



ESTIMATES

Department of Finance Canada

**2000-2001
Estimates**

Part III – Report on Plans and Priorities

Canada

The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament. The Estimates, which are tabled in the House of Commons by the President of the Treasury Board, consist of three parts:

Part I – The Government Expenditure Plan provides an overview of federal spending and summarizes both the relationship of the key elements of the Main Estimates to the Expenditure Plan (as set out in the Budget).

Part II – The Main Estimates directly support the *Appropriation Act*. The Main Estimates identify the spending authorities (votes) and amounts to be included in subsequent appropriation bills. Parliament will be asked to approve these votes to enable the government to proceed with its spending plans. Parts I and II of the Estimates are tabled concurrently on or before 1 March.

Part III – Departmental Expenditure Plans which is divided into two components:

- (1) **Reports on Plans and Priorities (RPPs)** are individual expenditure plans for each department and agency (excluding Crown corporations). These reports provide increased levels of detail on a business line basis and contain information on objectives, initiatives and planned results, including links to related resource requirements over a three-year period. The RPPs also provide details on human resource requirements, major capital projects, grants and contributions, and net program costs. They are tabled in Parliament by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*. These documents are to be tabled on or before 31 March and referred to committees, which then report back to the House of Commons pursuant to Standing Order 81(4).
- (2) **Departmental Performance Reports (DPRs)** are individual department and agency accounts of accomplishments achieved against planned performance expectations as set out in respective RPPs. These Performance Reports, which cover the most recently completed fiscal year, are tabled in Parliament in the fall by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of public funds.

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Department of Finance Canada

A Report on Plans and Priorities

**2000–2001
Estimates**



Paul Martin
Minister of Finance

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Section I: Minister's Message

Canada has entered the new millennium equipped with renewed economic strength and confidence. Despite the carry-over from a combination of the Asian financial crisis and a period of falling commodity prices, Canadian economic growth in 1999 likely reached 3.8 per cent. This would bring the average economic growth over the last three years to 3.5 per cent – the strongest three-year performance in more than a decade.

Such resilience and success is rooted first in the sustained effort and innovative capacity of Canadian workers and entrepreneurs. But the federal government's economic and financial policies have helped establish the deficit-free, low-inflation and tax-cutting environment that encourages growth and new jobs (over 1.2 million since the end of 1996).

This underscores the way in which the work of the Department of Finance – the federal department primarily responsible for providing the government with analysis and advice on the country's broad economic and financial affairs – touches directly the lives of every Canadian in each province and territory. And the underlying philosophy that continues to guide the federal government and Finance reflects this responsibility: We recognize that the only true measure of long-term success for our fiscal and economic policies is their ability to generate the jobs, secure social programs and growing real incomes that deliver the quality of life all Canadians deserve.

In today's hard-won era of fiscal surpluses – after two decades of federal deficits – it is one thing to emphasize Finance's role in developing a multi-year plan for further tax reduction and in helping budget key new investments in health care, in children, in environmental protection and in industrial and scientific innovation. Yet it is also important to note the vital work of the department in prudent economic and financial forecasting – working in conjunction with leading private-sector forecasters. This is essential to ensure that tax cuts and investments are made without jeopardizing the government's commitment to balanced budgets – or better – in the years ahead.

The department is developing a new policy framework for the financial services sector that responds to the challenges posed by new information technology, increasing globalization and a rapidly changing marketplace. Our financial institutions are among the most innovative and dynamic companies anywhere, but as the global environment changes there is an ever-increasing need for them to evolve and adjust. Legislative implementation of the new framework will contribute to the competitiveness and dynamism of the sector and ensure that it is responsive to consumer needs.

The department is also playing an important new international role in supporting the G-20 – the recently instituted forum of finance ministers and central bank governors representing 19 countries, the European Union, the World Bank and the International Monetary Fund. Its purpose is to ensure broader participation in discussions on international financial affairs and to promote a more stable global financial system. Here, too, Finance is working actively and creatively to serve Canadians, because – as a major trading nation – we gain directly from efforts to achieve a more secure and prosperous global economy for the benefit of all nations.

Section II: Departmental Overview

A. Mandate, Roles and Responsibilities

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

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

In its central agency role, the department advises on the economic, fiscal, social and tax implications of key priorities. These priorities include jobs and growth; productivity; education and training; science, technology and innovation policies; environmental initiatives; privatization and commercialization initiatives; defence and international assistance expenditures; efforts to advance Canada's social policies and programs; and federal-provincial transfer programs.

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

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

Mission

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

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

Client Groups

The department provides services to the following client groups:

- **The Government, Cabinet and the Treasury Board** – by providing analysis, advice and recommendations regarding the economic, social and financial affairs of Canada as well as tax matters. The department is also responsible for providing instructions for the drafting of legislation in these areas.
- **Parliament and the public** – by supporting an expanded program of public information and consultation. The emphasis here falls on the provision of basic facts to Canadians on key economic and fiscal issues to facilitate wide participation in a more open, broad-based consultation process. This supplements ongoing and wide-ranging consultation with the public in such other key departmental responsibilities as the formulation of tax policy and financial sector policy.

- **Departments and agencies** – by playing an active role in encouraging co-ordination and harmony among all federal initiatives which affect the economy, the financial sector and financial markets.
- **Crown corporations** – by ensuring timely and co-ordinated functioning of corporate borrowing approvals and investment strategies by the Minister of Finance.
- **International economic and finance community** – by being responsible for the development of Canada’s policy with respect to the Bretton Woods Institutions – the World Bank and the International Monetary Fund – and the European Bank for Reconstruction and Development, as well as negotiating double taxation treaties with our treaty partners and representing Canada in a broad range of official international forums, including the financial elements of the G-7, the G-20, the Organization for Economic Co-operation and Development (OECD), the Asia-Pacific Economic Co-operation forum, and the Western Hemisphere Finance Ministers Process, among others.
- **International trade community** – by being responsible for Canada’s economic-import policy, including the *Customs Tariff*, trade remedy legislation and trade in financial services, and by participating in international trade forums such as the World Trade Organization and the OECD, and in related negotiations as they concern trade, import policy, services and investment issues.
- **Provincial and territorial governments** – by constantly working towards improved co-operation on transfer, fiscal, taxation and financial sector issues to ensure a co-ordinated approach to issues of concern to all governments, and by working with provinces and territories as the joint stewards of the Canada Pension Plan (CPP) to ensure that it remains financially secure and stable.
- **Parliamentary and Senate committees** – by being the primary sponsor of bills on taxation and financial matters and steering them through the parliamentary process.
- **Canadian interest groups** – by consulting widely with representatives of business, labour, social, volunteer and other groups in the Canadian economy on potential budget measures and a wide range of other policies and initiatives.
- **Financial market participants** – by working with market participants to improve debt management practices and to promote the maintenance of a well-functioning market for Government of Canada securities, and by ensuring that investors in Canadian government debt are well-informed of financial and economic developments.

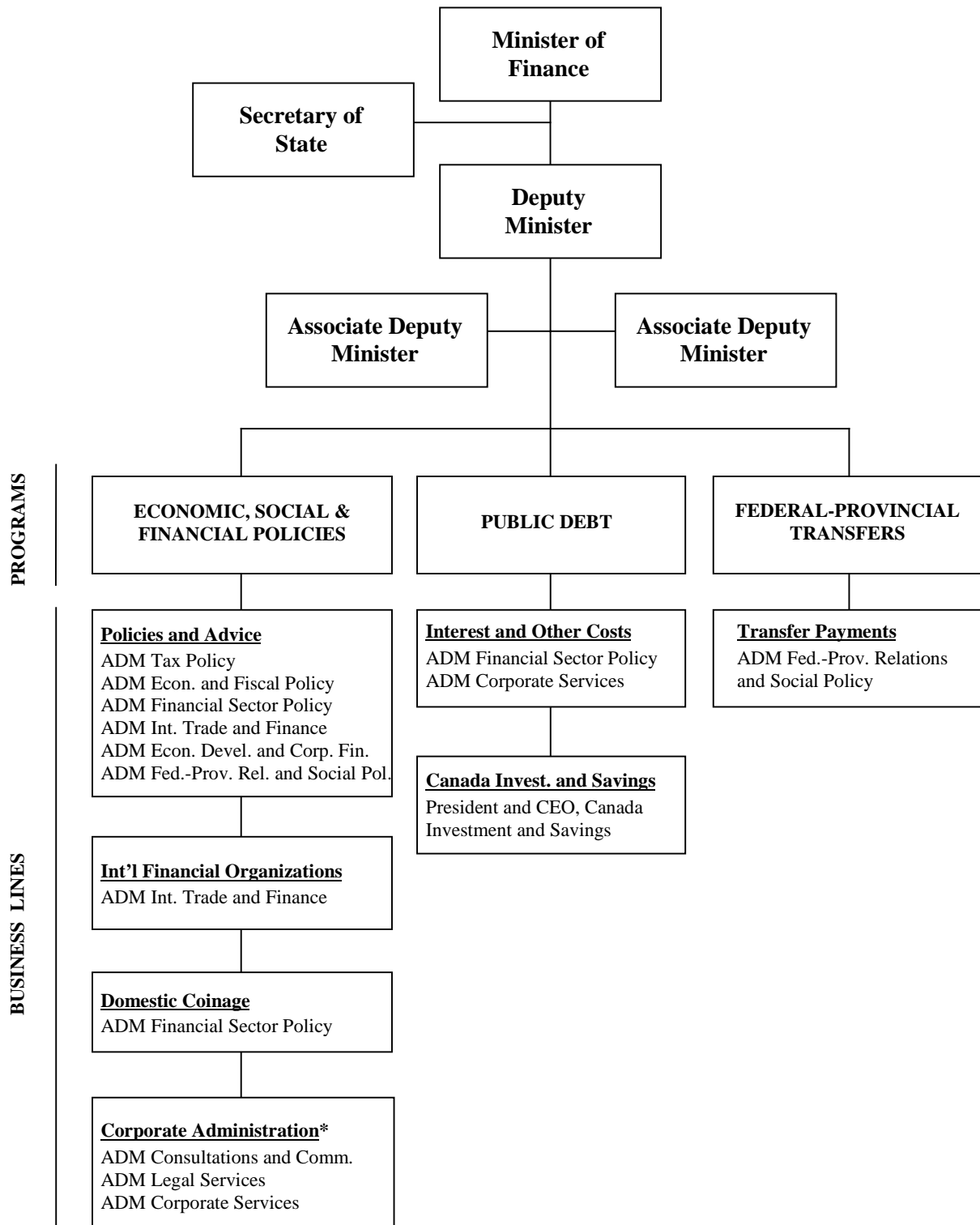
B. Departmental and Program Objectives

The Department of Finance operates under sections 14–16 of the *Financial Administration Act*, which provides the Minister with broad responsibility for “the management of the Consolidated Revenue Fund and the supervision, control and direction of all matters relating to the financial affairs of Canada not by law assigned to the Treasury Board or to any other Minister.” The following are the department’s program objectives:

- **Economic, Social and Financial Policies Program** – appropriate policies and sound advice with respect to economic, social and financial conditions and to the government’s agenda; responsible administration of international financial obligations and subscriptions; economical production of domestic coinage and payment of production costs; responsible financing of special projects; and effective and efficient corporate administration.
- **Public Debt Program** – the statutory funding of interest and service costs of the public debt and the issuing costs of new borrowings, if required.
- **Federal-Provincial Transfers Program** – transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer, Equalization and other transfers, and pursuant to Territorial Formula Financing agreements.

These three programs, as well as the associated business and service lines, are delivered by six policy branches supported by Consultations and Communications Branch, Law Branch and Corporate Services Branch. The organizational structure is displayed on the following page.

Organizational Structure



* This business line also includes departmental management.

C. External Factors Influencing the Department

The Policies and Advice Business Line

The government is faced with continuing financial and economic challenges in an environment of ongoing global economic restructuring, constant socio-technological changes, and challenging new public expectations for smaller, more focused government.

In responding to government priorities, those in the Policies and Advice business line concern themselves with economic, social, international and intergovernmental issues. Departmental priorities are shaped by the government's agenda and by the department's analysis of the strengths and weaknesses of the Canadian economy. As economic conditions change in Canada or abroad, the department shifts program resources to enable it to respond to the requirement for new or revised policies.

The department's involvement in such a broad range of functions related to economic policy formulation and implementation necessitates extensive consultation not only within the federal government, but also with provincial governments and the private sector. This consultation function provides the department not only with feedback on proposed federal initiatives, but also with a vehicle for reacting to specific proposals from outside the federal government.

The government has an extremely demanding policy and legislative agenda, calling for heavy involvement by the department. Given significant surpluses expected in years to come, the government has indicated its intention to implement a multi-year tax relief plan to address identified structural problems within the tax system. Demands for economic, social and financial policies, analysis and advice have been increasing significantly on all fronts, for example, with regard to tax policy, financial sector policy, social policy, trade policy, economic development and corporate finance, legal services and communications.

The International Financial Organizations Business Line

The government has long subscribed to the benefits of multilateralism. In keeping with this strategy, Canada has a tradition of strong support for the operations of the international financial organizations.

Our financial contributions to these organizations are based on traditional burden-sharing arrangements with other shareholder governments, together with a judgement of the organizations' overall effectiveness.

The emerging market financial crisis that began in Asia in 1997 and spread to Russia and Latin America in 1998 has meant that Canada has been asked and may again be asked, to contribute to assistance packages in support of International Financial Institutions (IFI) programs. We must ensure that the terms of Canada's participation pay due regard to considerations of equitable burden-sharing, as well as to the security of the Canadian contribution. More importantly, however, the periodic bouts of instability which have characterized international financial markets in the 1990s have underscored the importance of working with the IFIs and other major economies to strengthen the system. This would reduce the risk of future crises and enable those involved to deal more effectively with them when they occur.

The Domestic Coinage Business Line

The Department works co-operatively with the Royal Canadian Mint to ensure that its coin production meets the needs of Canadian consumers and businesses. The demand for domestic circulating coinage is influenced largely by economic growth. In 2000 the Mint will issue commemorative 25-cent and \$2 coins to celebrate the millennium. In the longer term, the increased use of electronic money is expected to reduce the demand for coinage.

The Corporate Administration Business Line

The federal government's modern management agenda, which emphasizes putting the needs of citizens first, delivering and reporting on results for Canadians, and improving management practices across government, will affect corporate administration and how the department is managed.

The Interest and Other Costs Business Line

External factors which influence the business line include:

- market volatility and changes in levels of interest rates;
- financial sector consolidation, market globalization and technological changes (liquidity standards must be raised to attract a wide range of investors); and
- the effect of declining borrowing needs on liquidity in Government of Canada securities markets.

The Canada Investment and Savings Business Line

External factors influencing this business line include:

- an aging Canadian population aiming at financial security for their retirement;
- continued low interest rates with consequent declining demand for fixed-income instruments, including savings and Guaranteed Investment Certificates;

- strong market competition for savings and investment dollars from traditional and non-traditional channels;
- growing awareness among Canadians of the risk-return trade-off and a willingness to invest in riskier financial instruments;
- rapid development of new cost-effective distribution channels, including electronic commerce (telephone banking and the Internet); and
- greater reliance on investment advisers for making investment decisions.

The Transfer Payments Business Line

The government provides funds to ensure that provincial and territorial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. The government also provides funds to provinces and territories for post-secondary education, health care and social programs. The federal transfers are significant and ensure that national principles such as those of medicare are upheld while respecting provincial jurisdictions. The main external factors affecting the Federal-Provincial Transfers Program are the changing provincial and territorial economic, demographic, fiscal and taxation environments.

D. Departmental Planned Spending

	Forecast Spending 1999–2000*	Planned Spending 2000–2001	Planned Spending 2001–2002
	(\$ millions)		
Budgetary Main Estimates (gross)	65,700.5	64,403.9	65,100.2
Non-Budgetary Main Estimates (gross)	276.8	462.0	24.2
Less: Respendable revenue	6.4	7.1	6.3
Total Main Estimates	65,970.9	64,858.8	65,118.1
Adjustments**	–	14.4	3.8
Net Planned Spending	65,970.9	64,873.2	65,121.9
Less: Non-respendable revenue	145.6	129.9	97.6
Plus: Cost of services received without charge	13.7	9.4	9.5
Net Cost of Program	65,839.0	64,752.7	65,033.8
Full-Time Equivalents	698	747	736

* Reflects best forecast of total planned spending to the end of the fiscal year.

** Adjustments are to accommodate approvals obtained since the Annual Reference Level Update (ARLU) exercise and to include budget initiatives.

Section III: Plans, Results and Resources (by Program and Business Line)

The Department of Finance plays an important role in working with other federal departments and the provinces to ensure that government policies and programs are consistent with fiscal objectives and that they foster growth and create jobs, thus ensuring that the resulting decisions are appropriate and based on sound advice.

As the fiscal situation has improved and a surplus is now available for allocation in the annual budget, the department has participated in developing an appropriate framework for the use of this surplus and will continue to do so.

The fall Economic and Fiscal Update, presented by the Minister of Finance November 2, 1999, articulated four crucial elements that would guide economic policies in general:

- Building a solid foundation for economic growth by providing sound financial management;
- Promoting economic growth and a better quality of life by reducing taxes;
- Making our economy more competitive by making it more innovative; and
- Providing security and opportunity for Canadians by investing in skills and knowledge.

The department plays a partnership role by working closely with other government departments on two of these four elements – namely, securing a more competitive economy by vigorously encouraging innovation, and providing security and opportunity for Canadians by promoting adequate investments in skills and knowledge. The department takes the lead responsibility, on behalf of the government, for delivering on the other two elements: providing sound financial management and reducing the tax burden.

The key priorities established for the planning period reflect these two direct responsibilities as well as our ongoing commitments to secure social programs, a secure global financial future, a competitive and secure financial services sector and contributions to “getting government right.”

The following chart summarizes our key departmental priorities linked to key results commitments.

Key Results Commitments with Priorities

Sound Financial Management

Economic and Fiscal Policy

Implementing the 2000 Budget to deliver balanced books or better

Developing the fiscal framework for 2001 and subsequent budgets to implement the government's priorities with a balanced budget or better

Public Debt

Debt management – providing stable, low-cost financing and maintaining a well-functioning market in Government of Canada securities

Cash and reserves management – maintaining a prudent level of liquidity and effectively managing asset portfolios

Risk management – identifying, evaluating and reporting on financial risks

Canada Investment & Savings

Diversifying the government's investor base

Providing cost-effective retail debt products that meet Canadians' investment and savings needs

Reducing the Tax Burden

Tax Policy

Monitoring Canada's tax system on an ongoing basis and making changes as necessary

Providing personal income tax relief

Improving the fairness and neutrality of Canada's corporate tax system and ensuring that it remains internationally competitive

Developing and implementing budget income tax legislation and other tax measures

Maintaining and expanding Canada's tax treaty network

Secure Social Programs

National Children's Agenda

Supporting work towards an action plan on early childhood development

Canada Child Tax Benefit

Developing policies on the Canada Child Tax Benefit to provide effective income support for families with children

Canada Pension Plan

Together with Human Resources Development Canada and provinces and territories, working towards an agreement on changes, if any, to be made to the CPP as part of the next triennial review

Federal-Provincial Transfers

Equalization, the Canada Health and Social Transfer and Territorial Formula Financing – developing policy and conducting research in preparation for the consultation and renewal process for major transfers

A Secure Global Financial Future

International

Supporting the Minister as the inaugural chair of the new G-20 group of developed economies and emerging markets, the chair of the Western Hemisphere Finance Ministers (WHFM) process for 2000–2001 and the chair of the G-7 Finance Ministers process in 2002

Pursuing Canada's trade and investment interests in multilateral and regional trade and investment negotiations and dispute settlements (WTO, NAFTA and so forth)

Assessing industry requests for unilateral tariff changes

Working with G-7 partners and International Financial Institutions (IFIs) to implement the Heavily Indebted Poor Countries (HIPC) Initiative as announced at the 1999 Cologne Summit

Working with the International Monetary Fund and the World Bank to develop necessary crisis prevention and management tools

Economic Development and Corporate Finance

Assessing the fiscal and economic costs of meeting the Kyoto Protocol commitment to reduce greenhouse gas emissions 6 per cent below 1990 levels

A Competitive and Secure Financial Services Sector

Financial Sector

Implementing the new policy framework for the financial services sector through legislative proposals

Advising the Minister and senior management on any proposal for the acquisition of a major financial institution

Developing a new regime for the entry of foreign banks

Passage of new money-laundering legislation and the establishment of a new agency to collect and analyse information

Contributions to “Getting Government Right”

Federal-Provincial Relations

Developing policies on financial arrangements for Aboriginal self-government agreements, including policy on own-source revenue

Tax Policy

Facilitating the exercise of taxation powers by First Nations while maintaining the integrity of the Canadian tax system

Federal administration of provincial taxes

Privatization Agenda

Disposing of two remaining assets (shares of Petro-Canada and an interest in Hibernia)

Domestic Coinage

Ensuring domestic coin production by the Royal Canadian Mint at a reasonable cost to meet the needs of the Canadian economy

Consultations and Communications

Improving the way in which the department communicates with Canadians

Improving the ability of the department to analyse and understand the views of Canadians and to monitor media coverage

Corporate Services

Implementing the Financial Information Strategy (FIS) within the Department

Renewing the internal management and planning framework for the department, consistent with the government's modern management agenda, in particular with the principles of modern comptrollership and FIS

Supporting departmental management in enhancing the department's approach to managing its people and the overall work environment

Canada Investment and Savings

Giving Canadians timely and cost-effective services with an emphasis on the lower-cost channels

The programs and business lines of the department are presented on the following pages. For each of these programs or business lines, the "Key Results Commitments, Priorities, Planned Results and Strategies" are given (sub-sections "D").

In these sub-sections you will find each priority under the heading of one of the key result commitments that is displayed above. For example, "Implementing the 2000 Budget to Deliver Balanced Books or Better" is a priority for the Policies and Advice Business Line of the Economic, Social and Financial Policies Program. It is presented under the heading "Sound Financial Management," the key result commitment found on page 12 above.

1. Economic, Social and Financial Policies Program

1.1 Policies and Advice Business Line

A. Planned Spending (by Service Line) and Full-Time Equivalents

	Forecast Spending 1999–2000	Planned Spending 2000–2001*	Planned Spending 2001–2002	Planned Spending 2002–2003
	(\$ millions)			
Economic and Fiscal Policy	7.5	7.5	7.6	7.6
International Trade and Finance	7.7	8.1	8.1	8.1
Tax Policy	14.5	12.3	12.4	12.4
Financial Sector Policy	9.6	27.5	30.6	28.1
Federal-Provincial Relations and Social Policy	5.3	4.9	5.0	5.0
Economic Development and Corporate Finance	4.3	4.3	4.3	4.3
Total Net Expenditures	48.9	64.6	68.1	65.6
Full-Time Equivalents	456	501	490	490

* Reflects reallocation of resources not reflected in Part II of the Main Estimates (transferred from Corporate Administration business line).

B. Objective

- Appropriate policies and sound advice with respect to economic, social and financial conditions and the government's agenda.

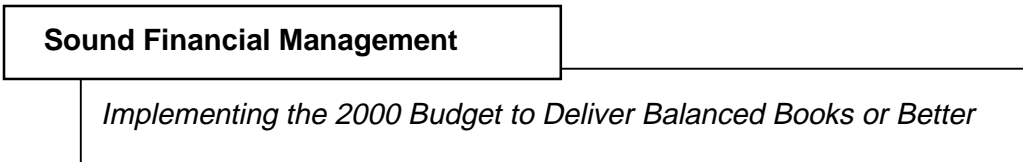
C. Description

- Economic and Fiscal Policy: the domestic and international economic and financial outlook; the government's overall fiscal framework, expenditure plan and resource allocation; and the government's overall economic policy framework;
- International Trade and Finance: with specific reference to import tariffs and trade remedies; foreign direct investment and economic co-operation; international development assistance and international financial relations;
- Tax Policy: the development and evaluation of federal taxation policies and legislation with respect to income, sales and excise taxes;
- Financial Sector Policy: government borrowing and debt management; legislation governing federally regulated financial institutions; financial, investment and borrowing issues relating to Crown corporations, departments and agencies; and government pension plan investment policies;

- Federal-Provincial Relations and Social Policy: federal-provincial fiscal and economic relations and Canadian social policies and programs; and
- Economic Development and Corporate Finance: the economic, fiscal and financial implications of the government's micro-economic policies and programs, including loans, investments and guarantees of the Crown; proposals for assistance to major projects or corporate restructuring initiatives advanced by the private sector; the management and, as appropriate, the privatization of Crown corporations and other corporate holdings; and the commercialization/privatization of government services.

D. Key Results Commitments, Priorities, Planned Results and Strategies

All priorities identified for the upcoming planning period have been linked to one of the six key results commitments displayed in the chart on pages 12–15. The key result commitment is identified and is immediately followed by the priority linked to it, including a description of planned results, strategies to be employed and attendant risks.



Planned Results

- A budget that is balanced, or better, on a Public Accounts basis, in support of strong, sustainable growth in jobs and incomes

Strategies

- Timely assessment of near-term economic developments and future economic prospects
- Timely assessment of fiscal developments through the 2000–2001 fiscal year

Risks

Global economic and financial volatility may affect the Canadian economy, and thus the government's revenues and program expenditures, as well as the costs of servicing the government's debt.

Sound Financial Management

Developing the Fiscal Framework for 2001 and Subsequent Budgets to Implement the Government's Priorities with a Balanced Budget or Better

Planned Results

- A balanced budget that will maintain the debt-to-GDP ratio – the broadest measure of the burden of the government's debt on the living standards of Canadians – on a steady downward path
- An extended period of budgets that are balanced, or better, and declining debt burden to restore further the government's fiscal credibility, which directly affects market interest rates and thus the economy's capacity to generate growth and jobs
- A reduced debt burden over the medium-term to improve the government's ability to cope with the demographic transition associated with a rapidly aging Canadian society, particularly after 2011, without raising the burden of debt or of taxation
- A reduced debt burden to minimize the potential intergenerational unfairness associated with excessive debt

Strategies

- Development of a prudent fiscal planning framework
- Timely assessment of economic prospects for Canada and the global economy, and of the effects of the global economy on Canada
- Timely assessment of key economic and fiscal threats to the fiscal framework

Risks

Economic and financial volatility, globally or within Canada, could affect the government's revenues, program expenditures and the cost of servicing the debt.

Reducing the Tax Burden

Monitoring Canada's Tax System on an Ongoing Basis and Making Changes as Necessary

Planned Results

- A tax system that adapts to changing fiscal, economic and social realities

Strategies

The changing nature of the economic and social climate in Canada and its major competitors requires that the tax system be constantly reviewed and evaluated.

Risks

Implementation of changes will depend upon the availability of fiscal resources. The tax system is constantly being challenged by aggressive tax-planning strategies.

Reducing the Tax Burden

Providing Personal Income Tax Relief

Planned Results

- Lower overall tax burden
- Increased disposable income
- Increased support for families with children
- Better incentives for economic growth, investment, work effort and entrepreneurship
- Possible need for investments in other priority areas

Strategies

In the 2000 Budget, the government will set out a multi-year plan to cut taxes further.

The principles underlying this plan will be as follows:

- The approach to tax relief must be fair. Tax reductions must ultimately benefit all Canadians, but first they must benefit those who need it the most – middle-income and low-income earners, especially families with children.
- Broad-based tax relief should focus initially on personal income taxes. That is where the burden is greatest – where Canadian taxes are most out of line with our history and with other countries.
- The business tax system should be internationally competitive.
- Broad-based tax relief should not be financed with borrowed money.

Risks

Implementation depends upon the availability of fiscal resources.

International economic developments can affect the size of the surplus available for tax relief.

Reducing the Tax Burden

<i>Improving the Fairness and Neutrality of the Corporate Tax System</i>
--

Planned Results

- Improve the overall fairness and neutrality of the tax system
- Reduce the variation in effective tax rates for different sectors
- Contribute to enhanced economic growth
- Help provide a stable revenue base

Strategies

- Constant monitoring of the corporate tax system
- Implementation of changes to the tax system as necessary to maintain and enhance tax fairness and neutrality

Risks

Measures that were appropriate when introduced may become unsuitable due to changes in the economy, new priorities, aggressive tax-planning, or a need to improve compliance.

Reducing the Tax Burden

Ensuring That Canada's Corporate Tax System Remains Internationally Competitive

Planned Results

- A business tax system that is more competitive internationally
- A lower tax burden for corporations facing the highest income tax rate
- Enhanced investment and corporate activity
- Better incentives for economic growth, entrepreneurship and productivity

Strategies

The medium-term corporate rate reduction and other tax changes will be implemented to promote economic growth.

Risks

Implementation depends upon the availability of fiscal resources.

International economic developments could affect the size of the surplus available for tax relief.

Reducing the Tax Burden

Developing and Implementing Budget Income Tax Legislation and Other Tax Measures

Planned Results

- Maintenance of the existing revenue base
- Effective implementation of changes to the income tax law

Strategies

Precise legislative proposals will be developed within the few months following each budget, followed by release and consultation and formal introduction in Parliament.

The department will work closely with Canada Customs and Revenue Agency and the tax community to identify any problems in the tax law and, if any are identified, will develop the necessary solutions (which, depending on the urgency, may be announced immediately or deferred for release as part of a technical bill).

Risks

The *Income Tax Act* is responsible for generating the bulk of the federal government's revenues. Risks to this revenue base come from two sources: challenges to the existing law and ongoing adjustments related to the significant number of changes made to the law each year.

Reducing the Tax Burden

<i>Maintaining and Expanding Canada's Tax Treaty Network</i>
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Planned Results

- An improved and expanded treaty network that facilitates trade and investment and aids in the elimination of tax evasion

Strategies

- Pursuit of talks to update existing tax treaties with key treaty partners (for example, US, UK, Germany)
- Expansion of treaty network, particularly in South America

Risks

Tax treaties, by their nature, impose constraints on each country's ability to implement and apply its own tax laws. The risk always exists that negotiated treaty rules may conflict with a new domestic tax policy choice.

Secure Social Programs

National Children's Agenda

Planned Results

The November 1999 Speech from the Throne invited all governments to work together to reach an agreement on a national action plan to support early childhood development by December 2000.

Strategies

In 1997 Canada's federal and provincial governments launched the National Child Benefit System, a partnership to improve income support and services to Canadian children in a co-ordinated manner through the Canada Child Tax Benefit and provincial improvements to benefits and services for children. In the 1999 Speech from the Throne, the government committed itself to making a third significant investment in the National Child Benefit System. Canada's governments are also working on a National Children's Agenda (NCA) to co-ordinate efforts of governments, the voluntary sector and Canadians to guide long-term efforts to improve support for children.

Also, in the 1999 Speech from the Throne, the federal government invited all governments to focus on the early childhood development component of the NCA, with a view to reaching agreement on an action plan by December 2000. This plan would include common principles, objectives and fiscal parameters for all governments to increase their support for early childhood services.

The Department is working with the departments of Health and Human Resources Development Canada to develop the federal position on the NCA.

Risks

The challenge will be to secure agreement among governments on a national action plan for early childhood development, taking into account their different circumstances, approaches and progress with respect to early childhood development.

Secure Social Programs

Canada Child Tax Benefit

Planned Results

- A significant increase in benefits to low-income families with children
- Tax relief for families with children and low, modest and middle incomes

Strategies

The department will develop policies on the Canada Child Tax Benefit to enhance income support for low, modest and middle-income families with children.

Risks

Federal Child Tax Benefits are more effective when coordinated with provincial and territorial complementary support for families with children.

Secure Social Programs

Canada Pension Plan

Planned Results

- An annual report on the operations of the Canada Pension Plan (CPP), written in conjunction with HRDC and the provinces and territories
- A federal-provincial/territorial agreement in 2002–2003 on changes, if any, to be made to the CPP as part of the new triennial review established in conjunction with HRDC and the provinces and territories
- Amendment of the Canada Pension Plan Investment Board (CPPIB) regulations to allow the Board to undertake more active management of domestic equity investments.

Strategies

- Together with the provinces, the Minister of Finance is responsible for setting CPP contributions rates and for the investment policy of the Plan. As joint stewards of the CPP, federal and provincial Finance Ministers concluded in December 1999 their first formal triennial review of the financial state of the CPP since important changes to sustain the Plan were legislated, effective

1998. They agreed not to modify the schedule of contributions, based on actuarial reviews confirming the long-term financial soundness of the CPP.

- Ministers agreed to continue work on possible enhancements to the security and stability of the CPP. The Department will work with HRDC and the provinces on issues to be reviewed in the context of the next triennial review starting in 2000–2001.
- The independent Canada Pension Plan Investment Board (CPPIB) was set up to manage new CPP funds prudently and professionally in the best interests of contributors and beneficiaries, with a view to achieving a maximum rate of return without undue risk of loss. Federal and provincial Finance Ministers agreed in December 1999 to allow the Board to invest actively up to fifty per cent of the funds that it allocates to domestic equities. The Department will work towards amending CPPIB regulations accordingly.

Secure Social Programs

Federal-Provincial Fiscal Arrangements (Equalization, Canada Health and Social Transfer, Territorial Formula Financing)

Planned Results

- Research and consultation with provinces and territories, leading to work plans for major transfers from here to the renewal of the legislation, set to expire April 1, 2004

Strategies

The recent five-year funding arrangements for major transfers to provinces and territories (Canada Health and Social Transfer, Equalization, Territorial Formula Financing) provide all provinces and territories with the stability they need for long-term planning in the area of post-secondary education, health care and other social services. Plans are being developed to renew the existing five-year arrangements set to expire in 2003–2004. This process will include regular consultations with provinces and territories.

A Secure Global Financial Future

Supporting the Minister as Inaugural Chair of the New G-20 Group of Developed Economies and Emerging Markets, the Chair of the Western Hemisphere Finance Ministers (WHFM) Process for 2000–2001 and the Chair of the G-7 Finance Ministers Process in 2002

Planned Results

- Successful launch of the G-20
- Statement of principles on domestic policy actions to reduce countries' vulnerability to crises
- Set agenda for reform of International Financial Institutions (IFIs) to contribute to international financial stability
- Successful meetings of the WHFM and G-7 to build on the work of the G-20

Strategies

By chairing the G-20, Canada can make a key contribution to the design of a more secure international financial system.

Canada will follow up its chairmanship of the G-20 by chairing the WHFM and then the G-7, which will reinforce its ability to contribute to a more secure international financial system.

Risks

Failure to secure agreement will leave the international system vulnerable to future crises.

A Secure Global Financial Future

Pursuing Canada's Trade and Investment Interests in Multilateral and Regional Trade and Investment Negotiations

Planned Results

- Canada anticipates net economic gains through increased access to foreign markets for goods and services.

Strategies

International trade in goods and services and foreign investment are key elements of Canadian economic policy. Canada's participation in international trade negotiations is primarily designed to achieve trade liberalization, improving access to foreign markets for Canadian goods and services and enhancing the protection of Canadian investments abroad. Canada's participation in international trade negotiations is led by the Department of Foreign Affairs and International Trade. The Department of Finance plays a lead role in the areas of import policy and financial services and actively participates in discussions in other areas of interest, such as investment.

In light of the failure to launch a new round of multilateral trade negotiations at the World Trade Organisation (WTO) Ministerial Meeting in Seattle (December 1999), the immediate focus of the department will be to participate in discussions and negotiations on the WTO Built-in Agenda (for example, agriculture and services) and on the accession of new member countries joining the WTO. It will also participate in discussions on the trade agenda post-Seattle.

The department will continue to be involved in the negotiations with the European Free Trade Association with a view to concluding the negotiations in 2000 and will continue to participate in the "Free Trade Area of the Americas" negotiations on matters of specific interest to the department.

A Secure Global Financial Future

Pursuing Canada's Trade and Investment Interests in Multilateral and Regional Trade and Investment Dispute Settlements (WTO, NAFTA, and so forth)

Planned Results

- Have recourse to the dispute settlement mechanisms available to Canada under trade agreements

Strategies

Canada's current and future prosperity depends significantly on trade: one in three jobs and 40 per cent of Canada's gross domestic product (GDP) are sustained by exports. As a trade-dependent nation, Canada is a beneficiary of rules-based trading regimes such as the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). It depends on a rules-based trading system to provide clear and predictable trade conditions for its goods and services. The WTO dispute settlement system, for example, serves to clarify the rights and obligations of all WTO members and to ensure that members abide by their international trade commitments.

In conjunction with the Department of Foreign Affairs and International Trade (lead department) and other departments involved in trade policy, the Department of Finance will continue to provide policy advice regarding the settlement of disputes involving Canada and will participate in the preparation of Canada's intervention as a third party in disputes between other countries involving the interpretation of trade rules of specific interest to Canada.

Risks

While reliance on dispute settlement mechanisms is important to Canada as a means of clarifying trade rules and protecting its trade and economic interests, Canadian measures may be challenged by Canada's trading partners and found to be inconsistent with Canada's bilateral or multilateral trade obligations.

A Secure Global Financial Future

Assessing Industry Requests for Unilateral Tariff Changes

Planned Results

- The implementation of unilateral tariff changes, where warranted, so that the competitiveness of Canadian manufacturers is maintained or enhanced

Strategies

The Department receives requests on a regular basis from industry for tariff relief on materials used in the production of goods. As well, under the textile tariff reference, recommendations are received from the Canadian International Trade Tribunal in respect of industry requests for the elimination of the tariff on certain textile manufacturing materials.

The *Customs Tariff* contains certain provisions that allow the government to respond, in a timely manner, to the competitive needs of Canadian industry. In this regard, the Department will continue to review industry requests for tariff relief as well as recommendations by the Canadian International Trade Tribunal.

Risks

Failure to implement tariff relief measures where warranted could adversely affect the competitiveness of Canadian producers.

A Secure Global Financial Future

Assessing the Fiscal and Economic Costs of Meeting the Kyoto Protocol Commitment to Reduce Greenhouse Gas Emissions 6 Per Cent Below 1990 Levels

Planned Results

- Development of a cost-effective national strategy appropriate for Canada

Strategies

- Continued participation in the process of developing and putting in place a national strategy on climate change
- Provision of research, analysis and advice on the potential roles of a major economic instrument (for example, emissions trading) and other policy or program options in a cost-effective strategy

Risks

- No significant environmental improvement unless considerable future reductions achieved
- Pressures for less-than-effective measures that may be inconsistent with Canada's economic and fiscal priorities

A Competitive and Secure Financial Services Sector

Implementing the New Policy Framework for the Financial Services Sector through Legislative Proposals

Planned Results

- A competitive and dynamic financial services sector that is also responsive to consumer needs

Strategies

Having released a policy paper titled *Reforming Canada's Financial Services Sector: A Framework for the Future* in June 1999, the Department will continue to consult with stakeholders and other government agencies to develop the best possible legislation.

Risks

- The regulatory framework may not properly reflect the rapidly evolving sector

A Competitive and Secure Financial Services Sector

Advising the Minister and Senior Management on Any Proposals for the Acquisition of a Major Financial Institution

Planned Results

- A competitive and dynamic financial services sector that is also responsive to consumer needs

Strategies

- Conduct analyses of public interest considerations associated with proposed mergers and acquisitions
- Co-ordinate response with the independent advice provided by the Competition Bureau and the Office of the Superintendent of Financial Institutions

Risks

- Criticism that government policy is not keeping pace with the rapid trend of consolidation everywhere else in the world and hindering the growth of the sector
- Alternatively, the government might be criticized for allowing certain transactions to proceed to the detriment of public interests

A Competitive and Secure Financial Services Sector

Developing a New Regime for the Entry of Foreign Banks

Planned Results

- Broader range of entry options for foreign institutions wishing to enter Canada
- Increased competition in the Canadian financial services sector

Strategies

- Conduct analysis of the integration of an entry regime for foreign banks in the new domestic financial sector framework
- Propose legislative amendments to the regime concurrent with the domestic legislative package

Risks

- Measures not sufficient to maintain a strong foreign bank presence in Canada
- Uneven playing field for domestic and foreign players

A Competitive and Secure Financial Services Sector

Passage of New Money-Laundering Legislation and the Establishment of a New Agency to Collect and Analyze Information

Planned Results

- Enhance Canada's contribution to international efforts to detect and deter money-laundering
- Contribute to the fight against organized crime

Strategies

- Legislation requiring mandatory reporting of certain financial transactions and large cross-border currency movements
- Creation of an independent agency, that is, the Financial Transactions and Reports Analysis Centre of Canada, to receive and manage the reports (A transition team has been created to plan establishment of the Centre.)

Risks

- Canada's reputation may suffer if it is not effective in deterring money-laundering
- Failure to meet Canada's international commitments

Contributions to “Getting Government Right”

Developing Policies on Financial Arrangements for Aboriginal Self-Government Agreements, Including Policy on Own-Source Revenue

Planned Results

- Elaboration of federal policy on financial arrangements, including First Nation own-source revenues, to support Aboriginal governance
- New and innovative fiscal transfer models that support sustainable, accountable and effective Aboriginal governments while providing flexible and equitable treatment

Strategies

To support Indian and Northern Affairs Canada in the development of federal policies regarding financial arrangements, including the assessment and measurement of own-source revenues, for Aboriginal governments

Risks

The wide range of circumstances among First Nation communities in Canada presents a challenge in the development of new financial arrangements for Aboriginal governments.

Contributions to “Getting Government Right”

Facilitating the Exercise of Taxation Powers by First Nations While Maintaining the Integrity of the Canadian Tax System

Planned Results

- Facilitate and promote the exercise of taxation powers by First Nations
- Help First Nations achieve a greater degree of self-government, self-reliance and accountability towards their members
- Help make the Canadian tax system more efficient by filling the gap created by the *Indian Act* exemption

Strategies

- Continue to help build a critical mass of First Nations exercising taxation powers on a band-by-band basis
- Work with the Assembly of First Nations (AFN) through the Canada-AFN fiscal table process, to build a consensus among First Nations on the idea of framework-enabling legislation

Risks

Some non-Aboriginals may disapprove of the fact that they would be subject to an Aboriginal tax. (While the First Nations' taxes occupy tax room that was made available by the *Indian Act* exemption, the government also shares with First Nations the federal tax revenues from taxes paid by non-Aboriginals on reserve.)

Contributions to "Getting Government Right"
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<i>Federal Administration of Provincial Taxes</i>

Planned Results

- Provinces have more flexibility to meet their objectives
- Both provinces and the federal government have a set of guidelines that are clear and objective
- The common tax base is preserved

Strategies

The department will pursue a new, more flexible and clearer framework for federal administration of provincial taxes.

It will maintain the essential feature of co-ordinated tax systems, that is, a common tax base.

Risks

The Canada Customs and Revenue Agency (CCRA) may not be able to put in place the required administrative apparatus in time.

Contributions to “Getting Government Right”

*Privatization Agenda: Disposal of Two Remaining Assets
(Shares of Petro-Canada and an Interest in Hibernia)*

Planned Results

- Successful disposal of 49 million Petro-Canada shares
- Successful disposal of 8.5 per cent interest in the Hibernia Oil Project

Strategies

The department will monitor information and obtain advice concerning the various risks and opportunities involved, in order to identify the appropriate time and method for disposing of the assets.

In the case of Hibernia, this has included the retention of a financial advisor and the formation of an advisory group representing involved departments and Crown corporations.

With respect to the Petro-Canada shares, this involves maintaining a dialogue with major domestic and international investment banking firms on commodity, market and company-specific outlooks.

Risks

Assets are in the oil and gas sector where commodity prices are subject to significant variation. Cyclical equity market risks are associated with Petro-Canada shares which trade on domestic and US stock markets.

Company-specific risks apply to both assets.

Project risks associated with Hibernia include the ultimate size of the oil reserve, the rate of oil production and the physical security of the project infrastructure.

1.2 International Financial Organizations Business Line

A. Planned Spending (by Service Line)

	Forecast Payments 1999–2000	Planned Payments 2000–2001	Planned Payments 2001–2002	Planned Payments 2002–2003
	(\$ millions)			
Payments				
<u>Budgetary</u>				
International Development Association ¹	361.3	365.7	262.0	200.8
Poverty Reduction and Growth Facility ²	–	48.2	40.5	16.5
Grants and Contributions (Multilateral Agreements)	472.9	330.0	326.0	326.0
Total Budgetary	834.2	743.9	628.5	543.3
<u>Non-Budgetary</u>				
Poverty Reduction and Growth Facility ²	161.0	440.0	–	–
European Bank for Reconstruction and Development	11.8	13.5	15.7	17.8
Loan to Thailand	104.0	–	–	–
Total Non-Budgetary	276.8	453.5³	15.7	17.8
Total	1,111.0	1,197.4	644.2	561.1

¹ Canada will also issue notes worth \$202.3 million in each of the fiscal years 2000–2001, 2001–2002 and 2002–2003.

² The name has changed from “*International Monetary Fund’s Enhanced Structural Adjustment Facility*” to “*Poverty Reduction and Growth Facility*,” effective 2000–2001.

³ Does not reflect note issuances of \$8.5 million to the European Bank for Reconstruction and Development included in Part II of the Estimates.

B. Objective

- Responsible administration of international financial obligations and subscriptions

C. Description

- Makes payments to such organizations as the International Development Association (IDA), the Poverty Reduction and Growth Facility (PRGF), and the European Bank for Reconstruction and Development (EBRD)
- Makes grants and contributions to international debtors under Paris Club
- Through Canada’s governorship and representation on the executive boards of these institutions, works to ensure that resources are used efficiently to promote growth and equitable development in the world economy

D. Key Results Commitments, Priorities, Planned Results and Strategies

A Secure Global Financial Future

Working with G-7 Partners and International Financial Institutions (IFIs) to Finance the Heavily Indebted Poor Countries (HIPC) Initiative As Announced at the 1999 Cologne Summit

Planned Results

- Funding identified to allow continuation of the Initiative
- Significant number of HIPCs reach their Decision Points in 2000
- Poverty Reduction Strategy Papers (PRSPs) developed for a significant number of HIPCs

Strategies

- Work to ensure a Canadian contribution to the HIPC Initiative
- Encourage and assist IFIs to find funding for their shares of the HIPC Initiative
- Assist in the design of Poverty Reduction Strategy Papers at IFIs

Risks

Insufficient international funding will limit the debt relief that can be granted to poor countries.

A Secure Global Financial Future

Working with the International Monetary Fund (IMF) and the World Bank to Develop the Necessary Crisis Prevention and Management Tools

Planned Results

- Strengthened IMF surveillance through greater emphasis on countries' financial vulnerabilities, as well as macroeconomic fundamentals
- Make available to markets through the IMF more information on countries' economic and financial policies and their implementation of international standards and codes of good practice

- Improved and streamlined the Fund’s financial facilities
- Improved the World Bank’s ability to advise and assist developing countries in supervising and regulating their financial systems adequately

Strategies

The department will improve the abilities of IFIs to reduce the frequency of crises and to manage them when they do occur.

Risks

Failure to secure agreement would leave the international financial system vulnerable to the kind of instability that has characterized it in the 1990s.

1.3 Domestic Coinage Business Line

A. Planned Spending

Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002	Planned Spending 2002–2003
72.0	48.0	40.0	41.0

(\$ millions)

B. Objective

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

C. Description

The Minister of Finance makes payments out of the Consolidated Revenue Fund to the Royal Canadian Mint for the production and distribution of domestic circulating coinage to meet the needs of the Canadian economy. The coins are sold to financial institutions at face value and the proceeds are deposited in the Consolidated Revenue Fund.

D. Key Results Commitments, Priorities, Planned Results and Strategies

Contributions to “Getting Government Right”
<i>Ensuring Domestic Coin Production by the Royal Canadian Mint at a Reasonable Cost to Meet the Needs of the Canadian Economy</i>

Planned Results

- Supply coinage at a reasonable cost to meet the needs of the economy

- Accurate, appropriate and timely payment of domestic coinage production and distribution costs
- A new coin contract with the Royal Canadian Mint containing terms and business arrangements that are more commercial

Strategies

- Introduce new production facilities at the Royal Canadian Mint in 2000 to reduce coinage costs and meet demand
- Re-negotiate the contract with the Royal Canadian Mint with a view to introducing commercial terms for the production and distribution of circulating coin
- Ensure that policies and procedures are in place to administer the new contract

Risks

An inadequate supply of coinage could cause problems for consumers, businesses and the economy in general.

1.4 Corporate Administration Business Line

A. Planned Spending (by Service Line) and Full-Time Equivalents

	Forecast Spending 1999–2000	Planned Spending 2000–2001*	Planned Spending 2001–2002	Planned Spending 2002–2003
	(\$ millions)			
Departmental Management	17.0	19.8	16.6	17.6
Corporate Services	15.2	13.3	11.6	11.5
Total Net Expenditures	32.2	33.1	28.2	29.1
Full-Time Equivalents	242	246	246	243

* Reflects reallocation of resources not reflected in Part II of the Main Estimates (transferred to Policies and Advice business line).

B. Objective

- Effective and efficient corporate administration

C. Description

- Appropriate departmental management
- Strategic communications advice
- Suitable public affairs support
- Sound legal advice
- Effective and efficient financial, human resources, information technology, security and administrative systems and expertise

D. Key Results Commitments, Priorities, Planned Results and Strategies

Contributions to “Getting Government Right”

Improving the Way in Which the Department Communicates with Canadians

Planned Results

- Enhanced ability of departmental officials to explain policy to media

Strategies

- Institute program of media relations training

Risks

If this action were not taken, some departmental officials would not be as well prepared to explain policies and decisions effectively.

Contributions to “Getting Government Right”

Improving the Ability of the Department to Analyze and Understand the Views of Canadians and to Monitor Media Coverage

Planned Results

- Enhanced ability to monitor and understand public environment

Strategies

- Wider coverage of media outlets and deeper analysis of media coverage

Risks

- Possible misinterpretation of public opinion

Contributions to “Getting Government Right”

*Implementing the Financial Information Strategy (FIS)
within the Department*

Planned Results

- Departmental software systems and interfaces with Public Works and Governments Services Canada (PWGSC) are compliant with FIS requirements by April 2000
- Departmental policies are FIS compliant and the FIS rollout within the department, including training of managers, is completed by April 1, 2001

Strategies

All accounting policies are currently being reviewed with a view to moving toward the adoption of full accrual accounting by April 1, 2001. A key component of FIS is the requirement for departments to capitalize and amortize their tangible and intangible capital assets greater than \$10,000. During 2000–2001 Corporate Services will undertake to identify and value all existing capital assets over the threshold.

System work and policy review to support FIS has already commenced with partner departments through a shared system initiative to implement necessary software changes in April 2000. Corporate Services is currently assessing the impact of FIS on managers and other staff. It will be developing a communications and training strategy so that the FIS may roll out within the department during 2000–2001.

Risks

Corporate Services faces tight time-frames for the adoption of FIS requirements as defined by central agencies.

Contributions to “Getting Government Right”

Renewing the Internal Management and Planning Framework for the Department, Consistent with the Government’s Modern Management Agenda, in Particular with the Principles of Modern Comptrollership and FIS

Planned Results

- Improved departmental management and support systems
- Timely, accurate and results-based reporting

Strategies

In fiscal 2000–2001 the department will conduct a modern comptrollership pilot project within Corporate Services with a view to deploying results-based reporting to the rest of the department over 2002–2003. The objective of the project is to develop a framework for linking departmental priorities with financial and non-financial performance information.

Risks

Central agency leadership in modern management practices is critical to the success of individual department renewal initiatives.

Contributions to “Getting Government Right”

Supporting Departmental Management in Enhancing the Department’s Approach to Managing Its People and the Overall Work Environment

Planned Results

- The department attracts, develops and retains a highly skilled workforce
- A fair and representative workplace in which people can work in the official language of their choice

Strategies

- Develop a human resources action plan, to be implemented over the period 2000–2003, that responds to the human resources needs of the department and addresses feedback from the Public Service survey and other employee consultations

- Implement human resource management programs such as the Universal Classification System (UCS), Official Languages and Employment Equity

Risks

Corporate Services faces tight time-frames in the implementation of UCS requirements as defined by central agencies.

2. Public Debt Program

2.1 Interest and Other Costs Business Line

A. Planned Spending

Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002
	(\$ millions)	
41,338.0	41,835.0	41,339.0

B. Objective

- The funding of interest and service costs of the public debt and the issuing costs of non-retail debt, if required
- To provide stable, low-cost funding for the government
- To maintain a well-functioning market in Government of Canada securities

C. Description

The Department of Finance Canada manages the government’s borrowing program. It works closely with the Bank of Canada on all aspects of debt management. The Bank acts officially as fiscal agent for the federal government in the area of debt operations and provides advice related to overall debt strategy.

Canada Investment and Savings (CI&S), a special operating agency reporting to the Deputy Minister of Finance, is responsible for domestic retail debt. Interest costs related to retail debt products are included in the expenditures above, while retail debt-issuing costs are included in the CI&S business line, described below.

D. Key Results Commitments, Priorities, Planned Results and Strategies

Sound Financial Management

Debt Management – Providing Stable, Low-Cost Financing

Planned Results

- Debt charges not to exceed those projected in the budget, including the contingency reserve, in any given year
- A refinancing schedule that is moderate

Strategies

- Maintain prudent structure of debt stock

Risks

- Large outstanding market debt, requiring the maintenance of a program of frequent borrowing
- Refinancing risks, because of the large size of auctions and the need for a broad investor base
- Debt-cost volatility because of changes in interest rates that would affect refinancing rates

Sound Financial Management

Debt Management – Maintaining a Well-Functioning Market in Government of Canada Securities

Planned Results

- Successful auctions and active trading of Government of Canada securities
- Lower costs
- Broad distribution of federal market debt

Strategies

- Use of regular and transparent funding programs
- Building large benchmarks in Treasury bills and Government of Canada bonds
- Support for market development and integrity initiatives
- Managing changes to debt stock
- Consultation with market participants, and active relations with credit-rating agencies

Risks

- Liquidity problems in market for Government of Canada securities

Sound Financial Management

<i>Cash and Reserves Management – Maintaining a Prudent Level of Liquidity and Effectively Managing Asset Portfolios</i>
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Planned Results

- Adequate levels of reserves and cash balances to meet operational and liquidity needs
- Successful foreign financing operations

Strategies

- Maintain prudent levels of cash and international reserves
- Fund reserves cost-effectively through diversified sources and invest in liquid, low-risk assets while minimizing carrying costs
- Manage cash balances in a prudent, cost-effective manner

Risks

- Volatile and uncertain daily cash flows
- Disorderly market in the Canadian dollar
- Lack of liquidity in the event of severe market disruption

Sound Financial Management

Risk Management – Identifying, Evaluating and Reporting on Financial Risks

Planned Results

Effective risk-management processes

Strategies

- Identify and report on treasury risks
- Manage asset/liability position and treasury risks prudently
- Appropriate governance by government and financial Crown corporations

Risks

- Financial loss due to market risk (foreign exchange or interest rate), credit risk or operations risk

2.2 Canada Investment and Savings (CI&S) Business Line

A. Planned Spending

Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002
	(\$ millions)	
161.7	164.6	160.9

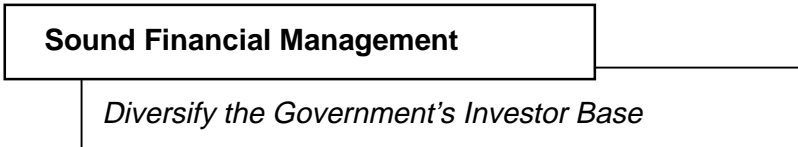
B. Objective

- The provision of funding for the government consistent with its fiscal plan and balancing cost, risk and market considerations
- Maintenance of a reasonable and sustainable retail share of the total federal debt thereby ensuring a broad investor base for government debt
- The offer of a family of attractive products, including new ones in key market segments, which benefit all Canadians

C. Description

As a special operating agency within the Department of Finance, CI&S develops and markets retail debt instruments such as Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) directly to Canadians, through employers and in co-operation with financial institutions.

D. Key Results Commitments, Priorities, Planned Results and Strategies



Planned Results

- Launch and advertise a pilot service allowing individual Canadians to purchase Treasury Bills and Marketable Bonds directly from the Government of Canada at the time of the auctions
- Continue conversion of payroll companies from the original Canada Payroll Savings Program to the new one, and introduce the Canada Premium Bond as an option in the payroll program
- Continue the six-month sales pilot project (from October to April), with increased marketing emphasis on CPBs and the RRSP option
- Conduct research and feasibility studies, including business requirements, cost estimates and implementation time-frame, to introduce new distribution channels
- Further expand the “New Canada Savings Bonds” brand through customer research, public relations and advertising, with increased emphasis on internet and direct marketing
- Pursue the reorganization and restructuring of the CI&S sales force

Strategies

- Deliver existing products (CSBs and CPBs) to new and existing markets and channels with an emphasis on direct channels such as payroll and e-commerce

Risks

Because of Canadians’ declining demand for traditional fixed-income products and their increased willingness to trade off risk for higher return on investment, the government’s fixed-income products may not do well.

Government sales may be affected by strong market competition from traditional channels (for example, financial institutions) and emerging non-traditional channels (for example, retail stores), combined with conflicting priorities of financial intermediaries distributing CI&S products.

Systems and operations resources may not be adequate. There may be some difficulty in attracting a third-party supplier to provide back-office support required for the launch of the new marketable securities distribution channel.

Sound Financial Management

Providing Cost-Effective Retail Debt Products That Meet Canadians' Investment and Savings Needs

Planned Results

- Identification of potential new retail debt products or services, or new features for existing products or services

Strategies

- Conduct market research and develop new products, services or features for consideration by the Department

Risks

- Insufficient resources or time to conduct the research and product development

Contributions to “Getting Government Right”

Giving Canadians Timely and Cost-Effective Services with an Emphasis on the Lower-Cost Channels

Planned Results

- Establishment of an updated memorandum of understanding with the Bank of Canada
- Development, through the Bank of Canada, of a Technology Architecture and Implementation Plan in support of the Customer Care Service Vision

Strategies

- To develop with the Bank of Canada, the fiscal agent responsible for supporting the retail operations, a Customer Care Service Vision to improve customer satisfaction through efficient delivery of customer information and reduction of paperwork

Risks

- Limited financial, systems and operations resources to support the changes required to implement the Customer Care Service Vision
- The negotiations related to the update on a memorandum of understanding involving the Department of Finance, CI&S and the Bank of Canada may take too long

3. Federal-Provincial Transfers Program

3.1 Transfer Payments Business Line

A. Planned Spending

	Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002
(\$ millions)			
Canada Health and Social Transfer (CHST)			
Total entitlements	27,344.0	29,194.0	31,020.0
Tax transfer	(14,952.5)	(15,694.0)	(16,520.0)
Cash entitlement	12,391.5	13,500.0	14,500.0
CHST / Post-Secondary Education and Health Care	2,500.0	–	–
Fiscal Equalization			
Entitlements	9,840.6	9,522.0	9,974.0
Adjustment (prior years)	–	–	–
Cash payment	9,840.6	9,522.0	9,974.0
Territorial Formula Financing			
Entitlements	1,402.0	1,479.0	1,512.0
Adjustment (prior years)	–	–	–
Cash payment	1,402.0	1,479.0	1,512.0
Other Transfer Payments¹	(2,927.0)	(2,979.0)	(3,153.0)
Total Net Expenditures	23,207.1	21,522.0	22,833.0

¹ Includes Statutory Subsidies, Youth Allowances Recovery and Alternative Payments for Standing Programs.

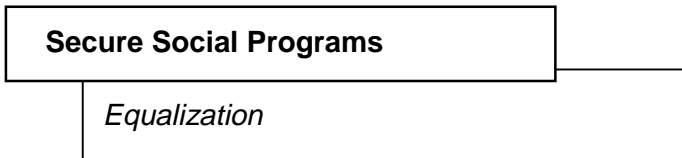
B. Objective

- To make transfer payments pursuant to statutes with respect to Canada Health and Social Transfer, Equalization and other transfers, and pursuant to agreements with respect to Territorial Formula Financing

C. Description

- Canada Health and Social Transfer: payments to provinces are made according to legislation and include both cash and tax transfers.
- Fiscal Equalization: payments to provinces are made according to precise formulas embodied in legislation and regulations.
- Territorial Formula Financing: payments to territorial governments are made according to formulas embodied in federal-territorial agreements.
- Other Transfer Payments: funds are provided to, or recovered from, provincial governments under various statutory authorities.

D. Key Results Commitments, Priorities, Planned Results and Strategies



The Equalization program reduces disparities in provincial fiscal capacities by providing federal cash transfers to provinces with below-standard fiscal capacity. To accomplish this, the Equalization program measures the ability of each provincial government to raise revenues on its own, compared to an average standard. Provinces that fall short of this standard receive Equalization payments.

Equalization is an unconditional transfer. Payments are made in accordance with the formula set out in the *Fiscal Arrangements Act* and Regulations. In 2000–2001 all provinces receive at least \$5,679 per resident with which to fund public services. Provinces may spend Equalization payments according to their own priorities.

The principle of equalization is set out in the *Constitution Act, 1982*: “Parliament and the government of Canada are committed to the principle of making Equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation” (Schedule B, section 36.2).

Planned Results

- Timely and accurate payments to provinces consistent with statutory requirements, along with regular updates in estimates and forecasts of payments
- Identification of possible adjustments to the Equalization program stemming from recent changes in economic developments, new data sources and changes in provincial tax systems

Strategies

Ongoing consultations with provinces are an integral part of the management of the Equalization program. Permanent federal-provincial committees of officials meet regularly to discuss all aspects of the design and operation of the Equalization program.

The department is also working with Statistics Canada to improve data used in the Equalization formula and, in particular, to take full advantage of the Project to Improve Provincial Economic Statistics currently under way at Statistics Canada.

Payments to provinces are provided in accordance with the formula set out in the *Fiscal Arrangements Act* and Regulations.

Risks

Existing legislation expires on April 1, 2004 and the Equalization program must be renewed by then. Issues relating to the interpretation of the Act and Regulations need to be addressed regularly.

Secure Social Programs

Canada Health and Social Transfer (CHST)

The CHST provides support to provinces for post-secondary education, health care, social assistance and social services programs. The CHST is a block fund designed to give provinces enhanced flexibility while maintaining the criteria and conditions in the *Canada Health Act* and the condition that there be no requirement for a period of minimum residency with respect to social assistance.

Planned Results

Funding will be available to provinces in accordance with the *Fiscal Arrangements Act*. As a result of the 1999 legislated increases of \$11.5 billion over five years in additional CHST cash, provinces will get higher federal support for the provision of post-secondary education, health care and social programs.

Strategies

The department has discussed CHST issues with the provinces and with health and social groups on various occasions, including during pre-budget consultations and at federal-provincial meetings. A five-year funding arrangement is in place, covering April 1, 1999, to March 31, 2004.

Risks

Existing legislation expires on April 1, 2004, and the CHST program must be renewed by then.

Secure Social Programs

Territorial Formula Financing

The territories have a specifically designed federal funding program reflecting the higher costs of providing services in the North, the rapid growth in population in this part of the country, the less-developed economic bases from which to raise revenues and their vast land mass and small population. The program also protects territories against any serious downturn in their own revenues.

Territorial Formula Financing (TFF) is an unconditional transfer from the federal government to territorial governments. The TFF transfer is designed to give territorial governments the flexibility and resources necessary to provide services to their citizens while leaving them accountable for spending priorities and revenue-raising choices. TFF is governed by agreements between federal and territorial finance ministers.

Territories are consulted on an on-going basis with respect to the operation and renewal of the Formula.

The department, although fully responsible for financing arrangements with the territories, consults regularly with Indian and Northern Affairs Canada, which has program responsibilities in the North.

Planned Results

- Provide funding to territories in accordance with TFF Agreements. (Under the present TFF agreements, it is expected that the federal government will transfer close to \$1.4 billion to the three territorial governments in 2000–2001.)

Strategies

A five-year agreement is in place, including a new financing arrangement for Nunavut. The arrangements were agreed to after extensive consultations with the governments and people of the North, and will ensure that these governments have the financial resources and stability they need for financial planning. Nevertheless, there is the need to initiate the consultation process for the next renewal, which is set for April 1, 2004.

Risks

The lack of statistical data for the new territory Nunavut creates new data challenges in the formulation of TFF policy development and renewal.

Section IV: Horizontal Initiatives

Legislative and Regulatory Initiatives

Legislation and/or Regulations	Planned Results
<p>Legislation to implement changes to financial sector legislation as set out in <i>Reforming Canada's Financial Services Sector: A Framework for the Future</i></p>	<ul style="list-style-type: none"> ◆ Legislation is to be tabled as soon as feasible.
<p><i>Customs Tariff</i> – The <i>Tariff</i> contains a number of provisions that allow the government to respond, on an ongoing basis, to the competitive needs of Canadian industry and to implement Canada's rights and obligations in accordance with international agreements and arrangements to which Canada is a party.</p>	<ul style="list-style-type: none"> ◆ Through the use of orders and regulations, the government will respond, as required, to the competitive needs of Canadian industry and implement Canada's rights and obligations under international agreements and arrangements.
<p>Sales Tax and Excise Tax Amendments Bill, 1999 – This legislation will principally implement technical changes to the Goods and Services Tax and Harmonized Sales Tax (GST/HST) announced by the Minister of Finance since March 1997, including sales tax measures proposed in the February 1998 Federal Budget concerning certain activities by charities, direct-sellers and the GST visitor rebate program. It also contains amendments to other taxes and tariffs, including the February 1999 Budget measure to reduce the tobacco export tax exemption, the tobacco tax changes announced on November 5, 1999, custom tariff exemption increases for certain returning travellers proposed on June 10, 1999, and the repeal of the tax regime for split-run magazines as announced by the government on July 29, 1998.</p>	<ul style="list-style-type: none"> ◆ The GST/HST changes will improve the operation of the GST/HST in the affected areas, will address industry concerns and provide greater certainty to suppliers and purchasers as to the status of their transactions, will remove certain anomalies in the existing tax structure and will secure revenues and ensure that the legislation achieves the intended policy. ◆ The tobacco tax changes will increase excise taxes on certain tobacco products and make permanent the existing surtax on tobacco manufacturers' profits. ◆ The increase in certain personal exemption limits for customs tariffs will expedite the processing of returning travellers' declarations when re-entering Canada.
<p><i>Excise Tax Act – Financial Services (GST) Regulations</i> – In accordance with previously announced government policy, these regulations are to be amended to clarify the treatment of certain clearing and settlement services and of management or administrative services provided to investment plans for the purposes of the GST.</p>	<ul style="list-style-type: none"> ◆ These changes will provide sales tax treatment of administrative services with respect to financial instruments that is equitable relative to other administrative services that are taxable under the GST/HST. ◆ These changes will confirm current administrative practice and therefore provide greater certainty to suppliers and purchasers as to the status of their transactions.

Legislation and/or Regulations	Planned Results
<i>Excise Tax Act</i> – GST/HST Regulations will be proposed to prescribe security interests to which the Crown priority created by the deemed trust for GST/HST collections does not apply.	◆ These regulations will provide greater certainty to secured creditors regarding the priority of their claims relative to those of the Crown with respect to prescribed forms of security.
<i>Excise Tax Act</i> and related Regulations under Part IX of the Act (GST/HST) – Other amendments to the <i>Excise Tax Act</i> and regulations made under Part IX of the Act may be required from time to time.	◆ By means of these amendments the government will resolve technical problems, clarify ambiguous provisions, respond to court decisions, reflect or respond to other statutory changes and implement policy changes (including any changes that may be announced by press release or in the federal budget).
<i>Excise Act</i> and related rules and regulations – New legislative framework for the federal taxation of spirits, wine and tobacco products	◆ These will replace the current archaic legislation and complex administration with a modern and flexible tax structure that recognizes the needs of government and industry.
Amendments to Federal-Provincial Equalization Regulations	◆ These amendments will be approved by Cabinet.
1999 Budget income tax legislation	◆ This legislation will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax proposals that were announced in the 1999 Federal Budget and other measures included in the Ways and Means Motion tabled in the House of Commons on December 7, 1999.
November 1999 release of technical amendments to the <i>Income Tax Act</i>	◆ These amendments to the <i>Income Tax Act</i> will implement the income tax proposals that were announced in Finance News Release 99-102 on November 30, 1999.
Income tax changes relating to bank branching	◆ These changes will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax aspects of the admission to Canada of branches of foreign banks.
Income tax changes relating to foreign trusts and migrating taxpayers	◆ These amendments to the <i>Income Tax Act</i> implement the legislative proposals released on December 17, 1999.
Implementation of tax treaties	◆ The government will introduce a bill to approve and implement new and amended income tax treaties between Canada and other countries.

Legislation and/or Regulations	Planned Results
2000 Budget income tax legislation	<ul style="list-style-type: none"> ◆ This legislation will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax proposals that were announced in the 2000 Federal Budget.
The Budget Implementation Bill, 2000	<ul style="list-style-type: none"> ◆ This legislation will implement various measures arising from the 2000 Budget. (For introduction in March 2000 and passage in June 2000)
Proceeds of Crime (Money-Laundering) Bill	<ul style="list-style-type: none"> ◆ By means of this legislative initiative, the government will help combat the laundering of the proceeds of crime, establish the Financial Transactions and Reports Analysis Centre of Canada and amend or repeal certain Acts in consequence (introduced in the House on December 15, 1999, as Bill C-22).

Sustainable Development Strategies

The department tabled its first Sustainable Development Strategy in Parliament in December 1997. The three-year strategy was built around the following four key themes:

1. Integrating the economy and the environment (in tax, spending and related policies);
2. Building the future (promoting fiscal health and strengthening the economy and society);
3. Participating in the global economy (addressing the tension that exists between environmental concerns and international competitiveness); and
4. “Greening” the department’s own internal operations.

This *Report on Plans and Priorities* presents an opportunity to focus on specific actions that will ensure consistency and continuity in the implementation of the strategy for the coming year. The plan below describes the actions to be taken over the course of the coming fiscal year to achieve the commitments made by the department in its 1997 Sustainable Development Strategy.

In addition to these actions, by December 2000 the department will complete an update of its 1997 Sustainable Development Strategy that will identify the department’s sustainable development goals and objectives for the period 2001–2004. Through this update, efforts will be made to integrate sustainable development concepts more closely into policy analysis and development. The Department of Finance plans to continue to work with other departments and private and public sector organizations towards a sustainable balance between social and economic prosperity and environmental quality.

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
Key Issue: Integrating the Economy and the Environment		
Making the tax system more responsive to environmental considerations	Continue to assess the effectiveness of tax measures with a view to encouraging greater energy efficiency and the use of renewable energy	Proposals to change the income and sales tax systems to promote environmentally beneficial activities were received in advance of the 2000 Federal Budget. These proposals were assessed to determine their potential cost (and, where possible, their potential environmental benefits) and were compared to alternative policy options, including other economic instruments.

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
	<p>Develop a catalogue of information on energy taxes and transportation taxes in Canada</p>	<p>The department expects to receive further tax-related proposals from several of the “Tables” established as part of the national consultation on climate change options. These proposals will be analysed later in 2000.</p> <p>The department is represented on the Steering Committee for the study of the market for district heating energy systems. This study is being undertaken by the Canadian Energy Research Institute. The results are due to be published in 2000. The study will consider a range of policy options including the effect of tax depreciation policies for investments in district energy systems.</p> <p>Preparation of the catalogue of existing taxes on energy consumption and the transportation sector is under way. This catalogue will include descriptions of applicable income tax provisions, including income tax rates and tax depreciation provisions, payroll levies and capital taxes. In addition, it will describe federal excise and sales taxes as well as provincial sales and consumption taxes applicable to energy and fuel consumption. A draft copy of the catalogue will be circulated to provinces for their comments on the description of provincial tax structures and rates.</p>
<p>Reducing or eliminating subsidies</p>	<p>Work with other government departments and international trade and economic organizations to identify subsidies that distort the economy and reduce or eliminate them</p>	<p>The department will continue to participate in a wide range of domestic and international forums to find greater scope for disciplining trade-distorting subsidies.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
<p>Developing practical uses of economic instruments</p>	<p>Examine the use of economic instruments in Organization for Economic Co-operation and Development (OECD) countries</p> <p>Consider options for domestic and international tradeable permit schemes, credits and related approaches for reducing greenhouse gas emissions</p> <p>Encourage the sustainability of private woodlots and habitat protection for endangered species</p>	<p>The department will continue to examine the use of economic instruments by OECD countries on a regular basis in order to remain current with international developments and as a key part of domestic economic policy analysis and development. In addition, the department will contribute to the international work under way in 2000 through its continued membership in the OECD Working Party on Economic and Environmental Policy Integration and the sub-group on Taxation and the Environment. These working groups are scheduled to meet regularly (twice annually) over the 2000–2001 period.</p> <p>The department is chairing the multi-stakeholder Tradeable Permits Working Group (TPWG). The TPWG will release an options paper to the Climate Change Secretariat in early 2000.</p> <p>The department will continue to participate with other government departments in the further refinement of the Kyoto flexibility mechanisms.</p> <p>The department will monitor the forest industry's response to the Canada Customs and Revenue Agency's revised interpretation bulletin on woodlots.</p> <p>The department will work with Environment Canada to balance regulation, enforcement and stewardship in order to protect species at risk. It will also provide advice on which instrument(s) could be used to encourage voluntary stewardship and to address issues surrounding possible compensation.</p> <p>The department will work with Environment Canada on valuation mechanisms for the purposes of eco-land and the <i>Species at Risk Act</i>.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
Reforming legislative and regulatory frameworks	Continue to provide a policy framework conducive to environmental protection and a positive investment climate through regulatory reform and harmonization	<p>The department will continue to participate in the interdepartmental consultation process on the review of the <i>Canadian Environmental Protection Act</i> to ensure that the Act will enhance the protection of the environment while maintaining the competitiveness of the Canadian economy.</p> <p>The department will participate with other departments in the Five-Year Review of the <i>Canadian Environmental Assessment Act</i>.</p>
Key Issue: Building the Future		
Prospering in a knowledge-based economy	<p>With other government departments, examine the role of environmental industries in a knowledge-based economy</p> <p>With provinces, adopt initiatives to improve benefits for children</p>	<p>The department will conduct an analysis of environmental industries and assistance provided by government.</p> <p>The department will make a third investment in the National Child Benefit and seek increased provincial and territorial investments in families.</p> <p>The department will reduce income taxes for families.</p>
Building a strong society	<p>Ensure predictable and growing federal funding for health and social programs</p> <p>Ensure the financial security and stability of the public pension system</p>	<p>The department will maintain long-term funding arrangements for all major federal-provincial/territorial transfer programs – Canada Health and Social Transfer, Equalization and Territorial Formula Financing.</p> <p>With the introduction of federal legislation on the Canada Pension Plan (CPP) in 1998, the government took a balanced approach to the long-term sustainability of the CPP. These measures, along with the maintenance of the Old Age Security and the Guaranteed Income Supplement programs through continued sound fiscal management, are a key part of the government's overall long-term strategy for sustaining the retirement income system.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
		<p>In December 1999 federal and provincial Ministers of Finance concluded their first formal review of the financial state of the CPP since the 1998 reforms and decided not to change the schedule of contribution rates. Ministers took into account the results of the 17th actuarial report on the CPP by the Chief Actuary. The report confirmed that a 9.9-per-cent contribution rate is sufficient to sustain the CPP over future decades.</p> <p>The contribution rate (half paid each by employees and employers) will rise in steps until it reaches the level of 9.9 per cent in 2003 and will remain at this level in subsequent years.</p> <p>Federal and provincial Finance Ministers also agreed to allow the Canada Pension Plan Investment Board (CPPIB) to invest actively up to 50 per cent of the assets it allocates to domestic equities. The Department will work towards amending CPPIB regulations accordingly.</p> <p>Federal-provincial work will continue the review of other important issues to keep the CPP in step with changing times.</p> <p>The department will continue to monitor the Old Age Security and Guaranteed Income Supplement programs to ensure that they are financially sustainable.</p>
<p>Ensuring that the tax system contributes to a strong economy and society</p>	<p>Examine the report of the Technical Committee on Business Taxation, including any proposals relating to the environment</p>	<p>The recommendations of the report, including those relating to the environment, are being examined in conjunction with the department's ongoing analysis of options for improving the efficiency of the Canadian tax system. This work will continue throughout the 2000–2001 period, in parallel with the work currently under way to develop a National Implementation Strategy for addressing Canada's Kyoto target.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
	<p>Ongoing monitoring of current developments in the taxation of businesses in Canada and in other relevant foreign jurisdictions</p> <p>Assess proposals to use the income tax system to achieve social and economic objectives</p>	<p>The department will review recommendations from industry associations, other government departments, corporate taxpayers and provincial governments for changes to the income tax system. It will participate in international forums as necessary to ensure that the Canadian tax system remains competitive and up-to-date.</p>
Key Issue: Participating in the Global Economy		
Negotiating international environmental agreements	<p>Analyse approaches for domestic action on climate change</p>	<p>The department will work with other government departments to review the output of the issues tables for consideration in a National Implementation Strategy to address climate change.</p>
Negotiating international trade and investment agreements	<p>Work with the Department of Foreign Affairs and International Trade (DFAIT) on the relationship between trade and environment in the context of the OECD and the WTO</p> <p>Review requests to remove tariffs that may be disincentives to the acquisition of environmental technology products</p>	<p>The department will participate in the integration of trade-related environmental issues in international trade negotiations.</p> <p>The department will continue to undertake reviews of such requests as they are received.</p>
Developing an environmental assessment framework for export credit agencies	<p>Co-operate with DFAIT and the Export Development Corporation (EDC) to establish, through the OECD's Export Credit Group, a multilateral framework for the environmental assessment of projects financed with official export credits</p>	<p>The department will help prepare DFAIT and EDC for meetings of the OECD's Export Credit Group for the purpose of developing a multilateral approach to the environmental assessments of export credit agencies' financed projects.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
<p>Involving international financial institutions</p>	<p>Press the issue of sustainable development in the institutions for which Minister of Finance has primary responsibility</p>	<p>To achieve sustainable development, progress needs to be made in poverty reduction, environmental protection, improved governance, reduction of unsustainable debt burdens and partnerships with civil society.</p> <p>The World Bank is developing a strategy for environment and sustainable development which they expect to finalize in June 2000. Canada has urged all IFIs to undertake more meaningful consultations with non-governmental organizations (NGOs) and other representatives of civil society. The World Bank is consulting with governments, NGOs, donor agencies and the public in drafting this strategy.</p> <p>In January 2000 the World Bank launched the Prototype Carbon Fund (PCF), the world's first market-based mechanism to address climate change and to promote the transfer of climate-friendly technology to developing countries.</p> <p>The International Monetary Fund (IMF) has renamed its Enhanced Structural Adjustment Facility (ESAF) the Poverty Reduction and Growth Facility (PRGF). The IMF will strengthen the poverty reduction aspects of its longer-term assistance programs.</p> <p>Another element of the World Bank strategy to promote sustainable development is its support for national efforts to reduce global poverty. In September 1999 the World Bank and IMF adopted Poverty Reduction Strategy Papers (PRSPs) as the centrepiece of their support for the recently enhanced Heavily Indebted Poor Countries (HIPC) Initiative. In coming years the Bank and IMF Staffs will be working with national authorities to produce PRSPs.</p> <p>In cases where environmental issues have a significant bearing on domestic or external stability, IMF-supported programs may include a reform of the implementation of environmental policies necessary for the conservation and protection of the country's resources.</p> <p>The World Bank will continue to develop tools and methods to help integrate environmental principles into development planning.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
		<p>The European Bank for Reconstruction and Development (EBRD) is a project finance bank with the mandate to undertake activities that promote the transition to a market economy and entrepreneurial initiative. While staying within this mandate, we will encourage the EBRD to pay greater attention to the social aspects of transition in project selection and to co-ordinate with the World Bank, as necessary, to mitigate these costs. We support increasing EBRD involvements in small and medium-sized enterprises and micro-finance that have positive employment and development effects (e.g., employment of women) and bypass some of the problems of systemic corruption in countries of operation.</p> <p>We will continue to ensure that EBRD project selection meets the highest standards of environmental due diligence and that staff at the domestic financial institutions that lend EBRD funds are adequately trained to assess the environmental consequences of projects.</p>
Key Issue: Greening Operations		
<p>Integrating environmentally sound practices into everyday departmental operations</p>	<p>Adopt sustainable procurement practices</p> <p>Implement motor vehicle management practices that support a reduction in greenhouse gas emissions</p> <p>Minimise the amount of solid waste produced</p>	<p>“Green” procurement initiatives directed at acquiring environmentally friendly products will be developed and implemented.</p> <p>The department will comply with the <i>Alternative Fuels Act</i>.</p> <p>The use of ethanol (E 10) blended fuel and the regular servicing of departmental vehicles will be promoted and monitored.</p> <p>Evaluations of waste reduction programs will be conducted.</p>

Strategic Goals	Objectives	Targets Set for 2000–2001 (unless otherwise indicated)
Increase and encourage the environmental awareness of employees	Establish current baseline data on employee participation and use of “green” programs and communications, where feasible Modify, revise and/or promote the existing green programs and communications, in accordance with the results of the initial baseline study	A study of employee participation in “green” programs and communications will be conducted and the results documented. Existing programs and communications will be re-evaluated and updated so that they reflect current departmental practices.

Section V: Financial Information

Table 1: Summary of Transfer Payments

Table 2: Source of Respendable and Non-respendable Revenue

Table 3: Net Cost of Programs for the Estimates Year

Table 4: Loans, Investments and Advances by Program and Business Line

Table 1: Summary of Transfer Payments

	Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002
(\$ millions)			
Grants			
International Financial Organizations	302.3	160.0	161.0
Federal-Provincial Transfer Payments (cash portion)	–	–	–
Total Grants	302.3	160.0	161.0
Contributions			
International Financial Organizations	170.6	170.0	165.0
Total Contributions	170.6	170.0	165.0
Other Transfer Payments			
International Financial Organizations	361.3	413.9	302.5
Federal-Provincial Transfer Payments (cash portion)	23,207.1	21,522.0	22,833.0
Total Other Transfer Payments	23,568.4	21,935.9	23,135.5
Total Transfer Payments	24,041.3	22,265.9	23,461.5

Table 2: Source of Respendable and Non-respendable Revenue

	Forecast Revenue 1999–2000	Planned Revenue 2000–2001	Planned Revenue 2001–2002	Planned Revenue 2002–2003
(\$ millions)				
Respendable Revenue				
Economic, Social and Financial Policies Program	6.4	7.1	6.3	6.3
Total Credited to the Respendable Revenue	6.4	7.1	6.3	6.3
Non-respendable revenue				
Economic, Social and Financial Policies Program	145.6	129.9	97.6	122.7
Total Credited to the Non-respendable Revenue	145.6	129.9	97.6	122.7
Total Revenue	152.0	137.0	103.9	129.0

Table 3: Net Cost of Programs for the Estimates Year 2000–2001

	Economic, Social & Financial Policies Program	Public Debt Program	Federal- Provincial Transfers Program	Total
	(\$ millions)			
Net Planned Spending	1,351.6	41,999.6	21,522.0	64,873.2
Plus:				
<i>Services Received without Charge</i>				
Accommodation provided by Public Works and Government Services Canada (PWGSC)	5.2			5.2
Contributions covering employees' share of insurance premiums and costs paid by TBS Workmen's Compensation coverage provided by Human Resources Development Canada	2.4			2.4
Salary and associated costs of legal services provided by the Department of Justice Canada	–			0.0
	1.8			1.8
Total Cost of Programs	1,361.0	41,999.6	21,522.0	64,882.6
Less:				
Non-responsible Revenue	129.9			129.9
Total Revenue	129.9			129.9
2000–2001 Net Cost of Programs	1,231.1	41,999.6	21,522.0	64,752.7

Table 4: Loans, Investments and Advances by Program and Business Line

	Forecast Spending 1999–2000	Planned Spending 2000–2001	Planned Spending 2001–2002	Planned Spending 2002–2003
	(\$ millions)			
Economic, Social and Financial Policies Program				
International Financial Organizations	276.8	462.0	24.2	26.3
Total	276.8	462.0	24.2	26.3

Section VI: Other Information

Abbreviations

AFN	Assembly of First Nations
APEC	Asia-Pacific Economic Co-operation
CCRA	Canada Customs and Revenue Agency
CHST	Canada Health and Social Transfer
CI&S	Canada Investment and Savings
CITT	Canadian International Trade Tribunal
CPB	Canada Premium Bond
CPP	Canada Pension Plan
CPPIB	Canada Pension Plan Investment Board
CSB	Canada Savings Bond
DFAIT	Department of Foreign Affairs and International Trade
DIAND	Department of Indian Affairs and Northern Development
EBRD	European Bank for Reconstruction and Development
EDC	Export Development Corporation
ESAF	Enhanced Structural Adjustment Facility
FIS	Financial Information Strategy
GST	Goods and Services Tax
HIPC	Heavily Indebted Poor Countries
HST	Harmonized Sales Tax
IFI	International Financial Institution
IMF	International Monetary Fund
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Co-operation and Development
PCF	Prototype Carbon fund
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Papers
TFF	Territorial Formula Financing
TPWG	Tradeable Permits Working Group
WTO	World Trade Organization

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Departmental Performance Report

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International Fiscal Monitor

Provincial Fiscal Monitor

*Report on Operations under the Bretton Woods
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*Report on Operations under the European
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