



# Department of Finance Canada

1997-98  
Estimates

Part III

Expenditure Plan

## **The Estimates Documents**

The Estimates of the Government of Canada are structured in three Parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve. The Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

Instructions for obtaining each volume can be found on the order form enclosed with Part II.

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Approved

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Minister of Finance

## Preface

This document is a report to Parliament to indicate how the resources voted by Parliament have been or will be spent. As such, it is an accountability document that contains several levels of detail to respond to the various needs of its audience.

The Part III for 1997-98 is based on a revised format intended to make a clear separation between planning and performance information, and to focus on the higher level, longer term plans and performance of departments.

The document is divided into four sections:

- Minister's Executive Summary;
- Departmental Plan;
- Departmental Performance; and
- Supplementary Information.

It should be noted that, in accordance with Operating Budget principles, human resource consumption in this document will be measured in terms of employee full-time equivalents (FTEs).

It should further be noted that 1997-98 is a transitional year to meet new reporting requirements. Continuing efforts to refine and improve the current reporting structure may result in a future reconfiguration of the various programs and activities of the department.

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# Table of Contents

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MINISTER’S EXECUTIVE SUMMARY	1-1
DEPARTMENTAL PLAN	2-1
A. Summary of Departmental Plans and Priorities	2-3
B. Departmental Overview	2-4
C. Details by Business Line	
Part 1. Financial & Economic Policies Program	
• Financial and Economic Policies	2-10
Part 2. Other Program Information	
• Administration	2-16
• Domestic Coinage	2-17
• International Financial Organizations	2-17
• Public Debt Program	2-19
• Federal-Provincial Transfer Payments Program	2-20
• Special Program - Hibernia Project	2-23
DEPARTMENTAL PERFORMANCE	3-1
A. Summary of Departmental Performance	3-3
B. Departmental Overview	3-4
C. Details by Business Line	
Part 1. Financial & Economic Policies Program	
• Financial and Economic Policies	3-5
Part 2. Other Program Information	
• Administration	3-9
• Domestic Coinage	3-9
• International Financial Organizations	3-10
• Public Debt Program	3-10
• Federal-Provincial Transfer Payments Program	3-11
• Special Program - Hibernia Project	3-11
SUPPLEMENTARY INFORMATION	4-1

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## Minister's Executive Summary

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## Minister's Executive Summary

Upon taking office four short years ago, the Government of Canada was tasked with a central economic and social objective -- to lay the foundation and create the climate for sustainable economic growth and job creation. The Department of Finance continues to play a key role in achieving this goal. Canada's fiscal health is being restored, and with a secure financial future comes sustainable social programs and an enhanced ability for Canadians to succeed in the modern economy.

An important part of the plan has been expenditure control and deficit reduction. Every area of government spending has been reviewed, and action has been taken which has virtually overhauled the way government spends. Departmental spending across the federal government has been reduced by almost 22 per cent in four years, ensuring that top priority areas are left with the greater share of our scarce resources. The review and reform of our tax and transfer payment systems has increased the level of fairness, and ensured that transfers to individuals and provinces are both sustainable and more targeted.

The government has followed through on its deficit reduction efforts. In 1993-94, the deficit stood at 6 per cent of GDP, or \$42 billion. Since then, we have consistently met and exceeded our targets. In October 1996, we were able to announce that the deficit for 1995-96 was brought down to \$28.6 billion, a full \$4.1 billion better than our target. These numbers reflect the success of our fiscal and monetary policies -- low interest rates are clearly paying off. Moreover, with the improved expenditure management system that now exists, more resources will become available to make targeted investments in social programs and job creation.

The Department of Finance continues to ensure that the legislative framework for the financial services sector keeps pace with the rapidly changing environment in which this sector operates. A key initiative in this area was the establishment in December, 1996, of a Task Force on the Future of the Canadian Financial Services Sector. The Task Force will examine ways to help ensure that this important sector continues to play a vital role in sustaining the continued economic health of this country, while maintaining the safety and soundness of our financial services. The Task Force is scheduled to report in September 1998, and its recommendations will help shape financial sector policy for the next century. The Department has also started a review of the Canadian payments system to ensure that it can meet the needs of the future. An Advisory Committee has been established to assist the Department in this review. Their work will also feed into the broader work of the Task Force.

The Department continues to find ways to modernize and improve the tax system. For example, the Business Tax Review Committee, announced in the 1996 Federal Budget, will continue to identify areas where the tax system can be improved to promote a competitive climate for Canadian businesses while ensuring that tax resources are maintained.

We have also made significant progress in harmonizing the federal and provincial sales tax systems. Agreements have been signed with Nova Scotia, New Brunswick and Newfoundland and Labrador stating that, on April 1, 1997, they will join Quebec in harmonizing their sales taxes with the federal system. This move will simplify the tax system for businesses and consumers alike.

The Department of Finance, like other departments, realizes the need for effective partnerships with other governments, the private sector and community organizations, if it is to meet the economic and social challenges of the near future. These partnerships are currently being forged, and will help governments and Canadians address priorities such as employment, children at risk, an aging population, and the appropriate skills and education essential for a competitive workforce.

The many consultations undertaken by the department continue to be a vital source of information and direction, whether it be for pensions, tax measures, or the federal budget, to name but a few. It is essential that this face-to-face contact with Canadians continue as we develop and assess options for government services and define the role of the Department of Finance, and government as a whole, as we approach the 21st century.



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## Departmental Plan

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## A. Summary of Departmental Plans and Priorities

The Department of Finance's fundamental purpose is to assist the government in developing and implementing fiscal and economic policies and programs that foster growth and create jobs. Over the planning period, the department will concentrate its efforts on the following areas of priority:

- fiscal consolidation and sound economic management;
- major tax policy reviews, including business income tax, harmonization of federal-provincial sales taxes;
- tariff and anti-dumping/countervail policies;
- federal-provincial fiscal relations and social policy reform;
- managing financial assets and liabilities, including the public debt;
- the development and maintenance of a sound, competitive financial system;
- international financial and economic relations, including support for the International Financial Institutions; and
- economic analysis of macroeconomic and microeconomic policies affecting job creation and growth.

These priorities will help define the analysis, policy development and initiatives the department undertakes within the parameters of the government's economic agenda and its central objective of sustained growth and job creation.

## B. Departmental Overview

### Role, Responsibility and Mission

The Department of Finance operates under Sections 14-16 of the Financial Administration Act which provides the Minister with the 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 Department of Finance is the central agency of the federal government responsible for advice on the economic and financial affairs of Canada. It is concerned with all aspects of the performance of the Canadian economy. It oversees all government actions affecting the economy to ensure harmony, follows the development of external factors that bear on domestic economic performance, and examines the economic actions taken by other orders of government.

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

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

Using the same approach, the Department assists the Minister in his role as a key policy Minister of the Government, acts as a central agency of government in assessing the economic and financial implications of major policy proposals and, with other central agencies, assists Ministers in establishing a priority planning framework.

### Organization and Program Composition

The Department of Finance oversees four programs which account for all Public Debt expenditures, the majority of Fiscal Arrangements expenditures and a portion of expenditures out of the international assistance envelope. These programs are:

- Financial and Economic Policies: the development of policies and the provision of advice on a wide range of financial and economic matters; the formulation and preparation of the federal budget; includes the resources required for the delivery of the Federal-Provincial Transfer Payments Program, the Special Program, and for the delivery of payments in respect of Domestic Coinage and to International Financial Organizations.

- Public Debt: provides the necessary funds for interest costs, servicing and issuing costs, and Canada Investment and Savings' operating costs; Financial Sector Policy Branch is responsible for managing the debt program, with Canada Investment and Savings being responsible for the new Retail Debt Program launched in 1995; Corporate Services Branch carries out related payment processing, accounting and government reporting; as fiscal agent, the Bank of Canada provides advice to the Government on debt management and is the chief issuing and redemption agent in respect of the domestic debt; separate fiscal agents are appointed for foreign loans.
- Federal-Provincial Transfer Payments: provides the necessary funds for transfer payments to the provinces and territories; does not contain administration resources, which are contained in the Financial and Economic Policies Program; Federal-Provincial Relations Division is responsible for administering the Program; amounts of transfers and the timing of payments are specified by statute or the regulations made pursuant to statute, and agreements in the case of Territorial Formula Financing program.
- Special Program: normally provides the necessary funds for special items that are not related to existing programs; currently includes the Hibernia Project.

## Corporate Objectives

Principal corporate objectives are as follows:

- assisting the government in deciding upon and implementing financial and other economic policies and programs (Financial Administration Act, financial institutions legislation, tax and tariff legislation)
- managing domestic coinage activities (Royal Canadian Mint Act)
- subscriptions and/or contributions to the International Monetary Fund and the World Bank Group Institutions (Bretton Woods and Related Agreements Act) and to the European Bank for Reconstruction and Development (European Bank for Reconstruction and Development Agreement Act)
- managing the federal government's debt program (Financial Administration Act)
- providing financial support to provincial and territorial governments to assist them in providing public services to their residents (Constitution Acts, Federal-Provincial Fiscal Arrangements Act, Federal-Provincial Fiscal Revision Act)
- providing payments to fund Canada's equity interest in the Hibernia Project (Hibernia Project Act)

## Resource Plans

### Spending Authorities

#### Authorities for 1997-98 - Part II of the Estimates

#### Financial Requirements by Authority

Vote	(thousands of dollars)	1997-98 Main Estimates	1996-97 Main Estimates
	Financial and Economic Policies Program		
1	Program expenditures	49,004	50,212
5	Grants and contributions	280,000	403,491
(S)	Minister of Finance - Salary and motor car allowance	49	49
(S)	Payments to International Development Association	191,000	201,880
(S)	Payments to International Monetary Fund's Enhanced Structural Adjustment Facility	31,800	35,900
(S)	Contributions to employee benefit plans	5,721	5,162
(S)	Purchase of Domestic Coinage	38,000	58,000
	Item not required		
-	Payments to the Global Environment Facility of the International Bank for Reconstruction and Development	-	1,000
	Total Budgetary	595,574	755,694
L10	Issuance of demand notes to the International Development Association	-	-
(S)	Payments to the European Bank for Reconstruction and Development	5,500	11,000
(S)	Issuance of loans to International Monetary Fund's Enhanced Structural Adjustment Facility	186,000	195,300
	Appropriation not required		
-	Payments in accordance with the Bretton Woods and Related Agreements Act to the International Finance Corporation	-	9,900
	Total Non-budgetary	191,500	216,200
	Total Program	787,074	971,894

Vote	(thousands of dollars)	1997-98 Main Estimates	1996-97 Main Estimates
	Public Debt Program		
(S)	Interest and Other Costs	46,000,000	47,800,000
	Total Program	46,000,000	47,800,000
	Federal-Provincial Transfer Payments Program		
15	Transfer Payments to the Territorial Governments	1,120,000	1,129,000
20	Grant to the Province of Newfoundland and Labrador	40,000	-
(S)	Statutory Subsidies (Constitution Acts, 1867-1982 and Other Statutory Authorities)	30,000	38,000
(S)	Fiscal Equalization (Part I - Federal - Provincial Fiscal Arrangements Act)	8,292,000	8,796,000
(S)	Canada Health and Social Transfer (Part V - Federal-Provincial Fiscal Arrangements Act)*	12,500,000	15,047,000
(S)	Youth Allowances Recovery (Federal-Provincial Fiscal Revision Act, 1964)	(469,000)	(447,000)
(S)	Alternative Payments for Standing Programs (Part VI - Federal-Provincial Fiscal Arrangements Act)	(2,131,000)	(2,031,000)
	Total Program	19,382,000	22,532,000
	Special Program		
L25	Payments in respect of Canada's equity interest in the Hibernia Project	58,000	67,000
	Total Program	58,000	67,000
	Total Department	66,227,074	71,370,894

\* The Main Estimates show the Part V cash contribution authorized by the Federal-Provincial Fiscal Arrangements Act. The following table shows the total federal contribution in respect of the Canada Health and Social Transfer (CHST) authorized by the legislation, including the tax transfer provided for in the legislation.

	(Thousands of dollars)
Total Transfer Payments - Main Estimates	12,500,000
Plus Tax Transfers	<u>12,600,000</u>
Total	25,100,000

Figure 1: Departmental Spending Plan by Program

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99
<b>Budgetary</b>			
Financial and Economic Policies Program	759,436	598,864	691,369
Public Debt Program	47,800,000	46,000,000	46,500,000
Federal-Provincial Transfer Payments Program	22,532,000	19,382,000	18,691,000
Gross Expenditures	71,091,436	65,980,864	65,882,369
Revenue credited to the Vote	(3,742)	(3,290)	(3,172)
<b>Total Budgetary</b>	<b>71,087,694</b>	<b>65,977,574</b>	<b>65,879,197</b>
<b>Non-Budgetary</b>			
Financial and Economic Policies Program	216,200	191,500	127,660
Special Program	67,000	58,000	12,000
<b>Total Non-Budgetary</b>	<b>283,200</b>	<b>249,500</b>	<b>139,660</b>
<b>Total Main Estimates</b>	<b>71,370,894</b>	<b>66,227,074</b>	<b>66,018,857</b>
Revenue credited to the Consolidated Revenue Fund	(363,600)	(144,600)	(99,600)
Estimated Cost of Services by other Departments	9,250	8,335	8,342
<b>Net Cost of the Department</b>	<b>71,016,544</b>	<b>66,090,809</b>	<b>65,927,599</b>

Figure 2: Net Cost of Department

1997-98 Main Estimates								
(thousands of dollars)	Operating	Grants & Contr.	Gross Total	Statutory Payments*	Loans, investments and advances	Gross Expend.	Less: Revenue credited to the vote	Total Main Estimates
<b>Financial &amp; Economic Policies Program</b>								
Financial and Economic Policies	36,550		36,550			36,550		36,550
Administration	21,514		21,514			21,514	3,290	18,224
Domestic Coinage				38,000		38,000		38,000
International Financial Organizations		280,000	280,000	414,300		694,300		694,300
	58,064	280,000	338,064	452,300		790,364	3,290	787,074
<b>Public Debt Program</b>								
Interest Costs				45,655,000		45,655,000		45,655,000
Servicing and Issuing Costs				221,000		221,000		221,000
Canada Investment & Savings				124,000		124,000		124,000
				46,000,000		46,000,000		46,000,000
<b>Federal-Provincial Transfer Payments Program</b>								
Federal-Provincial Transfer Payments				19,382,000		19,382,000		19,382,000
<b>Special Program</b>								
Hibernia Project					58,000	58,000		58,000
	58,064	280,000	338,064	65,834,300	58,000	66,230,364	3,290	66,227,074
<b>Other Revenues and Expenditures</b>								
Revenue credited to the CRF								(144,600)
Estimated Cost of Services by other Departments								8,335
<b>Net Cost of Department</b>								<b>66,090,809</b>

\* does not include Contributions to Employee Benefit Plans and other which are allocated in the operating expenditures.



## C. Details by Business Line

### Part 1. Financial & Economic Policies Program

The objective of the Financial and Economic Policies Program is to assist the government in deciding upon and implementing financial and other economic policies and programs.

- Financial and Economic Policies

The objective of this business line is to develop policies and provide advice pertaining to:

- the domestic and international economic and financial situation and outlook;
- the government's overall fiscal framework, expenditure plan and resource allocation;
- government borrowing and debt management;
- legislation governing federally-regulated financial institutions;
- the Canadian tax system;
- the economic and fiscal implications of micro-economic policies and programs including loans, investments and guarantees of the Crown;
- federal-provincial fiscal and economic relations;
- Canadian social policy and programs;
- tariffs, international trade, development assistance and international financial relations;
- financial and borrowing issues as they relate to Crown corporations; and
- privatization of Crown corporations and other corporate holdings and the commercialization/privatization of government services.

This business line provides services to the following client groups:

- The government, Cabinet and the Treasury Board - by providing analysis, advice and recommendations on the economic and financial affairs of Canada as well as tax matters. The department is also responsible for drafting legislation in these areas.
- Parliament and the public - by supporting an expanded program of public information and consultation with emphasis on the provision of basic facts to Canadians on key economic and fiscal issues to facilitate wide participation in a more open, broadly-based consultation process. This supplements ongoing broad-based consultation with the public in other key departmental responsibilities, such as the formation of tax policy and financial sector policy.
- Departments and agencies - by playing an active role in encouraging coordination and harmony among all federal initiatives with an impact on the economy.

- International economic community - by being responsible for the development of Canada's policy with respect to the Bretton Woods Institutions and the European Bank for Reconstruction and Development, as well as negotiating double taxation treaties with our treaty partners and representing Canada in a broad range of official international fora including the financial elements of the G-7, G-10, IMF, OECD, and APEC, among others.
- Provincial governments - by constantly working toward improved cooperation on fiscal and taxation issues.
- Parliamentary and Senate Committees - by being the primary source of taxation and Borrowing Authority bills 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.
- Investors and intermediaries - by working with market participants to improve debt management practices and improve the functioning of the Canadian capital market and by ensuring that Canadian and foreign investors in Canadian debt are well informed of financial and economic developments in Canada.

This business line, which accounts for 4.7 per cent of the 1997-98 Financial and Economic Policies Program expenditures and 66.3 per cent of total departmental employees, encompasses the following:

- Economic and Fiscal Policy: is involved in providing analysis of current and future economic developments; in determining the general budgetary and fiscal policy stance of the Government; in advising the Minister of Finance on the level and broad allocation of government expenditures within a medium-term fiscal context; and is responsible for recommending and advising on economic, fiscal and financial implications of government economic development programs and policies, including the formulation of policy concerning loan investments and guarantees of the Crown.
- International Trade and Finance: is responsible for analyzing and making recommendations on the Canadian Customs Tariff and other legislation governing imports (such as anti-dumping and countervailing duties), policies on international trade (including both bilateral and multilateral negotiations), investment and economic co-operation; international development assistance and export financing; economic and fiscal implications of the defense and international economic assistance program; international financial, monetary and debt issues; and international economic policy co-operation and co-ordination issues (especially as they relate to the G-7 and the Economic Summit and APEC).
- Tax Policy: undertakes analysis of, and makes recommendations relating to, tax policy and is responsible for maintaining a tax system that raises revenue in a fair and efficient fashion and effectively targets incentives to meet governmental goals; seeks to develop tax policies consistent with the government's objectives in other areas - social, cultural, economic, political, regional, and federal-provincial; and develops legislation and regulations necessary to implement federal tax measures.

- Financial Sector Policy: is responsible for policy analysis and advice with respect to the financial sector; management of the federal government's borrowing program and official international reserves; the financial framework policies including financial risk management; Crown corporation borrowing and government loan and loan guarantee policies; investment policies for the Canada Pension Plan, the public service pension plans and Crown Corporations; the functioning of and regulatory framework for Canadian financial markets and institutions; relations with foreign governments and international organizations on financial sector issues; and current and future financial and foreign exchange market developments.
- Federal-Provincial Relations and Social Policy: advises on policies and programs concerning fiscal federalism and social policy in Canada (including the financing of the Canada Pension Plan); manages the Federal-Provincial Transfer Payments Program; monitors, administers and advises on federal-provincial fiscal arrangements; provides analysis and advice on the economic, fiscal, financial, and other implications of changes to the social security system and of social policy in general.
- Alternative Service Delivery, Crown Corporation Policy and Privatization: provides both the Minister of Finance and the President of the Treasury Board with analysis and advice on the legislative and regulatory framework and policy issues affecting Crown corporations as a group, as well as the other corporate interests of the Government of Canada, and on federal privatization initiatives; where appropriate, assists line departments in reviewing privatization and commercialization initiatives and undertakes the privatization of federal Crown corporations, equity holdings and government services when requested.

## Operating Context

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

In responding to government priorities, the Financial and Economic Policies business line is concerned 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, program resources are shifted to enable the Department 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 as well as the private sector. This consultation function provides the Department not only feedback on proposed federal initiatives, but also a vehicle for reacting to specific proposals from outside of the federal government.

The Department has restructured and downsized significantly to meet Budget fiscal targets and policy directions. The Department is operating within the constraint of a greatly reduced resource base while having to contend with increasing emphasis to examine all significant proposals of the government, to get spending under control, to meet deficit targets, to reform the business tax system and to continue the process of making the tax system simpler and more efficient.

## Results Expectations

Results expectations established for the upcoming planning period revolve around the following outcomes.

The department is committed to providing Canadians with

- a more secure financial future
- a more efficient government
- more secure social programs
- investments to help the country meet future challenges

These outcomes reflect the key focus of government which, as noted in the March 1996 Budget, is to help Canadians secure their future. As the Minister of Finance stated in his Budget speech, the 1996 Budget consolidated and extended the actions taken under the comprehensive strategy set out in the 1994 and 1995 budgets.

- securing the financial future
  - preparation of the 1997 budget which continues the expenditure and deficit tracks
  - implementation of sales tax reform announcements
  - harmonization of sales tax regime with Newfoundland and Labrador, New Brunswick and Nova Scotia
  - reform of the business tax system and continue the process of making the tax system simpler and more efficient
  - implementation of announced program spending reductions
  - minimization and stability of cost of public debt; risk management of public debt

- getting government right
  - implementation of announced privatizations and commercializations (e.g., Theratronics International Limited and the federal government's shareholding in National Sea Products)
  - effective establishment/operation of Canada Investment and Savings
  - tabling of legislation to establish the Canada Border and Revenue Service (consistent with the government's commitment to improved and innovative service delivery)
  - completion of the implementation of the Electronic Data Interchange for payment transfers to provinces
  - continuation of business subsidy reductions (e.g. phase-out of the dairy subsidy; reduction in the postal subsidy)
  
- securing social programs
  - reform of CPP to assure its long-term financial integrity
  - implementation of new Seniors' Benefit (jointly with Human Resources Development Canada)
  - implementation of a new child support package bringing improved tax treatment, new guidelines and enhanced enforcement
  - work with provinces and Canadians to develop by mutual consent the values, principles and objectives that should underlie the Canada Health and Social Transfer (led by Human Resources Development Canada)
  
- investing in the future
  - improved tax assistance for those wishing to further their education
  - encouraging technology and innovation through the reallocation of budget savings

Figure 3: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999- 2000
<b>Financial &amp; Economic Policies</b>				
Economic and Fiscal Policy	9,934	9,367	9,344	9,399
International Trade and Finance	7,085	6,319	6,370	6,405
Tax Policy	9,250	10,347	9,365	9,420
Financial Sector Policy	4,379	5,501	4,895	3,515
Federal-Provincial Relations and Social Policy	4,048	4,516	4,323	4,348
Alternative Service Delivery, Crown Corporation Policy & Privatization	500	500	173	173
	35,196	36,550	34,470	33,260

## Part 2. Other Program Information

- Administration

Administration, which accounts for 2.3 per cent of the 1997-98 Financial and Economic Policies Program expenditures and 33.7 per cent of total departmental employees, provides executive direction for the Department; consultations and communications; and financial, personnel and administrative services.

- Management: includes provision for the offices of the Minister, Secretary of State, Deputy Minister, Associate Deputy Ministers, and for Consultations and Communications.

Activities of the Consultations and Communications Branch include: provision of strategic communications advice on policy initiatives of the department and public affairs support to the Department such as communications planning, public environment analysis, media analysis and monitoring; research and provision of writing, editing and production support for departmental publications, including the Federal Budget; the marketing and sales of departmental publications, including the Federal Budget; preparation of speeches; organization of extensive programs of Ministerial and official level consultations, including the annual budget consultations process; conducting an information and media relations program of departmental and Ministerial announcements, special briefings, and arrangements for meetings and news conferences; the handling of Ministerial and departmental correspondence; and management of a broad array of conferences and visits.

- Corporate Services: provides the requisite financial, personnel, systems, security and administrative services in support of (i) the other activities within the Financial and Economic Policies Program; (ii) the Federal-Provincial Transfer Payments Program and the Special Program; and (iii) all programs of Treasury Board Canada.

The goods and services portion of the joint administrative services provided to Treasury Board Secretariat (TBS) is recovered on the basis of TBS' respective use of Corporate Services Branch services. Supported separately under the Estimates of TBS are the Corporate Services human resources, associated salaries and employee benefits which are also based on the respective use of Corporate Services Branch services.

Figure 4: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Administration				
Management	10,601	9,279	8,582	8,652
Corporate Services	9,626	8,945	8,945	8,945
	20,227	18,224	17,527	17,597

- Domestic Coinage

Domestic Coinage provides funds for the payment of the production of coins as well as the costs of storage, preparation and movement of coins.

While the Royal Canadian Mint Act assigns responsibility for the production, storage and movement of bullion and coinage to the Mint, it assigns legal title of coins of the currency of Canada to the Minister of Finance. It also authorizes the Minister of Finance to make payments out of the Consolidated Revenue Fund for costs relating to the production and shipment of coins and to deposit proceeds from the sales of such coins into the Consolidated Revenue Fund.

The Financial Sector Policy and the Economic and Fiscal Policy Branches are responsible for policy inputs while the Corporate Services Branch is responsible for administering payments, revenues and inventories.

Revenue is generated from the sale of coins to chartered banks at face value, resulting in seignorage profits which accrue to the CRF.

Figure 5: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Domestic Coinage	58,000	38,000	36,000	36,000

- International Financial Organizations

International Financial Organizations provide funds for the payment of Canada's subscriptions and obligations to various international organizations which include the following:

- International Bank for Reconstruction and Development (IBRD): usually referred to as the World Bank, is the single largest and most important source of development financing in the world; operates on much the same principles as a commercial bank, except that it does not accept deposits; some 180 countries belong to the World Bank; member countries of the Bank purchase shares in the Bank, a portion of which is “paid



- in” when the shares are purchased and the remainder is considered “callable” in the unlikely event it is required by the Bank; the Bank uses these funds and additional resources it borrows on the world financial markets in order to assist economic development in poor countries; since the bulk of the World Bank's resources are raised on the financial markets, its lending terms closely reflect commercial rates.
- International Development Association (IDA): is an affiliate of the World Bank; lends resources for development projects in the world's poorest countries on highly concessional terms; most of IDA's resources come from donor country contributions; Canada has participated in all eleven replenishments to the IDA fund since it was founded in 1960; contributions are usually made in the form of non-negotiable, non-interest bearing demand notes; the statutory item in the Estimates for IDA represents the drawdown of these notes by IDA as required to fund its projects throughout the world.
  - International Finance Corporation (IFC): is another affiliate of the World Bank; the IFC has no callable capital; last capital increase was in 1991; purpose of the IFC is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in less developed areas, thereby supplementing the activities of the IBRD and IDA.
  - Multilateral Investment Guarantee Agency (MIGA): is also an affiliate of the World Bank; its main function is the promotion of foreign direct investment in developing countries through insurance guarantees, co-insurance and re-insurance against non-commercial risks.
  - Global Environment Facility (GEF): was established in November 1990 as a pilot facility for environmental funding in developing countries; is administered by the World Bank; contributions to the GEF are made in the form of non-negotiable, non-interest bearing demand notes; the statutory item in the Estimates for GEF represents the drawdown of these notes by the GEF administration as required to fund its projects.
  - Enhanced Structural Adjustment Facility (ESAF): is a lending program of the IMF designed to lend to debt distressed, low-income countries at concessional interest rates; Canada's contributions take the form of market-rate loans as well as an interest subsidy.
  - European Bank for Reconstruction and Development (EBRD): started its operations in April 1991; its purpose is to foster the transition towards open market-oriented economies and promote private and entrepreneurial initiative in the countries of Central and Eastern Europe and the former Soviet Union committed to multi-party democracy and pluralism; member countries purchase shares in the Bank, a portion of which is paid in over a five-year period (30 per cent) and the remainder is considered callable in the unlikely event that it is required by the Bank; the item in the Estimates for EBRD relates to payments for shares; the amount represents only the paid-in portion of the shares.
  - Grants and Contributions under Multilateral Agreements: since 1988, Paris Club creditors have agreed to grant debt and debt service reductions to heavily-indebted countries that undertake strong adjustment programs supported by the International Monetary Fund; in 1991, a class grants and contributions program was created in order to

follow up on commitments made by Canada under Paris Club multilateral debt reduction agreements.

Figure 6: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999- 2000
International Financial Organizations				
International Development Association	201,880	191,000	287,000	287,000
International Finance Corporation	9,900	-	-	-
International Monetary Fund's Enhanced Structural Adjustment Facility	231,200	217,800	169,200	112,600
Global Environment Facility	1,000	-	-	-
European Bank for Reconstruction and Development	11,000	5,500	8,660	10,650
Grants and Contributions under Multilateral Agreements	403,491	280,000	263,000	261,000
	858,471	694,300	727,860	671,250

- Public Debt Program

The objective of the Public Debt Program is to provide funds for the interest and servicing costs of the public debt and for the issuing costs of new borrowings.

- Interest Costs: provides for the following interest charges:
  - Interest on Unmatured Debt Payable in Canadian Currency: includes interest costs associated with domestic marketable bonds, treasury bills, Canada Savings Bonds, and federal investments in the Canada Pension Plan Investment Fund and any net interest receipts on outstanding interest rate swaps.
  - Interest on Unmatured Debt Payable in Other Currencies: includes interest charges on foreign borrowings in the form of marketable bonds, Canada Bills, bank and other loans denominated in foreign currencies.
  - Interest on Other Liabilities: includes interest charges with respect to the Public Service Superannuation Account, the Canadian Forces Superannuation Account, and the RCMP Superannuation Account, the Canada Pension Plan Account, various deposit and trust accounts, and miscellaneous liabilities.
- Servicing and Issuing Costs: provides for costs incurred in issuing, redeeming and transferring bonds, commissions for cashing coupons and for payment of registered interest, commitment fees on the undrawn balance of the standby credit arrangements, and also provides for the amortization of bond discounts, premiums and commissions, advertising, administrative, legal, printing and distribution costs.

- Canada Investment and Savings: provides for costs of Canada Investment and Savings. It covers administrative, research, product development, and sales and marketing, as well as issuing costs which include commissions and redemptions.

## Key Strategies

Each year, the program managers assess the structure of the outstanding debt and formulate recommendations to the government respecting the debt program for implementation in the new year. Various strategies are assessed at this time, with a focus on the fixed and floating rate mix of the debt. This involves carefully considering the combination of floating and fixed rate debt to be issued and the maturity distribution to achieve the objective of providing stable, low-cost financing for the government. The debt strategy exercise also focuses on the development and maintenance of a well-functioning domestic fixed-income market, which contributes to lower debt costs.

Figure 7: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99
Public Debt			
Interest Costs	47,381,000	45,655,000	46,200,000
Servicing & Issuing Costs	295,000	221,000	176,000
Canada Investment & Savings	124,000	124,000	124,000
	47,800,000	46,000,000	46,500,000

- **Federal-Provincial Transfer Payments Program**

The objective of the Federal-Provincial Transfer Payments Program is to provide funds for payments to provincial and territorial governments under various statutory authorities.

- Transfer Payments to the Territorial Governments: provide funds to help finance the provision of a full range of public services. Funding levels are determined through a formula-based mechanism which calculates the grant as the difference between a territorial government's deemed expenditure requirements and its revenue capacity. Factors affecting this calculation include annual adjustments for: change in provincial-local expenditures for the country as a whole; population growth of the territories, relative to national growth; territorial revenue capacity; and the transfer of programs from the federal government to a territorial government.
- Grant to the Province of Newfoundland and Labrador: are statutory payments to be made to the Government of Newfoundland and Labrador pursuant to the Newfoundland Additional Financial Assistance Act.
- Statutory Subsidies: are unconditional payments by the Government of Canada to provincial governments. Subsidies were established by the Terms of Confederation and under subsequent arrangements as new provinces entered Confederation. Payments

- commenced in 1867 and are payable in perpetuity, subject only to further constitutional amendments. Legislative authority specifies that subsidies payable to the provinces be adjusted on the basis of the provincial population determined in each decennial census. For the Prairie Provinces, population adjustments are made more frequently, as provided in the legislation establishing the provinces, in recognition of their rapid growth when they joined Confederation. Subsidies payable under other acts are similarly specified.
- Fiscal Equalization: is an unconditional transfer to provinces completely funded by the federal government. The purpose of the program is to enable provincial governments to provide their residents with reasonably comparable levels of public services at reasonably comparable levels of taxation. Equalization payments are based on a comparison among provinces of the per capita tax revenues they would raise under a standardized tax system typical of all the various taxes levied by provincial and local governments. A province's entitlement is equal to its population multiplied by the per capita shortfall, if any, between its per capita measured yield and that of the program standard. The present program was authorized on March 24, 1994 for five years and the legislation governing it expires on March 31, 1999. Consultations with the provinces in preparation for the renewal of the Equalization program in 1999 began in 1996-97 and are on-going.
  - Canada Health and Social Transfer (CHST): is a block-fund transfer to provinces and territories to provide financial support for the provision of health, post-secondary education, social assistance and social services. The contributions are a combination of cash and tax point transfers. The CHST replaced Established Programs Financing (EPF) and the Canada Assistance Plan (CAP) starting in 1996-97. The transfer is subject to provinces respecting the principles of the Canada Health Act and safeguarding access to social assistance without minimum residency requirements. CHST entitlements were set, by legislation, at \$26.9 billion for 1996-97 and \$25.1 billion for 1997-98. For 1998-99 through to 2002-03, the stability and predictability of the CHST is ensured by a five-year funding arrangement under which CHST entitlements will be maintained and then begin to grow at an increasing rate. The resumption of entitlements growth is projected to first stabilize, and then restore growth to the CHST cash component. To provide additional security against unexpected economic fluctuations, a legislated cash floor ensures that the CHST cash component will total at least \$11 billion each year of the five-year period. In 1996-97, CHST entitlements were allocated among provinces based on provincial shares under the former EPF and CAP transfers. For 1997-98, provincial shares of the CHST will reflect relative population changes among provinces since 1995-96. Over the subsequent five-year fiscal arrangement, each province's allocation will be gradually adjusted to reflect equally, its current CHST share (adjusted for annual population shifts among provinces) and its share of Canada's population.
  - Youth Allowances Recovery: is calculated as three per cent of basic federal tax in the province of Quebec. This represents that portion of the special tax abatement to Quebec that is in respect of the now-defunct Youth Allowances program. Since the termination of the Youth Allowances program in 1974, the value of the three point abatement has been recovered from Quebec.
  - Alternative Payments for Standing Programs: represents recoveries of a federal tax point abatement which began under the contracting-out arrangements in the 1960s. Under these arrangements, any province was able to assume the administrative and financial

responsibility for certain federal-provincial programs. Quebec was the only province to choose these arrangements when they were offered in the mid-1960s. As a result, the federal government reduced personal income taxes in Quebec so that the province could increase its personal income tax by the same amount. The annual value of 13.5 of the 16.5 tax points are subtracted from Quebec's cash entitlements otherwise payable under the Fiscal Arrangements Act. The remaining three tax points are recovered by the federal government pursuant to the termination of the Youth Allowances program (see above).

Figure 8: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99
Federal-Provincial Transfer Payments			
Transfer Payments to the Territorial Governments	1,129,000	1,120,000	1,106,000
Grant to Province of Newfoundland and Labrador	-	40,000	40,000
Statutory Subsidies	38,000	30,000	30,000
Fiscal Equalization	8,796,000	8,292,000	8,436,000
Canada Health and Social Transfer*	15,047,000	12,500,000	11,807,000
Youth Allowances Recovery	(447,000)	(469,000)	(493,000)
Alternative Payments for Standing Programs	(2,031,000)	(2,131,000)	(2,235,000)
	22,532,000	19,382,000	18,691,000

\* The Main Estimates show the Part V cash contribution authorized by the Federal-Provincial Fiscal Arrangements Act. The following table shows the total federal contribution in respect of the Canada Health and Social Transfer (CHST) authorized by the legislation, including the tax transfer provided for in the legislation.

	(Thousands of dollars)
Total Transfer Payments - Main Estimates	12,500,000
Plus Tax Transfers	<u>12,600,000</u>
Total	25,100,000

Related Program - Tax Collection Agreements: To facilitate the efficient administration of provincial income taxes, the Minister of Finance is authorized to enter into tax collection agreements with the provinces. These agreements, which have been in existence since 1962, provide for federal administration and collection of provincial and territorial personal income taxes - except in the case of Quebec - and corporate income taxes - except in the cases of Quebec, Ontario and Alberta.

The federal government has agreed to administer provincial income tax acts free of charge (a small administration fee is charged for the administration of special credits and rebates), and to make payments to provinces in accordance with the terms of the agreements. For their part, provinces have agreed to adopt income tax legislation and regulations in a form consistent with those of the federal government. The agreements provide that provincial personal and corporate

income taxes will be levied on federally-defined bases (basic federal tax and corporate taxable income) but also allow provinces to impose surtaxes, reductions, tax credits and rebates, subject to certain guidelines being met. These guidelines are designed to ensure effective administration of the tax system and to promote the efficient functioning of the Canadian economy.

Revenue Canada Taxation administers and collects provincial income taxes, while the Department of Finance makes payments to provinces in respect of estimated assessed provincial income taxes.

- Special Program - Hibernia Project

The objective of the Special Program is to provide for a non-budgetary payment to fund Canada's equity interest in the Hibernia project.

On March 23, 1993 the Government of Canada signed agreements to acquire 8.5 per cent of the 25 per cent interest in Hibernia which had been held by Gulf Canada Resources. Three private sector companies acquired the remainder of the Gulf share. At the time of the acquisition, the Hibernia owners had spent about \$1 billion on the project which is estimated to cost \$5.2 billion to construct. Canada's 8.5 per cent share of the project was transferred from the Minister of Energy, Mines and Resources to the Canada Hibernia Holding Corporation (CHHC), a wholly-owned subsidiary of the Canada Development Investment Corporation (CDIC). CDIC will hold and manage, through CHHC, the interest on a commercial basis until a decision to sell the investment is taken by the Government.

CDIC is a Crown Corporation which reports to Parliament through the Minister of Finance. The Minister of Finance is authorized to make payments to fund Canada's 8.5 per cent equity interest from 1994-95 to 1997-98. The Minister of Natural Resources (formerly Energy, Mines and Resources) will continue to participate in Hibernia by providing contributions and by guaranteeing project borrowings.

The decrease in funding levels is due to the commencement of the operating phase of the project. It is anticipated that funding will cease after 1998-99 when revenues will begin to be realized.

Figure 9: Appropriated Planned Spending

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Special Program				
Hibernia Project	67,000	58,000	12,000	-
	67,000	58,000	12,000	-

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Departmental  
Performance

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## A. Summary of Departmental Performance

The key economic objective of the Government of Canada is to sustain growth and job creation. That can only be achieved in a healthy fiscal environment. This means reducing the federal deficit through action to reduce and reform the structure of spending and to stabilize revenues; and to reshape the role of the federal government in building a stronger, more dynamic Canadian economy. The department is a primary player in the government's achievement of this objective.

The Minister of Finance outlined the five major themes guiding the government's economic policies in *A New Framework for Economic Policy* (October 1994). These priorities were further reinforced in the February 1995 Budget when the Minister announced a number of actions to reduce spending and reshape what government does and how it does it. While the department analyzes and advises on policies and initiatives under all five main economic themes, the departmental work agenda for the ensuing three years primarily involved the following three:

- creating a healthy fiscal and monetary climate, by establishing and meeting prudent fiscal and monetary policy targets
- providing leadership in the economy, by taking the initiative in those areas where federal government action is both necessary and effective in support of private sector activity
- getting government right, by refocusing government so as to ensure that its actions are appropriate to the nation's strategic needs and are carried out with maximum cost effectiveness.

Departmental performance in relation to its established work agenda is reported under these key themes.



## B. Departmental Overview

The fundamental purpose of the department is to assist the government in developing and implementing fiscal and economic policies and programs that foster growth and create jobs. The department serves as the government's key source of analysis and advice on the broad economic and financial affairs of Canada.

The federal budget - which is the government's primary tool for shaping fiscal and economic policy in Canada - is the department's most visible output. The budget documents provide an authoritative review of past, present and future economic factors that will affect the country's economic performance and the nation's finances. This document reviews the government's accounts and presents its fiscal projections. These include the government's expenditure program, revenues from existing sources, taxation changes and debt levels.

In fulfilling its stated mandate, the department assumes a lead role in assisting the government's attainment of its economic goals of sustained growth and job creation. The onerous challenge faced by the department has been contending with an increased emphasis to examine all significant proposals of government, to get spending under control, to meet deficit targets and to reform the tax system while operating within the constraint of a greatly reduced resource base. Considerable attention has been paid to the optimal deployment of dwindling resources so as to ensure the department's ability to effectively respond to the demands being placed upon it.

- downsizing and extensive restructuring undertaken to meet budget fiscal targets and policy directions
- significant modification to the structure of the department resulted in the consolidation of two branches and the elimination of five divisions in three other branches

## C. Details by Business Line

### Part 1. Financial and Economic Policies Program

#### Results Expectations - Financial and Economic Policies Business Line

Results expectations established for the 1995-96 fiscal year included the following:

- creating a healthy fiscal and monetary climate

- the budget process
- managing the public debt
- new federal-provincial transfer system
- sustainable public pensions
- fair and efficient tax system

- providing leadership in the economy

- ensuring a positive microeconomic framework
- improving the regulatory framework and competitiveness of the financial sector
- managing in the global economy

- getting government right

- defining a new role for the government in the economy
- privatization

#### Actual Performance

- creating a healthy fiscal and monetary climate

The successful achievement of this result during fiscal year 1995-96 is demonstrated by:

- the tabling of the March 1996 Budget, which established the fiscal framework, tax structure and level, and the borrowing levels
- the presentation of a complete economic and fiscal update to the Standing House Committee on Finance
- mounting an active outreach program in the pre-budget period to encourage Canadians to become better informed and more involved in budget-related issues and questions

- continuing the development of a Canadian econometric model as part of the ongoing monitoring and reporting on the government’s financial situation
  - reducing the government’s fiscal exposure to unexpected changes in interest rates by increasing the fixed-rate share of the debt stock by 3%, from 54 to 57%
  - the successful launch in August 1995 of Canada Investment and Savings (formerly, the Canada Retail Debt Agency) to provide Canadians with greater opportunity to invest in Government of Canada securities, and enhancement of the retail debt product line which in addition to CSBs now include an RSP product, the Canada RSP Bond, designed specifically for retirement needs of Canadians
  - the introduction of the Canada Health and Social Transfer (CHST), effective April 1, 1996 and consultations with provinces regarding the allocation of CHST entitlements
  - the termination of the Public Utilities Income Tax Transfer Act (PUITTA)
  - the return to the 5 per cent threshold condition for eligibility for Stabilization program payments
  - assuming responsibility for the administration of Territorial Formula Financing (TFF) from DIAND and freezing 1995-96 Territorial Formula Financing (TFF) entitlements, followed by a 5 per cent reduction to the base in 1996-97
  - introducing beneficial tax changes to the RRSP regime in the 1996 Budget and proposals for a new Seniors’ Benefit
  - conducted extensive CPP consultations and continued constructive discussions with the provinces for CPP reform
  - established the Technical Committee on Business Taxation whose mandate calls for consideration of ways in which Canada’s business taxation system could better contribute to the creation of jobs
  - many actions to improve the fairness and efficiency of the tax system, such as increased audits of the underground economy, new resource allowances, taxpayer migration rules, new foreign reporting requirements, actions to curtail tax deferrals and tax shelters, and more assistance to those in need
- providing leadership in the economy

The accomplishment of this result during fiscal year 1995-96 is evidenced by:

- reduced subsidies to business
- removal of barriers to small businesses and regional agencies

- review of the rules for tax incentives for scientific research and experimental development
- new equity invested in the Export Development Corporation provided the capital necessary for the corporation to expand its risk appetite by a total of \$1.5 billion in over 50 countries
- tabled legislation in June 1995 to enhance the supervisory and regulatory systems for federally regulated financial institutions
- broadened surveillance of G-7 and IMF to include financial supervision and cooperation
- improving the developmental effectiveness of the international financial institutions through increased coordination and cooperation
- as part of the NAFTA working group, reformed the application of trade remedies within North America
- reviewed Canada's domestic trade remedies legislation
- streamlined duty-deferral programs
- getting government right

The achievement of this result during fiscal year 1995-96 is demonstrated by:

- the assistance provided to the Treasury Board with the implementation of the new Expenditure Management System
- the improvement in revenue analysis and forecasting with Revenue Canada
- successfully completing the sale of Canadian National (CN) with Transport Canada as well as the sale of a substantial portion of the government's remaining interest in Petro-Canada

#### Funding for this Business Line

The Main Estimates for Financial and Economic Policies were \$38.5 million. Actual expenditures amounted to \$39.0 million. The variance was due to the selling and legal expenses incurred in relation to the sale of the Government's shares of Petro-Canada, funded through Supplementary Estimates, as well as Early Retirement Incentive (ERI) and Early Departure Incentive (EDI) costs absorbed by the Department.

Figure 10: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimate s 1995-96	Actuals 1995-96
Financial & Economic Policies				
Economic and Fiscal Policy	10,634	10,417	10,396	9,882
International Trade and Finance	7,011	6,975	7,692	7,147
Tax Policy	10,372	10,802	10,977	9,867
Financial Sector Policy	5,622	4,894	4,780	4,273
Federal-Provincial Relations and Social Policy	4,287	4,092	4,170	4,548
Alternative Service Delivery, Crown Corporation Policy & Privatization	119	132	500	3,297
	38,045	37,312	38,515	39,014

## Part 2. Other Program Information

- Administration

The Main Estimates for Administration were \$20.4 million. Actual expenditures amounted to \$24.5 million. The variance was due to higher than anticipated costs to produce the federal budget as well as ERI/EDI costs absorbed by the Department. This over-expenditure was funded by lapsing funds in the Financial and Economic Policies business line.

Figure 11: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimate s 1995-96	Actuals 1995-96
Administration				
Management	17,081	13,928	10,078	13,701
Corporate Services	12,708	11,936	10,345	10,807
	29,789	25,864	20,423	24,508*

\* Actual Administration expenditures are reported in Public Accounts as \$148.5 million. This amount includes, in addition to the actuals of \$24.5 million noted above for the appropriated portion of Administration, statutory expenditures totalling \$124.0 million primarily for the net loss on exchange.

- Domestic Coinage

The Main Estimates for Domestic Coinage were \$34.0 million. Actual expenditures amounted to \$49.9 million. The variance was due to higher than anticipated costs associated with the introduction of the new \$2 coin and the corresponding removal from circulation of the \$2 bill. Supplementary Estimates provided the additional resources.

Figure 12: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimate s 1995-96	Actuals 1995-96
Domestic Coinage	36,193	48,224	34,000	49,914

- International Financial Organizations

The Main Estimates for International Financial Organizations were \$1.3 billion. Actual expenditures amounted to \$1.04 billion. The variance was primarily due to lower than forecasted Grants and Contributions made under Multilateral Agreements.

Figure 13: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimates 1995-96	Actuals 1995-96
International Financial Organizations				
International Bank for Reconstruction and Development	15,470	-	-	-
International Development Association	574,224	737,510	219,500	494,312
International Finance Corporation	16,417	10,025	9,850	9,778
International Monetary Fund's Enhanced Structural Adjustment Facility	100,463	113,114	230,000	176,235
Global Environment Facility	5,133	3,100	2,100	2,100
European Bank for Reconstruction and Development	38,889	32,934	33,000	32,549
Grants and Contributions under Multilateral Agreements	150,867	521,263	820,000	325,775
	901,463*	1,417,946*	1,314,450	1,040,749*

\* Represents note issuances and encashments.

- Public Debt Program

The Main Estimates for the Public Debt Program were \$49.5 billion. Actual expenditures amounted to \$46.9 billion. The variance was due to much lower interest rates than were forecast at the time of the February 1995 Federal Budget, partially offset by higher than forecast servicing and issuing costs.

Figure 14: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimates 1995-96	Actuals 1995-96
Public Debt				
Interest Costs	37,752,300	41,617,485	49,120,000	46,433,945
Servicing & Issuing Costs	256,930	470,997	380,000	442,638
Canada Investment & Savings	-	-	-	-
	38,009,230	42,088,482	49,500,000	46,876,583

- Federal-Provincial Transfer Payments Program

The 1995-96 Main Estimates for the Federal-Provincial Transfer Payments Program were \$8.7 billion. Actual expenditures for 1995-96 amounted to \$8.8 billion. The variance was due to the payment of \$312 million in Fiscal Stabilization costs, not provided for in the Main Estimates, partially offset by the elimination of the Public Utilities Income Tax Transfer.

Figure 15: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main	
			Estimates 1995-96	Actuals 1995-96
Federal-Provincial Transfer Payments				
Statutory Subsidies	38,033	38,134	38,000	38,131
Fiscal Equalization	7,755,922	8,543,415	8,870,000	8,800,587
Youth Allowances Recovery	(381,533)	(393,020)	(435,000)	(417,054)
Fiscal Stabilization	297,273	378,439	-	312,452
Public Utilities Income Tax Transfer	238,053	254,111	263,000	81,635
	7,947,748	8,821,079	8,736,000	8,815,751

\* Beginning in 1996-97, this table will reflect the addition of Canada Health and Social Transfer (CHST) and Territorial Formula Financing (TFF) payments.

- Special Program - Hibernia Project

The Main Estimates for the Special Program - Hibernia Project were \$92 million. Actual expenditures amounted to \$104.2 million. The variance was due to a reprofiling of the Project's resources as a result of the accelerated completion of various components of the project and the corresponding increase in the rate of equity investment.

In addition to capital costs, Canada Hibernia Holding Corporation required additional funding for costs relating to the Large Corporation Tax and tanker leasing expenses.

Figure 16: Appropriated Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main	
			Estimates 1995-96	Actuals 1995-96
Special Program				
Hibernia Project	88,191	113,385	92,000	104,188



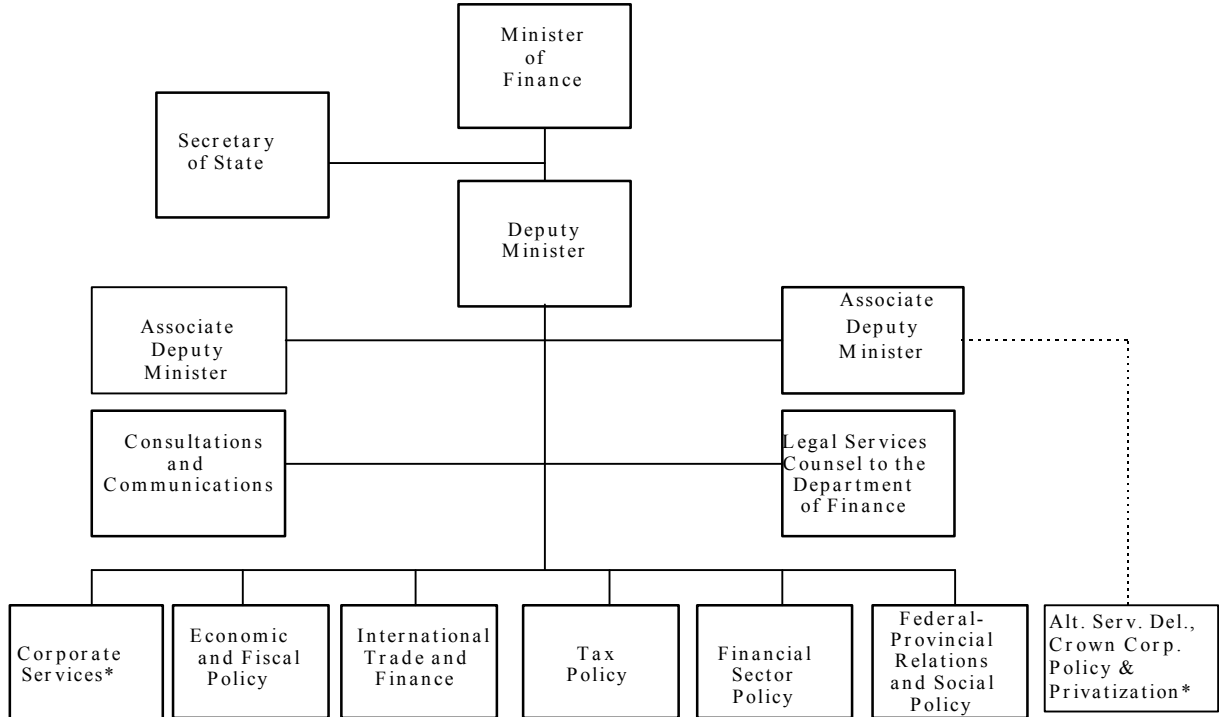
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## Supplementary Information

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# ORGANIZATION

## A. Organization Chart



\* Joint with Treasury Board Secretariat

## PERSONNEL REQUIREMENTS

### A. Summary by Professional Category (FTEs)

	Actuals 1994-95	Actuals 1995-96	Estimates 1996-97	Estimates 1997-98	Planned 1998-99	Planned 1999-00
Order-in-Council Appointments	3	3	3	3	3	3
Executive Group	73	58	58	54	54	53
Scientific and Professional	303	284	284	271	271	270
Administrative and Foreign Service	139	115	111	113	113	112
Technical	16	16	16	14	14	14
Administrative Support	149	127	125	124	124	124
Operational	4	4	4	5	5	5
<b>Total</b>	<b>687</b>	<b>607</b>	<b>601</b>	<b>584</b>	<b>584</b>	<b>581</b>

## ADDITIONAL FINANCIAL INFORMATION

### A. Expenditures by Standard Object

(thousands of dollars)	Actuals 1994-95	Actuals 1995-96	Estimates 1996-97	Estimates 1997-98	Planned 1998-99
Personnel					
Salaries and wages	41,068	40,417	35,648	33,698	33,822
Contributions to employee benefit plans	5,231	5,151	5,162	5,721	5,742
Other personnel costs	2	2	2	2	2
Sub-total	46,301	45,570	40,812	39,421	39,566
Goods and services					
Transportation and communications	5,001	4,649	4,370	4,269	3,573
Information	2,344	2,724	2,242	2,145	1,795
Professional and special services	8,331	9,884	7,674	8,439	7,063
Rentals	383	389	645	468	392
Purchased repair and upkeep	878	944	800	753	630
Domestic coinage	48,224	49,915	58,000	38,000	36,000
Other utilities, materials and supplies	1,968	1,723	1,758	1,569	1,313
Other subsidies and payments	1,801	-	-	-	-
Minor capital*	2,351	2,806	864	1,000	837
Sub-total	71,281	73,034	76,353	56,643	51,603
Total Operating	117,582	118,604	117,165	96,064	91,169
Transfer Payments	10,132,195	10,998,075	23,174,271	19,884,800	19,291,200
Public Debt Charges	42,088,482	46,876,583	47,800,000	46,000,000	46,500,000
Gross Budgetary Expenditures	52,338,259	57,993,262	71,091,436	65,980,864	65,882,369
Less: Receipts and Revenues credited to the Vote**	6,182	5,268	3,742	3,290	3,172
Net Budgetary Expenditures	52,332,077	57,987,994	71,087,694	65,977,574	65,879,197
Non-Budgetary***	520,791	569,524	283,200	249,500	139,660
	52,852,868	58,557,518	71,370,894	66,227,074	66,018,857

\* Minor capital is the residual after the amount of controlled capital has been established.

\*\* Operating and capital expenditures recovered from Treasury Board.

\*\*\* Actual amount includes issuance of notes in accordance with Public Accounts reporting practices; Estimates and Forecast amounts reflect cash payments and encashments of notes only.

### B. Contingent Liabilities

As at March 31, 1996 contingent liabilities estimated at \$9.3 billion were outstanding against Finance.

- \$7.3 billion relates to Loan Guarantee to International Organizations. Canada has subscribed to shares from various International Organizations. The paid in portion of these shares does not equal 100% of their value. The remainder is termed callable capital. These financial institutions use the callable capital of shareholders as a guarantee against their borrowings from capital markets.

- \$1.8 billion relates to Lines of Credit made available to the International Monetary Fund. This amount represents Canada's share of a credit arrangement to supplement the International Monetary Fund's resources.
- \$28.6 million relates to mortgage guarantees given to the Mortgage Insurance Company of Canada and GEE Capital Mortgage Insurance Co. (Canada).
- \$192 million relates to three pending or threatened litigations. While these cases are in various stages of litigation, it is not the policy of the Department to comment on them or their expected outcomes. They must, however, be recognized as potential liabilities against the Crown.

### C. Other Public Debt Program Tables

The following Figure 17 reports actual Public Debt expenses during the last five years.

Figure 17: Details of Actual Public Debt Expenses

(millions of dollars)	1991-92	1992-93	1993-94	1994-95	1995-96
<b>Interest Costs</b>					
<b>Payable in Canadian Currency</b>					
Marketable Bonds	15,797	16,465	17,186	18,831	20,597
Canada Savings Bonds	3,540	2,552	1,874	2,014	2,184
Non-Marketable Bonds	358	356	369	360	379
Treasury Bills	12,596	10,086	8,489	9,343	11,118
	<u>32,291</u>	<u>29,459</u>	<u>27,918</u>	<u>30,548</u>	<u>34,278</u>
<b>Payable in Foreign Currencies</b>					
Marketable Bonds	179	99	81	369	645
Notes and Loans	-	-	-	-	-
Canada Bills	30	18	140	344	305
	<u>209</u>	<u>117</u>	<u>221</u>	<u>713</u>	<u>950</u>
<b>Total Interest on Unmatured Debt</b>	<b>32,500</b>	<b>29,576</b>	<b>28,139</b>	<b>31,261</b>	<b>35,228</b>
<b>Interest on Other Liabilities</b>	<b>8,483</b>	<b>9,066</b>	<b>9,613</b>	<b>10,356</b>	<b>11,206</b>
<b>Total Interest Costs</b>	<b>40,983</b>	<b>38,642</b>	<b>37,752</b>	<b>41,617</b>	<b>46,434</b>
<b>Servicing and Issuing Costs</b>	<b>226</b>	<b>211</b>	<b>257</b>	<b>471</b>	<b>443</b>
<b>Total Public Debt Expenses</b>	<b>41,209</b>	<b>38,853</b>	<b>38,009</b>	<b>42,088</b>	<b>46,877</b>

The figures in the above table for total public debt expenses have not been adjusted to exclude transactions that are internal to the Government. In this respect, they differ from the figures published in Table 2.3, Section 2, Volume I of the 1995-96 Public Accounts of Canada.

Further details of the above information are available from the 1995-96 Public Accounts, Volume II, Part II, Section 9. Comparisons of public debt expenditure to total government

expenditures are presented in various tables of the Expenditure Plan Overview which is included in Part 1 of the Estimates.

A major component of the Interest on Other Liabilities shown in the above table is the public sector pensions. The public sector pension accounts are comprised of the three basic Superannuation accounts, namely, the Public Service Superannuation Account, the Canadian Forces Superannuation Account, and the Royal Canadian Mounted Police Superannuation Account.

The basic accounts earn interest at rates that are based on Government of Canada long-term bond rates.

The following Figure 18 indicates actual interest credited to the accounts in 1995-96 as well as estimated interest for 1996-97 and the amounts included in the 1997-98 Main Estimates.

Figure 18: Interest Credited to the Major Superannuation Accounts

(millions of dollars)	Actual 1995-96	Forecast 1996-97	Estimates 1997-98
Public Service Superannuation	6,184	6,560	6,935
Canadian Forces Superannuation	3,551	3,735	3,905
R.C.M.P. Superannuation	708	765	820
<b>Total</b>	<b>10,443</b>	<b>11,060</b>	<b>11,660</b>

Further information on the operation of the Superannuation accounts is presented in the Public Accounts of Canada for 1995-96, Volume I (pages 6.15 to 6.20) and in Volume II, Part II (page 9.4).

As already indicated, public debt expenditures are based on the outstanding interest-bearing debt liabilities and the interest rates that apply to those liabilities. Figures 19 and 20 below set out the government's interest-bearing debt over the last five years together with the applicable interest rates.

The following Figure 19 reports the interest-bearing-debt and the total liabilities of the Government during the last five years. Further details are available from the 1995-96 Public Accounts, Volume I, Section 2.

Figure 19: Government Interest-Bearing Debt and Total Liabilities  
at March 31

(millions of dollars)	1991-92	1992-93	1993-94	1994-95	1995-96
Unmatured Debt	351,885	382,741	413,975	440,998	469,547
Pension and Other Accounts	88,296	94,293	100,535	109,194	116,840
<b>Total Interest-Bearing Debt</b>	<b>440,181</b>	<b>477,034</b>	<b>514,510</b>	<b>550,192</b>	<b>586,387</b>
Other Liabilities	24,943	24,538	29,596	32,671	36,409
<b>Total Liabilities</b>	<b>465,124</b>	<b>501,572</b>	<b>544,106</b>	<b>582,863</b>	<b>622,796</b>

The following Figure 20 is an extract from the 1995-96 Public Accounts, Volume 1, Section 6. It depicts the unmatured debt balances as at March 31, from 1992 to 1996, with the average rate of interest for each debt type.

Figure 20: Extract from Public Accounts

UNMATURED DEBT AS AT MARCH 31, FROM 1992 TO 1996, WITH THE AVERAGE RATE OF INTEREST THEREON\*

	Marketable bonds		Treasury bills		Canada Savings Bonds		Bonds for the Canada Pension Plan		Canada bills		Notes and loans		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
1996...	262,214	8.39	166,100	5.89	30,460	6.58	3,478	10.21	6,985	5.20	310	5.64	469,547	7.34
1995...	233,554	8.58	164,450	7.60	30,460	5.75	3,488	10.21	9,046	6.16			440,998	7.97
1994...	208,411	8.79	166,000	4.47	30,418	5.50	3,497	10.20	5,649	3.44			413,975	6.75
1993...	181,270	9.59	162,050	6.39	33,364	6.00	3,505	10.20	2,552	3.19			382,741	7.88
1992...	161,488	10.25	152,300	7.68	34,589	7.50	3,501	10.19			7	8.50	351,885	8.86

Where various rates of interest are applicable, the interest rate in effect at March 31 is used.

\* The amount of unmatured debt outstanding includes the government's holding of unmatured debt and, therefore, the totals in Figure 20 do not match with totals in Figure 19 which are net of the government's holdings of its own debt.

STATUTES RELEVANT TO PROGRAM EXPENDITURES OF  
DEPARTMENT OF FINANCE CANADA

Bretton Woods and Related Agreements Act	(R.S.C., 1985, c. B-7)
Canada Health Act	(R.S.C., 1985, c. C-6)
Constitution Acts	(Constitution Act, 1982)
European Bank for Reconstruction and Development Agreement Act	(1991, c. 12)
Federal-Provincial Fiscal Arrangements Act	(R.S.C., 1985, c. F-8)
Federal-Provincial Fiscal Revision Act, 1964	(1964-65, c. 26)
Financial Administration Act	(R.S.C., c. F-11)
Hibernia Project Act	(R.S.C., 1990, c. 41)
Newfoundland Additional Financial Assistance Act	(R.S.C., 1985, c. N-23)
Royal Canadian Mint Act	(R.S.C., 1985, c. R-9)



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