementation Agreement by one of the Parties constitutes termination of this Agreement. In the event that a third party is charged with the delivery of activities under this Agreement, the Party making the Contribution to the third party shall ensure that the requirements of subsection 7.4 are respected by that third party before making the Contribution.

PART TWO—PROVINCE-SPECIFIC CLAUSES

For the purposes of Part Two of this Agreement, the definitions, requirements, obligations, and terms and conditions found herein shall take precedence over those definitions, requirements, obligations, and terms and conditions identified in Part One of this Agreement.

8.0 DEFINITIONS

- 8.1 “Account” means an account established by the Province to fund Projects in accordance with this Agreement.
- 8.2 “Agreement” means the Canada-Prince Edward Island Sustainable Resource Conservation Program Agreement, Agriculture Component.
- 8.3 “Contributions” means financial contributions made by Canada to the Province under this Agreement.
- 8.4 “Program” means the Canada-Prince Edward Island Sustainable Resource Conservation Program, Agriculture Component.
- 8.5 “SRCP” means the Sustainable Resource Conservation Program.

9.0 PURPOSE

- 9.1 To provide Contributions to the Sustainable Resource Conservation Program, Agriculture Component (SRCP) for the 2003-04, 2004-05 and 2005-06 Fiscal Years. To assist producers in making their farm operations more productive and sustainable, while achieving compliance with any new or existing environmental protection legislation. The Program provides financial and technical assistance for a wide range of on-farm conservation programs

10.0 FINANCIAL COMMITMENTS

- 10.1 Subject to the funding allocations outlined in sub-section 2.4 and 2.5, Canada shall contribute up to \$1,670,000 to the Program for the 2003-04 Fiscal Year, up to \$1,297,000 for the 2004-05 Fiscal Year, and up to \$806,000 for the 2005-06 Fiscal Year.
- 10.2 Subject to subsections 2.4 and 2.5, the Province is responsible for all Program payments, Administrative Expenses and costs in excess of the amounts provided for in subsection 10.1 and including all Program payments, Administrative Expenses and costs incurred after March 31, 2006.
- 10.3 The maximum contribution to an eligible applicant will be up to \$35,000 per year and no multi-year projects will be considered.
- 10.4 The Province shall administer and maintain an Account in accordance with the terms and conditions of this Agreement. All amounts, including credited contributions from Canada and the Province and any interest earned therefrom, shall be credited to the Account. The Account shall only be used to pay Program costs, Administrative Expenses (listed in sub-schedule 1 to Schedule 4) and repayments to Canada provided for under this Agreement.
- 10.4 Subject to the maximum amounts identified in subsection 10.1, the Province shall be responsible for submitting:
- (a) All actual expenditures for Program costs must be submitted to Canada no later than March 31, 2007.

- (b) All actual expenditures for Administrative Expenses must be submitted to Canada by April 15 of each year for Administrative Expenses covering the previous fiscal year.
- 10.4 Any eligible program costs and Administrative Expenses not paid by Canada shall be paid by the Province, including all Program costs and Administrative Expenses incurred after March 31, 2006.

11.0 ADMINISTRATION

11.1 The following environmental practices are eligible for funding under this Agreement:

- (a) Manure storage;
 - (b) Fencing cattle out of streams;
 - (c) Structural soil erosion control;
 - (d) Strip cropping;
 - (e) Fuel storage;
 - (f) Pesticide Storage;
 - (g) Dead stock composting;
 - (h) Milk house waste management;
 - (I) Developing a nutrient management plan;
 - (j) Approved score on IPM protocol; and
 - (k) Planting trees.
- 12.2 The Province is responsible for the for administration of this Agreement including but not limited to:

- (a) developing specific rules of procedure for the SRCP's operation as well as the operation of any committee or sub-committee;
- (b) developing the specific objectives and criteria for program activities;
- (c) approving eligible costs and Administrative Expenses in accordance with this Agreement;
- (d) establishing roles and responsibilities for the management of the SRCP;
- (e) having financial audits conducted by an independent auditor based on a terms of reference agreed to by Canada and the Province;
- (f) establishing and maintaining an Account for the Contributions;
- (g) receiving and recording all Contributions paid to the Account, recording all expenditures paid from the Account, and providing audited reconciliation statements;
- (h) making payments from the Account for Project costs and Administrative Expenses approved by the SRCP and return any payments to Canada as required by this Agreement;
- (I) submitting fully completed claims to Canada for Program costs and eligible Administrative expenses;
- (j) identifying the application format, supporting information, obligations that must be met and establishing deadlines for submission for the SRCP; and
- (k) any other obligations, responsibilities or duties which the Province has in relation to this Agreement.

SUB-SCHEDULE 1 TO SCHEDULE 4

ADMINISTRATIVE EXPENSES AND REQUIREMENTS

1.0 DEFINITIONS

- 1.1 “Charged directly to” means that the Province shall identify all expenses which are specific to each program or programs it administers at the time the expense is incurred and shall record expenses which are clearly identifiable with a specific program or group of programs in separate general ledger expense accounts. Such amounts shall not be included in Common or shared costs.
- 1.2 “Common or shared costs” means those Administrative Expenses which cannot be specifically identified as relating to the Program.
- 1.3 “Out-of-pocket cost” means the actual amount incurred by the Province in respect of an employee or supplier of materials and services. This means that, if a material or service is provided to the Province by another department or branch of the provincial government or a provincially-owned agency, the Out-of-pocket cost shall be the actual amount which that department, branch or agency paid to an employee or supplier of material and services. There shall not be any profit margin built into this amount.
- 1.4 “Reasonable allocation” means that portion of expenses consumed by the Program. The Province may only allocate expenses to the Program for which it can provide verifiable documentation or independent studies which support that the amount allocated reflects the Program’s share of the cost.

2.0 IDENTIFICATION OF EXPENSES

- 2.1 *Services* No charges shall be made for services or materials provided free of charge to or by the Province. Administrative Expenses eligible for contributions by Canada are limited to:
- 2.1.1 the Out-of-pocket cost to the Province of amounts charged directly to the Program for:

- 2.1.1.1 payroll and benefits of Provincial personnel working solely on the administration of the Program, including severance payments made in accordance with collective agreements or with employment contracts or which are consistent with the established policy of the Province and where the termination is to further the operational needs of the Province;
- 2.1.1.2 travel, postage, freight, express and long distance communications;
- 2.1.1.3 advertising, publishing, printing, audio-visual and public relations;
- 2.1.1.4 legal expenses, computer system development, actuarial services, association dues, audit and evaluation;
- 2.1.1.5 rental of office accommodation and equipment;
- 2.1.1.6 utilities, materials and supplies;
- 2.1.1.7 repair and maintenance of equipment; and
- 2.1.1.8 other expenditures;
- 2.1.2 a Reasonable allocation of the Out-of-pocket cost to the Province of common or shared costs for:
 - 2.1.2.1 payroll and benefits of Provincial personnel working in part on the administration of the Program;
 - 2.1.2.2 payroll and benefits of other provincial personnel working in part on the administration of the Program;
 - 2.1.2.3 travel, postage, freight, express and long distance communications;
 - 2.1.2.4 advertising, publishing, printing, audio-visual and public relations;

- 2.1.2.5 legal expenses, computer system development, actuarial services, audit and evaluation;
- 2.1.2.6 rental of office accommodation and equipment;
- 2.1.2.7 utilities, materials and supplies;
- 2.1.2.8 repair and maintenance of equipment;
- 2.1.2.9 other expenditures;
- 2.1.3 charges representing the fair market value of accommodations which are specifically authorized in writing by Canada; and
- 2.1.4 such other amounts as are specifically authorized in writing by Canada.

Claims should include, for the goods and services listed above, federal GST net of any applicable input tax credits and/or rebates.

- 2.2 **Other Programs** Where the Province is administering other programs in conjunction with this Program, any common or shared expenses shall be split in a proportion equal to the use made by each respective program and Canada shall contribute only to the portion attributable to this Program.
- 2.3 **Capital Expenditures** Capital expenditures are specifically excluded from eligible Administrative Expenses.
- 2.4 **Employee Costs** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, costs of services associated with provincial employees other than those directly employed in a program.
- 2.5 **Methodology to apportion Administrative Expenses and revenues** Within 30 days of signing the Implementation Agreement and by March 1 of each subsequent year, the Province shall be responsible for submitting, in writing, for Canada's approval, a description of the methodology to be used to apportion Administrative Expenses and revenues between the various programs to be administered by the Province during the subsequent Fiscal Year. Verifiable

- documentation or independent studies should be available to support the methodology.
- 2.6 **Billings and cost transfers** Billings and cost transfers from other claimant departments and/or special operating agencies, which do not detail the nature of the costs incurred or are based upon cost estimates and/or transfers of budgeted amounts, shall not be eligible for reimbursement.
- 2.7 **Costs in dispute** Where there is a disagreement between a payer and a claimant concerning contributions towards a claimant's administrative costs, payer contributions towards the portion of the costs in dispute may be withheld or denied until the issues related to their eligibility under a program have been resolved.
- 2.8 **Payroll benefits** Benefits (e.g., severance pay, holiday pay, or living allowances) for claimant staff pertaining to their service prior to the start-up of activities under this Agreement, unfunded superannuation costs, and unfunded insurance plan costs shall not be eligible for reimbursement.
- 2.9 **Access to records** If access to a claimant's records is denied to a payer's staff or its appointed external auditors, all submitted amounts so affected by this denial shall not be eligible for reimbursement.

ANNEX D—ACTIVITIES AND EXPENDITURES PLAN

1.0 FOOD SAFETY AND FOOD QUALITY

- 1.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section B of Part Two of the Framework Agreement apply to clause 1.0 of the Implementation Agreement.
- 1.2 **Targets and Indicators** The Parties agree to the Targets and Indicators referenced in clause 21 of the Framework Agreement and to work towards the following Targets and Indicators for the Province:
- 1.2.1 Canada and the Province will, by no later than October 31, 2003, agree on a process for determining Targets and Indicators. In so doing, the Parties will: (a) develop Targets and Indicators; (b) consult with industry on the proposed Targets and Indicators; (c) re-assess priority areas based on consultations with industry; and (d) table a list of Targets and Indicators which will be agreed upon by all Parties to the Framework Agreement, by no later than January 31, 2004.
- 1.3 **Provincial Implementation Measures** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a provincial Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:
- 1.3.1 *Food Safety Surveillance:* The Province will provide a contribution to implement a Global Positioning System (GPS) surveillance project for poultry and livestock operations on PEI. This project will create a GIS data layer to identify the location of each farm operation, the kind(s) of animal, the number of units/farms and other pertinent information that could be utilized in case of the possible outbreak of a foreign animal disease.
- 1.3.2 *Food Safety Initiatives:* The Province will provide a contribution to foster food safety initiatives both on-farm and in provincially inspected processing facilities. This assistance will be directed towards initiatives such as the Generic Auditing Course (SGS), the provincial delivery of the

national pork, dairy, eggs and horticulture programs food safety programs, and to assist processing facilities in developing HACCP programs.

1.4 ***Federal Implementation Measures*** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a federal Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:

1.4.1 *Food Safety and Food Quality Program*: Canada will provide a Contribution towards the improvement of food quality and food safety systems across Canada. The initiatives under the program are as follows:

1.4.1.1 *On-Farm Food Safety Initiatives(OFFS)*: Canada will provide a Contribution to the existing *Canadian On-Farm Food Safety Program (COFFS)* so as to modify it. The initiative will aim to facilitate industry adoption of HACCP-based systems;

1.4.1.2 *Post Farm Food Safety Initiative*: Canada will provide a Contribution to build on the existing *Canadian Food Safety Adaptation Program (CFSAP)* and ensure a higher degree of participation by industry across various commodity sectors. The existing program allows national associations and groups involved in the production, processing, marketing, distribution and preparation of food to support activities that enhance food safety throughout the agri-food continuum;

1.4.1.3 *Traceability Initiative*: Canada will provide a Contribution to support activities and projects designed to increase the quality, quantity and availability of information in support of industry-led risk management strategies for food safety and food quality process control systems. The initiative will aim to

1.4.1.3.1 increase awareness and educate stakeholders in the development and implementation of a national tracking protocol, as well as in the

understanding of tracking-related issues and the resolution of said issues;

1.4.1.3.2 support research necessary to remove barriers to the implementation of cost-effective tracking systems; and

1.4.1.3.3 financially assist stakeholder organizations to develop a supply chain commodity and/or food and beverage product tracking system.

1.4.1.4 *Food Quality Initiative:* Canada will provide a Contribution to assist stakeholder organizations in the development and implementation of quality process control systems for agricultural commodities and food and beverage products. The Food Quality Initiative's objective will be to increase significantly the quality, quantity and availability of information in support of industry-led quality process control systems for agricultural commodities and food products.

2.0 ENVIRONMENT

2.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section C of Part Two of the Framework Agreement apply to clause 2.0 of the Implementation Agreement.

2.2 **Targets and Indicators** The Parties agree to the Targets and Indicators referenced in clause 25 of the Framework Agreement and to the following Targets and Indicators for the Province:

2.2.1 With respect to Targets relating to the environmental outcome goals, the Parties agree to work towards the following:

Water

2.2.1.1 a reduction in the average level of residual nitrogen from agriculture on provincial farmland by 12% from the estimated level in 2008 under a business as usual scenario 2008 BAU baseline of 26.8 kg N/ha to 23.6 kg N/ha by 2008;

- 2.2.1.2 a reduction in the risk of nitrogen water contamination from agriculture by 12% from the estimated 2008 BAU baseline (of 4.14 mg N/l) to 3.64 mg N/l by 2008;

Soil

- 2.2.1.3 a reduction in the estimated average rate of water erosion on Provincial crop land by 0.2% from the estimated 2008 BAU baseline (of 8.0 t/ha/yr) to 7.98 t/ha/yr by 2008;

- 2.2.1.4 an increase in the annual change in agricultural soil carbon from the estimated 2008 BAU baseline of 0.003 Mt to 0.007 Mt by 2008;

Air

- 2.2.1.5 a reduction in agricultural greenhouse gas emissions 5% from the estimated 2008 BAU baseline (of 0.52 Mt CO₂ equivalent) to 0.50 Mt CO₂ by 2008; and

Biodiversity

- 2.2.1.6 an increase in the total agricultural habitat availability index by 1% from the estimated 2008 BAU baseline by 2008.

2.2.2 Canada and the Province recognize that the numerical Targets contained in clause 2.2.1 of Annex D are modelled estimates that are subject to some scientific uncertainty and represent province-wide averages around which agri-environmental conditions may vary across the province. Canada and the Province therefore agree that as new data becomes available, these numerical Targets may be revised with the mutual consent of both Parties.

2.2.3 With respect to Targets relating to the environmental management goals, the Parties agree to work towards the following:

- 2.2.3.1 the completion of a basic agri-environmental scan, which in the Province will be integrated into the agri-environmental farm plan or equivalent agri-environmental plan identified under clause 2.2.3.2 herein, and will cover all farms in the

Province so as to identify farms and/or agricultural regions posing significant risk to the environment;

2.2.3.2 the completion of an agri-environmental farm plan or an equivalent agri-environmental plan for all farms in the Province where agricultural activity is found to pose significant risk to the environment in the province, as identified under clause 2.2.3.1; and

2.2.3.3 the implementation of an agri-environmental farm plan or participation in an equivalent agri-environmental plan on all farms and regions for which an agri-environmental farm plan or an equivalent agri-environmental plan has been completed under clause 2.2.3.2 and, in so doing, adopt the necessary measures needed to improve the management of nutrients, pests, land and water, nuisances and biodiversity, as appropriate to the needs and circumstances of individual farms or regions.

2.3 ***Provincial Implementation Measures*** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a provincial Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:

2.3.1 *Prince Edward Island Environmental Farm Plan Initiative:* The Province will provide a contribution toward working with farmers and farm organizations to help farmers complete Environmental Farm Plans (EFP) that are consistent with and guided by the National Model for Agricultural Planning for Environmental Action. The initiative will establish processes to encourage regular reviews and updates of EFPs.

2.3.2 The Province will provide a contribution toward a program which has yet to be named that will work with farmers seeking to address agri-environmental risks identified in their EFP by planting trees/shrubs in critical areas, specifically high sloped land and riparian areas. The initiative will result in more sustainable land use and management in these critical areas.

- 2.3.3 *Agri-Conservation Clubs* The Province will provide a contribution to provide assistance to pilot clubs that encourage farmer members to develop knowledge about the interface between farming and the environment and management tools that will enhance environmental sustainability practices. The clubs are community based initiatives that foster Communities of Interest in agri-conservation.
- 2.3.4 *Pesticide Reduction Pilot/Integrated Pest Management Programs:* The Province will provide a contribution to assist in demonstrating viable options for the reduction of pesticide use in commercial agriculture on PEI. Projects will be supported for eligible applicants who already have an Environmental Farm Plan in place and who demonstrate innovative approaches to integrated pest management practices.
- 2.3.5 *Nutrient Management Program:* The Province will provide a contribution toward developing and delivering technical services and training options that encourage producers to manage nutrients on their farms in a manner that ensures continued production levels and protects the environment.
- 2.3.6 *State of the Environment Reporting:* The Province will provide a contribution toward a regular State of the Environment Report that collates data from the monitoring programs of Prince Edward Island's Department of Agriculture and Forestry and Department of Fisheries, Aquaculture and Environment. Indicators being measured include air, soil, and water quality; biodiversity; land use; climate change, pesticide use and socio-economic measures.
- 2.4 ***Federal Implementation Measures*** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a federal Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:
- 2.4.1 *Development and Implementation of Environmental Farm Plans:* Canada will provide a Contribution to the completion of agri-environmental farm plans on either an individual basis or multi-farm basis so as to increase farmer environmental awareness, assess risks and benefits from agricultural operations, mitigate environmental risks and realize environmental benefits from agricultural operations. The agri-environmental farm plan or equivalent agri-environmental farm plan

program will, by no later than March 31, 2006, be consistent with and guided by the *National Model for Agricultural Planning for Environmental Action*.

Canada will also provide a Contribution to an environmental incentive program in the Province to accelerate the adoption of environmentally-beneficial actions and practices by farmers. Eligibility under the program is to be conditional on a farmer completing an agri-environmental farm plan or an equivalent agri-environmental farm plan, and only actions that meet nationally-accepted criteria for environmentally-beneficial management practices as set out in the document entitled *National Agri-Environmental Stewardship Program - Beneficial Management Practices*, will be eligible for funding support.

3.0 RENEWAL

3.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in section D of Part Two of the Framework Agreement apply to clause 3.0 of the Implementation Agreement.

3.2 **Targets and Indicators** The Parties agree to the Indicators contained in clause 29 of the Framework Agreement and to the following Targets and Indicators:

3.2.1 The Parties to this Implementation Agreement agree to develop Targets that are consistent with the Indicators adopted by all Parties to the Framework Agreement by no later than March 2004;

3.2.2 With respect to Indicators, the Parties agree to adopt the following:

3.2.2.1 the percentage of farmers and farm families that have knowledge and understanding of beneficial management practices;

3.2.2.2 the percentage of farmers and farm families that use beneficial management tools, services, practices and/or improved skills; and

3.2.2.3 the percentage of farmers and farm families that are meeting their business and personal goals.

- 3.3 ***Provincial Implementation Measures*** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a provincial Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:
- 3.3.1 *Training Initiatives*: The Province will provide a contribution toward the development of skills development materials and a variety of delivery channels, based on a Competency Based Education (CBE) model. Skills development will target new and existing farm operators, and staff. Areas addressed will include Nutrient Management and other areas relevant to the goals of APF. Delivery channels will include traditional and distance options.
- 3.3.2 *FarmNet*: The Province will provide a contribution toward the tools and skills that will encourage the integration of Information and Communication Technologies into farm business practice on PEI. FarmNet will address issues of connectivity, content, skills, and tools.
- 3.4 ***Federal Implementation Measures*** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a federal Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:
- 3.4.1 *Canadian Farm Business Advisory Service*: Canada will provide a Contribution to the Canadian Farm Business Advisory Service, which will allow farmers to access renewal programs, services and delivery agents. A network of public and private advisors will offer farm business management counselling and assistance to producers so as to assist them in: (a) capturing opportunities from advances in science and innovation; (b) making better business decisions; and (c) accessing capital. The Province and Canada recognize that in order to achieve the Common Goals, the Province will be required to provide assistance to Canada with the Canadian Farm Business Advisory Service and other related initiatives. While assistance by the Province will not require a Contribution, it may require that the Province share data and information, develop farm business management products, attend meetings and provide policy advice on various aspects of the Canadian Farm Business Advisory Service;

3.4.2 *Skills Development Initiative*: Canada will provide a Contribution to the Skills Development Initiative, that will: (a) facilitate the identification of the skills needed by farmers in each agriculture sector and identify a means by which these skills can be transmitted to farmers; (b) develop curriculum delivery approaches and prototypes that will assist farmers in acquiring the skills identified in (a) herein; and, (c) assess the supply of trainers, training institutions and consultants available to deliver curriculum and consulting services, and provide advice to governments and training and educational institutions on the supply of trainers and consultants. Canada will work in collaboration with all provinces and other strategic partners in meeting these objectives; and,

3.4.3 *Agricultural Enterprise Program*: Canada will provide a Contribution to the Agricultural Enterprise Program, which will provide support to farmers and/or their spouses so that they may improve the profitability of the farm and increase family income by generating new business opportunities and employment. Specifics of the program include such things as: (a) providing on-farm skills development and training; and (b) providing skills training so that farm operators or their spouses may generate additional family income through off-farm sources. The benefits to be derived from the program may include: (a) training and living allowances; (b) assistance during the period of skills upgrading and job search; and (c) career counselling and training.

4.0 SCIENCE AND INNOVATION

4.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section E of Part Two of the Framework Agreement apply to this clause.

4.2 **Targets and Indicators** The Parties agree to the Targets and Indicators contained in clause 34 of the Framework Agreement and any other additional Target or Indicator arising out of this Implementation Agreement to measure the progress made in achieving the Common Goals contained in clause 33 of the Framework Agreement.

4.2.1 In accordance with clause 34 of the Framework Agreement, the Parties confirm the following:

- 4.2.1.1 a benchmark study to be undertaken in the first year of this Agreement;
- 4.2.1.2 a common information base about selected commodities and the adoption of technology within the value chain to be developed by the Parties in the first year of this Agreement;
- 4.2.1.3 a realignment action plan to be developed by the Parties and initiated in the first year of this Agreement;
- 4.2.1.4 a strategy document to develop stronger links throughout the value chain to be implemented by the Parties in the first year of this Agreement;
- 4.2.1.5 an assessment of human resource and related infrastructure necessary to develop science and innovation in the agriculture sector to be completed in the first year of this agreement, and the results of such an assessment to be communicated to relevant departments in the second year of this Agreement;
- 4.2.1.6 consultations to develop approaches to management of intellectual property to be implemented in the second year of this Agreement; and
- 4.2.1.7 a strategy to increase investment in Canada's agricultural bio-based economy to be implemented in the third year of this Agreement.

4.2.2 The Parties agree to any additional Targets and Indicators that are agreed to by the parties to the Framework Agreement. In so doing, the Parties will: (a) develop Targets and Indicators; (b) consult with appropriate stakeholders on any proposed Targets and Indicators; and (c) table a list of Targets and Indicators which will be agreed upon by all parties to the Framework Agreement and which will be binding on them.

4.3 ***Provincial Implementation Measures*** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a provincial

Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:

4.3.1 *Research Information Network*: The Province will provide a contribution for the development and delivery, through the Internet and other channels, of targeted research information to the various commodity groups and Communities of Interest/Communities of Practice (CoI/CoP) in PEI's farming community. The Network service will provide content that is designed to support good planning, business advantage and sound production practice.

4.4 ***Federal Implementation Measures*** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and constitute a federal Contribution in an amount set out in Schedule I. Specifics of these programs and activities are as follows:

4.4.1 *Strategic Development for Science and Innovation (A - Cost-Shared Component)*: Canada will provide a Contribution to a federal-provincial and territorial program that will: (a) benchmark current levels of investment in science and innovation and devise and implement an action plan to align these investments with the priorities identified in the Framework Agreement; (b) develop a science and innovation strategy to increase investment and returns in Canada's bio-based economy; and (c) sponsor pilot projects with industry, academic and research institutions so as to fill knowledge gaps identified in the development of value chain innovation strategies.

Canada and the Province recognize that in order for these federal Implementation Measures to meet the Goals of the Framework Agreement, the Province will have to provide assistance to Canada with the Strategic Development for Science and Innovation initiative. Assistance by the Province to this Implementation Measure will not require a Contribution, but may include such things as information sharing, attendance at meetings by Provincial officials and general input.

5.0 **BRANDING CANADA AND MAXIMIZING INTERNATIONAL OPPORTUNITIES**

- 5.1 ***Federal-Provincial Commitments*** Canada and the Province recognize that branding Canada and maximizing international opportunities are essential for the success and profitability of the agriculture and agri-food sector across Canada and for ensuring that the industry in the Province obtains the greatest possible benefits from the measures adopted in this Agreement. Through the implementation measures contained in this Agreement and through existing efforts and partnerships, the Parties agree to work collaboratively on activities that will brand Canada and maximize international opportunities in a manner that is consistent with the principles contained in Part Three of the Framework Agreement.
- 5.2 ***Targets*** Canada and the Province acknowledge the importance of working closely with the agri-food industry in developing targets for achieving greater success in the global markets, as is the case with the broadly supported national 1998 Canadian Agri-Food Marketing Council (CAMC) targets. The latter targets were defined as export goals of 4% of world agriculture and agri-food trade and an increase in the contribution of value added exports from 40 per cent in 1995 to 60 per cent in 2005. In order to take advantage of the evolving global markets and the new international strategy contained in Part Three of the Framework Agreement, Canada and the Province agree to work with the industry, through CAMC, the National Sector Value-Chain Roundtables and other appropriate fora, to develop meaningful and broadly supported national targets for the sector's international performance that goes beyond the 1998 CAMC targets.
- 5.3 ***Industry Consultations*** Canada and the Province agree to consult closely with industry stakeholders in the Province with a view to undertaking activities that support their success in international markets. The Parties further agree to collaborate with other governments in ensuring that consultation mechanisms, such as the National Sector Value-Chain Roundtables, help the industry achieve the targets arising out of clause 5.2 herein.
- 5.4 ***Coordination and Planning*** With a view to integrating efforts and ensuring the efficient use of resources, Canada and the Province agree to participate in annual discussions with other provincial governments so as to plan and co-ordinate upcoming activities in the areas of market research, market development, export readiness, technical barriers to trade, foreign animal and plant disease risk management, investment promotion, trade policy and market access, trade advocacy, development assistance and stakeholder consultations. In order to

accomplish these objectives and ensure continuing collaboration on associated policy issues, the Parties agree to make effective use of the relevant federal-provincial forums, including the Federal-Provincial Market Development Council, the Federal-Provincial Agricultural Trade Policy Committee, the Federal-Provincial Steering Committee on Investment and the Federal-Provincial-Territorial Agri-Food Inspection Committee.

- 5.5 ***Regular Review*** Canada and the Province agree to review activities and programs described in section 5.4 herein on a regular basis to determine their contribution to achieving the targets arising out of clause 5.2 herein.

SCHEDULE 1 TO ANNEX D

CANADA - PRINCE EDWARD ISLAND IMPLEMENTATION AGREEMENT

	Federal	Provincial	Del. Agent	TOTAL
FOOD SAFETY & FOOD QUALITY	(\$000 000) 5-year total	(\$000 000) 5-year total		
1.4.1 Food Safety and Food Quality Program				
• On-Farm Food Safety Initiatives	0.21		nat'l 3 rd party	
• Post-Farm Food Safety Initiative	0.21		nat'l 3 rd party	
• Traceability Initiative	0.16		nat'l 3 rd party	
• Food Quality Initiative	0.2		nat'l 3 rd party	
1.3.1 Food Safety Surveillance		0.25		
1.3.2 Food Safety Initiatives		0.25		
- Sub-Total: Food Safety & Food Quality	0.78	0.5		1.28
ENVIRONMENT	(\$000 000) 5-year total	(\$000 000) 5-year total		
2.4.1 Development and Implementation of Environmental Farm Plans / 2.3.1 Prince Edward Island Environmental Farm Plan Initiative	3.08	0.07	province	
2.3.2 (Program name to be determined)		1.44		
2.3.3 Agri-Conservation Clubs		0.055		
2.3.4 Pesticide Reduction Pilot and Integrated Pest Management Programs		0.1		
2.3.5 Nutrient Management Program		0.1		
2.3.6 State of the Environment Reporting		0.05		
- Sub-Total: Environment	3.08	1.815		4.895
RENEWAL	(\$000 000) 5-year total	(\$000 000) 5-year total		
3.4.1 Canadian Farm Business Advisory Services	0.84		fed./prov /3 rd party	
3.4.2 Skills Development Initiative	0.03		fed / 3 rd party	
3.4.3 Agricultural Enterprise Program	0.52		fed./prov/ 3 rd party	
3.3.1 Training		0.56		
3.3.2 FarmNet		0.5		
- Sub-Total: Renewal	1.4	1.06		2.46
SCIENCE & INNOVATION	(\$000 000) 5-year total	(\$000 000) 5-year total		
4.4.1 Strategic Development for Science and Innovation	0.18		F/P/Consultant	

4.3.1 Research Information Network		0.25		
-Sub-Total: Science & Innovation	0.18	0.25		0.43
TOTAL	5.44	3.625		9.065

** Table does not include any rollover amounts from the current agreement

SUMMARY FOR THE FEDERAL / PROVINCIAL PROGRAMS FOR ALL COMPONENTS													
COMPONENTS	FEDERAL RESOURCES(millions)					Fed Total	PROVINCIAL RESOURCES(millions)					Prov. Total	Grand Total
	2003-04	2004-05	2005-06	2006-07	2007-08		2003-04	2004-05	2005-06	2006-07	2007-08		
RENEWAL	0.28	0.28	0.28	0.28	0.28	1.4	0.212	0.212	0.212	0.212	0.212	1.06	2.46
FOOD SAFETY & FOOD QUALITY	0.156	0.156	0.156	0.156	0.156	0.78	0.1	0.1	0.1	0.1	0.1	0.5	1.28
SCIENCE & INNOVATION	0.036	0.036	0.036	0.036	0.036	0.18	0.05	0.05	0.05	0.05	0.05	0.25	0.43
ENVIRONMENT	0.616	0.616	0.616	0.616	0.616	3.08	0.115	0.425	0.425	0.425	0.425	1.815	4.895
TOTAL	1.088	1.088	1.088	1.088	1.088	5.44	0.477	0.787	0.787	0.787	0.787	3.625	9.065
Federal Cost-Share Total (\$M)													
Territorial Cost-Share Total (\$M)													
NOTE: SOME TOTALS MAY BE OFF DUE TO ROUNDING													

ACTIVITIES AND EXPENDITURES PLAN / FOOD SAFETY AND QUALITY														
		FEDERAL RESOURCES (millions)						PROVINCIAL RESOURCES (millions)						
Federal Programs	Program Delivery Agent	2003-04	2004-05	2005-06	2006-07	2007-08	Fed Total	2003-04	2004-05	2005-06	2006-07	2007-08	Prov. Total	Grand Total
Food Safety and Food Quality Program (which includes):														
– On-Farm Food Safety Initiative	Federal	0.042	0.042	0.042	0.042	0.042	0.21							0.21
– Post-Farm Food Safety Initiative	Federal	0.042	0.042	0.042	0.042	0.042	0.21							0.21
– Traceability Initiative	Federal	0.032	0.032	0.032	0.032	0.032	0.16							0.16
– Food Quality Initiative	Federal	0.04	0.04	0.04	0.04	0.04	0.2							0.2
Provincial Programs														
Food Safety Surveillance	Provincial							0.05	0.05	0.05	0.05	0.05	0.25	0.25
Food Safety Initiative	Provincial							0.05	0.05	0.05	0.05	0.05	0.25	0.25
TOTAL		0.156	0.156	0.156	0.156	0.156	0.78	0.1	0.1	0.1	0.1	0.1	0.5	1.28
NOTE: SOME TOTALS MAY BE OFF DUE TO ROUNDING														

ACTIVITIES AND EXPENDITURES PLAN / ENVIRONMENT														
		FEDERAL RESOURCES (millions)						PROVINCIAL RESOURCES (millions)						
Federal Programs	Program Delivery Agent	2003-04	2004-05	2005-06	2006-07	2007-08	Fed Total	2003-04	2004-05	2005-06	2006-07	2007-08	Prov. Total	Grand Total
Jointly Funded Programs														
Development and Implementation of Environmental Farm Plans/PEI Environmental Farm Plan Initiative	Fed/Prov	0.616	0.616	0.616	0.616	0.616	3.08	0.014	0.014	0.014	0.014	0.014	0.07	3.15
Provincial Programs														
2.3.2 (Program name to be determined)								0.04	0.035	0.035	0.035	0.035	1.44	1.44
Agri-Conservation Clubs								0.011	0.011	0.011	0.011	0.011	0.055	0.055
Pesticide Reduction Pilot and Integrated Pest Management Programs								0.02	0.02	0.02	0.02	0.02	0.1	0.1
Nutrient Management Program								0.02	0.02	0.02	0.02	0.02	0.1	0.1
State of the Environment Reporting								0.01	0.01	0.01	0.01	0.01	0.05	0.05
TOTAL		0.616	0.616	0.616	0.616	0.616	3.08	0.115	0.425	0.425	0.425	0.425	1.815	4.895
NOTE: SOME TOTALS MAY BE OFF DUE TO ROUNDING														

ACTIVITIES AND EXPENDITURES PLAN / RENEWAL														
		FEDERAL RESOURCES (millions)						PROVINCIAL RESOURCES (millions)						
Federal Program	Program Delivery Agent	2003-04	2004-05	2005-06	2006-07	2007-08	Fed Total	2003-04	2004-05	2005-06	2006-07	2007-08	Prov. Total	Grand Total
Canadian Farm Business Advisory Service	fed/Prov./3rd party	0.168	0.168	0.168	0.168	0.168	0.84							0.84
Skills Development Initiative	fed / 3 rd party	0	0	0.006	0.01	0.006	0.03							0.03
Agricultural Enterprise Program	fed/Prov/3rd party	0.104	0.104	0.104	0.104	0.104	0.52							0.52
Provincial Programs														
Training	Prov.							0.112	0.112	0.112	0.112	0.112	0.56	0.56
FarmNet	Prov.							0.1	0.1	0.1	0.1	0.1	0.6	0.6
TOTAL		0.28	0.28	0.28	0.28	0.28	1.4	0.212	0.212	0.212	0.212	0.212	1.06	2.46
NOTE: SOME TOTALS MAY BE OFF DUE TO ROUNDING														

ACTIVITIES AND EXPENDITURES PLAN / SCIENCE AND INNOVATION														
		FEDERAL RESOURCES (millions)						PROVINCIAL RESOURCES (millions)						
Federal Programs	Program Delivery Agent	2003-04	2004-05	2005-06	2006-07	2007-08	Fed Total	2003-04	2004-05	2005-06	2006-07	2007-08	Prov. Total	Grand Total
Strategic Development for Science & Innovation	Fed/Prov/Consultant	0.036	0.036	0.036	0.036	0.036	0.18							0.18
Provincial Programs														
Research Information Network	Provincial													
								0.05	0.05	0.05	0.05	0.05	0.25	0.25
TOTAL		0.036	0.036	0.036	0.036	0.036	0.18	0.05	0.05	0.05	0.05	0.05	0.25	0.43
NOTE: SOME TOTALS MAY BE OFF DUE TO ROUNDING														

REPORTING TEMPLATE

(SEPARATE TEMPLATE TO BE COMPLETED FOR EACH ELEMENT OF THE APF)

APF ELEMENT: (Name of element)

COMMON GOALS	IMPLEMENTATION MEASURES	INDICATORS AND TARGETS	RESULTS FOR THE PERIOD	NEXT STEPS FOR THE PERIOD
			(e.g. 2003-2004)	(e.g. 2004-2005)
<p>Outcome Goals</p> <p>Listing of the Common Outcome Goals directly from the Framework Agreement</p>	<p>Listing of the specific Implementation Measures being undertaken in the province or territory, as set out in the party's Implementation Agreement, as well as any other measures that the province or territory wishes to note or report upon</p>	<p>Listing of the specified targets and indicators from the Framework Agreement as well as the targets and indicators agreed-to between the signatories to the Implementation Agreement</p> <p>The contents of this column would be governed by the provisions of sections 8.6 and 9.6 under Part One of the Implementation Agreement, covering data collection and reporting requirements, respectively</p>	<p>Measurement of the quantitative change towards the targets and a narrative interpretative commentary on the results achieved in the period based on the quantitative change</p> <p>The contents of this column would be governed by the provisions of sections 8.6 and 9.6 under Part One of the Implementation Agreement, covering data collection and reporting requirements, respectively</p>	<p>Commentary on future actions planned based on the results to date</p> <p>Logically, this would be a statement about continuing to do the same as before, stopping doing the same as before, modifying what has been done to address identified issues, or doing something new</p>
<p>Management Goals</p> <p>Listing of the Common Management Goals directly from the Framework Agreement</p>				

PRINCE EDWARD ISLAND—TRANSITION PLAN FOR EXISTING PROGRAMS

Program Name & Description	Eligible for Wedge (W) or Rollover (R) funds?	If Rollover funds, is pgm. Risk Mgmt. or other?	Program Delivery Agent	Estimated Federal Resources \$000 000			Estimated Provincial Resources* \$000 000			Will program continue to receive resources under Part 1 of the Framework Agreement beyond March 31, 2006? (Y or N)	For programs receiving resources under Part 1 of the Framework Agreement beyond March 31, 2006
				Year 1	Year 2	Year 3	Year 1	Year 2	Year 3		Schedule of Changes to Comply
Sustainable Resources Conservation Program The Province will provide a contribution for the implementation of identified best management practices to: <ul style="list-style-type: none"> • reduce risk of water contamination • improve and protect soil quality • reduce risk from pesticide use The program has a number of components that reduce environmental risks through: <ul style="list-style-type: none"> • waste management • livestock management • trees, hedgerows and riparian zones • storage of fuel and manure • soil conservation • nutrient management • Integrated Pest Management (IPM) protocols 	W		Province	1.67	1.297	0.806	0.23	0.29	0.175	Y	
	R			0	0.049	0					

<p>Food Safety and Quality Standards and Traceability Systems Development The Province will provide a contribution that will assist the PEI Food Trust to work with industry organizations and private companies to address emerging value-chain food safety and quality issues for specific fresh and value-added food products. These activities include:</p> <ul style="list-style-type: none"> • undertake consumer research to identify food safety and quality issues, and the development of protocols and standards to address these issues; • food safety and quality surveillance and research projects, risk assessments and analyses, and the development of mitigation strategies for food safety and quality issues; • data synchronization systems and data architectures for food safety, quality and traceability systems; • work with industry towards the development of HACCP and HACCP-based food safety and quality systems; and • address specific food quality process control system issues 	W		Province	0.75	0.317	0	429	0.294	0.167	Y	
<p>Elite Seed Risk Management Program The Province will provide a contribution towards insurance coverage for yield and quality losses for seed potato growers. The program will promote high quality seed production through an affordable insurance plan.</p>	W		Province	0.08	0.053	0.027				Y	
<p>Agriculture Research Investment Fund The Province will provide a contribution towards increased access to applied and development research in order to address industry needs and priorities. The Fund is designed to improve competitiveness and sustainability of the PEI agriculture and agri-food industry.</p>	W		Province	0.2	0.133	0.067				Y	
<p>Post Harvest Virus Testing The Province will provide a contribution to a testing program designed to reduce the maximum acceptable total virus levels for PEI grown potato seed, and to improve the marketability of PEI's potato crop.</p>							0.5	0	0		

<p>Swine Industry Chair The Province will provide a contribution to the further development of the work of the Chair. The Chair will work to promote research to benefit and build the competitiveness of PEI's swine industry, and to promote the development of future researchers and research tools and networks.</p>							0.06	0.06	0.02		
<p>Virology Diagnostic Services The Province will provide a contribution to the provision of Virological Diagnostic Laboratory Services to livestock producers. The Service will be provided in partnership with the Atlantic Veterinary College and local veterinary practitioners with the goal of continuous improvement of herd health practices.</p>							0.104	0.104	0.035		
<p>General Diagnostic Services The Province will provide a contribution to the provision of diagnostic services evaluation services for producers. These services include necropsy, histopathology, microbiology, clinical pathology, toxicology, semen evaluation and examination, and pesticide assays. The service is delivered in partnership with the Atlantic Veterinary College with the goals of continuous improvement of herd health practices.</p>							0.24	0.16	0.08		
<p>Swine Quality Improvement Program/Minimal Disease Certification The Province will provide a contribution to a program designed to improve the market quality and food safety aspects of PEI's pork industry. The program will ensure that minimal disease standards, as measured by systematic monitoring of health indicators, will be enhanced and promoted.</p>							0.032	0.021	0.01		
<p>Crop Rotation Legislation (Agriculture Crop Rotation Act - ACRA) The Province will provide a contribution to assist farmers in the preparation of crop management plans and in monitoring and enforcing compliance with the Act. The Act is designed to monitor and improve soil and water quality, and soil productivity</p>							0.07	0.07	0.023		

<p>Buffer Zone Legislation The Province will provide a contribution to ensure and enforce the establishment and maintenance of buffer zones on all non-forested agricultural land adjacent to watercourses and wetlands, in order to protect water quality and improve wildlife habitat.</p>							0.055	0.055	0.018		
<p>Land Resource Modeling (GIS) The Province will provide a contribution to support inventory and mapping services for the agriculture sector that will enable better decision making for sustainable land use and the preparation of environmental farm plans. The work will include acquisition of aerial photography, production of custom mapping tools, and mapping of forest management plots.</p>							0.17	0.116	0.057		
<p>Soil Quality Monitoring The Province will provide a contribution toward a soil quality monitoring project that will determine and report changes in Prince Edward Island soil quality. The project will involve setting up a process to measure soil quality, establish soil quality indicators, measure soil quality on an on-going basis, and report results to the public.</p>							0.045	0.03	0.015		
<p>Crop Insurance (CI) Premium Program The Province will provide a contribution to the producers' CI costs in order to make insurance more affordable and to increase participation rates in the CI program. The goal is to keep the producers' share of premiums at about 33.3% into the future, while the federal government's contribution will be consistent with the cost-sharing formula for Production Insurance as outlined in the Implementation Agreement.</p>			Province							N	
TOTAL				Roll-over: 0	Roll-over: 0.049	Roll-over: 0	1.8	1.2	0.6		
				Wedge: 2.700	Wedge: 1.800	Wedge: 0.900					
				\$5.449							

PEI Federal Rollover:	\$0.049 M	PEI prov matching Rollover:	\$0 (matched under current framework)
Year 1 Wedge:	\$2.700M		
Year 2 Wedge:	\$1.800M		
Year 3 Wedge:	\$0.900M		
PEI Federal Wedge:	\$5.400 M	PEI prov matching Wedge:	\$3.600 M
TOTAL Federal funds:	\$5.449 M	TOTAL provincial matching:	\$3.600 M

NOTE: Copies of some agreements for Existing Programs are contained in Annex C to this Implementation Agreement

* Planned spending may vary due to market factors

** Subject to the availability of funds, management committee may agree to include program

***In order to optimize the effectiveness of the transition plan, the department may choose to reallocate funds between elements of this budget as existing programs progress

****For the purposes of this plan, credits towards provincial matching of Rollover dollars have not been included.

ANNEX E—FEDERAL AND PROVINCIAL MEASURES PLAN

1.0 FOOD SAFETY AND FOOD QUALITY

- 1.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section B of Part Two of the Framework Agreement apply to clause 1.0 of the Implementation Agreement.
- 1.2 **Provincial Implementation Measures** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:
- nil
- 1.3 **Federal Implementation Measures** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:
- 1.3.1 *Food Safety and Quality Incentives:* Canada will provide a Contribution to foster national food safety and quality programs. These incentives will be consistent with, augment and complement the food safety and quality program of Annex D, and will consider emergent food safety and quality issues. Some of the specifics of these initiatives are as follows:
- 1.3.1.1 Centres of expertise for the realization of national food safety and quality systems;
- 1.3.1.2 food safety and food quality surveillance and research projects, risk assessments and analyses, and the development of mitigation strategies for food safety and quality issues;
- 1.3.1.3 data synchronization systems and data architectures for food safety, quality and traceability systems;
- 1.3.1.4 working with industry towards the development of HACCP and HACCP-based food safety and quality systems; and

- 1.3.1.5 addressing specific food quality and food quality process control system issues.

2.0 ENVIRONMENT

2.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section C of Part Two of the Framework Agreement apply to clause 2.0 of the Implementation Agreement.

2.2 **Provincial Implementation Measures** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:

- nil

2.3 **Federal Implementation Measures** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:

2.3.1 *National Agri-Environmental Health Analysis and Reporting Program:* Canada will provide funding to develop environmental Indicators and related analytical tools to: (a) track and predict environmental performance; (b) support policy and program development; (c) identify environmental conditions in geographic zones and trends attributable to agriculture; and (d) increase environmental awareness;

2.3.2 *Federal Agri-Environmental Research Initiative:* Canada will provide funding to the Federal Agri-Environmental Research Initiative, which comprises the following:

2.3.2.1 *Farming Systems Research:* Canada will conduct research to increase understanding of agriculture and environment linkages and to develop and evaluate environmentally beneficial agricultural production and management practices;

- 2.3.2.2 *Minor Use Pesticide*: Canada will provide funding to assist with the registration of reduced risk pesticides for use on minor crops;
- 2.3.2.3 *Agri-Environmental Standards Development*: Canada will provide funding to develop agri-environmental standards that support the Common Goals and federal Implementation Measures;
- 2.3.3 *Technology Assessment Program*: Canada will provide funding to identify and assess emerging innovative technologies and systems for environmentally responsible agricultural production and provide such information to the various stakeholders in the agricultural sector;
- 2.3.4 *National Land and Water Information Service*: Canada will provide funding to the development and provision of environmental information and decision support tools to land use managers so as to support local and regional agricultural land use planning and management;
- 2.3.5 *Study of Environmental Regulation of Agriculture*: Canada will provide funding to the identification and evaluation of regulations governing agriculture and environment with a view to sharing information and best practices;
- 2.3.6 *Environmental Certification Program*: Canada will provide funding to the establishment of a voluntary and recognized environmental certification program for agriculture;
- 2.3.7 *International Exchange*: Canada will provide funding to facilitate the exchange of expertise between agri-environmental specialists in Canada and other selected countries;
- 2.3.8 *Greencover Program*: Canada will provide funding to the implementation of a program to: (a) convert land marginal for annual crops to permanent cover; (b) improve management of existing forage land; and (c) address environmental issues with respect to riparian areas and biodiversity; and
- 2.3.9 *Water Quality Surveillance Program*: Canada will provide funding for a national risk assessment of microbiological contaminants in agricultural run-off.

3.0 RENEWAL

- 3.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section D of Part Two of the Framework Agreement apply to clause 3.0 of the Implementation Agreement.
- 3.2 **Provincial Implementation Measures** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:
- nil
- 3.3 **Federal Implementation Measures** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:
- 3.3.1 *4-H Program*: Canada will provide funding to the 4-H program, which will: (a) provide skills development for farm and rural youth through leadership; (b) develop farm business and technical skills through projects, workshops and conferences; and, (c) encourage participation in conferences and special events to increase the knowledge and awareness of farm and rural youth on issues related to the environment, farm safety, international markets and innovation in the sector;
- 3.3.2 *Farm Debt Mediation Service*: Canada will provide funding to the Farm Debt Mediation Service Program so that it may continue to provide insolvent farmers and creditors with mediation services;
- 3.3.3 *Canadian Agricultural Safety Program (CASP)*: Canada will provide funding to CASP, which will run promotional and awareness campaigns relating to the causes of accidents and fatalities on the farm. The campaigns will encourage best practices and reduce the number of accidents and fatalities on the farm. CASP will provide a national and provincial network of stakeholders that can: (a) address farm safety and health issues; (b) provide information to policy makers so that sound safety related policies can be adopted; and (c) sustain a national injury surveillance database so as to understand the nature, causes and magnitude of accidents and fatalities on the farm; and,

3.3.4 *Canadian Young Farmers Forum*: Canada will provide funding to The Young Farmers Forum to facilitate the exchange of information between young and beginning farmers. The program will provide a vehicle for the involvement of young and beginning farmers in agricultural issues and agricultural policy-making.

4.0 SCIENCE AND INNOVATION

4.1 **Definitions** Unless stated otherwise, the Parties agree that the definitions contained in Section E of Part Two of the Framework Agreement apply to clause 4.0 of the Implementation Agreement.

4.2 **Provincial Implementation Measures** The Parties agree that the following provincial programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:

- nil

4.3 **Federal Implementation Measures** The Parties agree that the following federal programs and activities are in conformity with the requirements of clauses 5.2 and 6 of the Framework Agreement and may be included in the Federal and Provincial Measures Plan:

4.3.1 *Strategic Development for Science & Innovation (B - Federally Funded Component)*: Canada will provide funding to the *Strategic Development for Science & Innovation* program. The federally funded component will sponsor pilot projects with industry, academic and research institutions so as to fill knowledge gaps identified in the development of value chain innovation strategies.

Federal and Provincial Measures Plan FOOD SAFETY & QUALITY		
ANNEX E-SCHEDULE 1		
Federal Programs	Program Delivery Agent	Description
Food Safety and Quality Incentives		Canada will provide a Contribution to foster national food safety and quality programs. These incentives will be consistent with, augment and complement the food safety and quality program of Annex D, and will consider emergent food safety and quality issues.
Provincial Programs		

Federal and Provincial Measures Plan ENVIRONMENT		
ANNEX E-SCHEDULE 1		
Federal Programs	Program Delivery Agent	Description
National Agri-Environmental Health Analysis and Reporting Program		Canada will provide funding to develop environmental Indicators and related analytical tools to: (a) track and predict environmental performance; (b) support policy and program development; (c) identify environmental conditions in geographic zones and trends attributable to agriculture; and (d) increase environmental awareness;
Federal Agri-Environmental Research Initiative		Canada will provide funding to the Federal Agri-Environmental Research Initiative, which comprises the following: Farming Systems Research, Minor Use Pesticide, Agri-Environmental Standards Development
Technology Assessment Program		Canada will provide funding identify and assess emerging innovative technologies and systems for environmentally responsible agricultural production and provide such information to the various stakeholders in the agricultural sector;
National Land and Water Information Service		Canada will provide funding to development and provision of environmental information and decision support tools to land use managers so as to support local and regional agricultural land use planning and management;
Study of Environmental Regulation of Agriculture		Canada will provide funding to the identification and evaluation of regulations governing agriculture and environment with a view to sharing information and best practices;
Environmental Certification Program		Canada will provide funding to the establishment of a voluntary and recognized environmental certification program for agriculture;
International Exchange		Canada will provide funding to facilitate the exchange of expertise between agri-environmental specialists in Canada and other selected countries;
Greencover Program		Canada will provide funding to the implementation of a program to: (a) convert land marginal for annual crops to permanent cover; (b) improve management of existing forage land; and (c) address environmental issues with respect to riparian areas and biodiversity
Water Quality Surveillance Program		Canada will provide funding for a national risk assessment of microbiological contaminants in agricultural run-off.
Provincial Programs		

**Federal and Provincial Measures Plan
RENEWAL**

ANNEX E-SCHEDULE 1		
Federal Programs	Program Delivery Agent	Description
4-H Program	3rd Party	Canada will provide funding to the 4-H program, which will: (a) provide skills development for farm and rural youth through leadership; (b) develop farm business and technical skills through projects, workshops and conferences; and, (c) encourage participation in conferences and special events to increase the knowledge and awareness of farm and rural youth on issues related to the environment, farm safety, international markets and innovation in the sector
Farm Debt Mediation Service	3rd Party	Canada will provide funding to the Farm Debt Mediation Service program so that it may continue to provide insolvent farmers and their creditors with mediation services
Canadian Agricultural Safety Program	3rd Party	Canada will provide funding to CASP, which will run promotional and awareness campaigns relating to the causes of accidents and fatalities on the farm. The campaigns will encourage best practices and reduce the number of accidents and fatalities on the farm. CASP will provide a national and Territorial network of stakeholders that can: (a) address farm safety and health issues; (b) provide information to policy makers so that sound safety related policies can be adopted; and (c) sustain a national injury surveillance database so as to understand the nature, causes and magnitude of accidents and fatalities on the farm
Canadian Young Farmers Forum	3rd Party	Canada will provide funding to The Young Farmers Forum to facilitate the exchange of information between young and beginning farmers. The program will provide a vehicle for the involvement of young and beginning farmers in agricultural issues and agricultural policy-making.
Provincial Programs		

Federal and Territorial Measures Plan SCIENCE & INNOVATION		
ANNEX E-SCHEDULE 1		
Federal Programs	Program Delivery Agent	Description
Strategic Development for S&I (B) /1		Canada will provide a Contribution to the Strategic Development for Science & Innovation program. The federally funded component will sponsor pilot projects with industry, academic and research institutions so as to fill knowledge gaps identified in the development of value chain innovation strategies.
Provincial Programs		