



ESTIMATES

Department of Finance Canada

**2001-2002
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

**2001-02
Estimates**

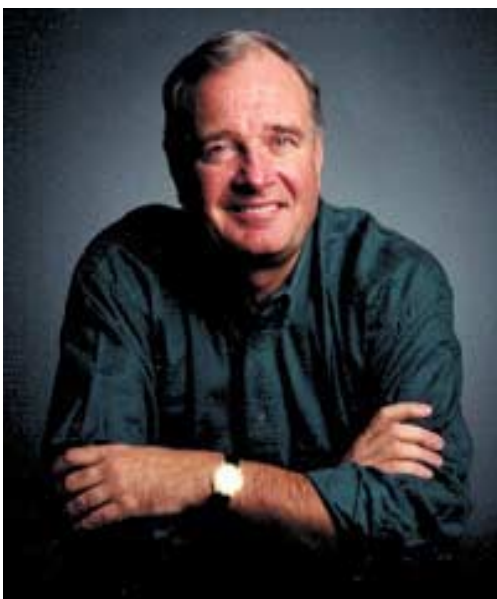
A handwritten signature in black ink, appearing to read "Paul Martin", written over a thin horizontal line.

Paul Martin
Minister of Finance

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Section I: Minister's Message



The Honourable Paul Martin, P.C., M.P.

As the federal department primarily responsible for the Government's finances and policies for economic development and growth, the Department of Finance directly supports the government's efforts to provide all Canadians and a better quality of life.

In recent years, thanks to the determination of Canadians, the nation's finances have been put on a solid footing through prudent economic and fiscal planning. At the same time, funding for a number of key social programs has been increased and the tax burden for taxpayers and businesses has been significantly reduced. As well, the government has placed a priority on efforts to keep Canada at the forefront of the knowledge economy through increased investment in skills and learning, as well as research and development.

The Canadian economy has gone through an extended period of low-inflationary growth and low unemployment. At the end of 2000, Canada had recorded 21 consecutive quarters of GDP growth and its lowest unemployment rate in 25 years. This strength augurs well but with the prospect of a slowing economy in the United States, we cannot afford to be complacent.

The Department of Finance will continue to ensure that the Government's economic and fiscal position is protected with the inclusion of prudence to cope with unforeseen circumstances. Prudent planning combined with ongoing efforts to reduce Canada's national debt will allow the Government to meet its commitments, both now and in the future. In its annual assessment of the nation's economy, the International Monetary Fund noted that "the strong policy framework in place has positioned the real and financial economy to cope with any new major economic shock, including a slowdown in U.S. growth."

A further ongoing challenge is to manage increased interdependence among countries in the international financial system. As one of the founding members of the G-20, which Canada chairs, we continue to work with other major industrialized countries and international financial organizations to promote global financial stability.

The dedicated public servants who work in the Department of Finance are determined to continue providing effective stewardship for the nation's finances and make life better for Canadians.

Section II: Departmental Overview

1. Mandate, Mission and Client Groups

Mandate

The fundamental purpose of the Department of Finance Canada is to help the government develop and implement economic, social and financial policies and programs that foster strong sustainable growth. In its central agency role, it serves as the government's primary source of analysis and advice on the economic, fiscal, social and tax implications of key government priorities.

Departmental responsibilities include preparing the federal budget; developing tax and tariff policy and legislation; managing federal borrowing on financial markets; administering major transfers of federal funds to provinces and territories; developing regulatory policy for the country's financial sector; and representing Canada within international financial institutions.

This requires monitoring and researching the performance of the Canadian economy in terms of output and growth; employment and income; price stability and monetary policy; and long-term structural changes. The Department is also concerned with financial market developments, with trade and other international economic matters that bear on Canada's domestic economic performance, and with competitiveness.

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;
- implementing government decisions in a timely and efficient manner;
- communicating government 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 economic, social and financial affairs and tax matters. The Department is also responsible for providing instructions for the drafting of legislation in these areas.
- **Parliamentary and Senate committees** – by being the primary sponsor of bills on taxation and financial matters and steering them through the parliamentary process.
- **Parliament, the public and Canadian interest groups** – by supporting an expanded program of public information and consultation. This includes responding to requests for information and providing facts to Canadians on key economic, fiscal and tax issues to facilitate wide participation in a more open, broad-based consultation process.
- **Departments, agencies, and Crown corporations** – 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.
- **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.
- **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.
- **International economic and finance community** – by developing Canada’s policy with respect to the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development; by negotiating double taxation treaties with our treaty partners; and by representing Canada in a broad range of official international forums (such as the G-7).
- **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 or WTO) and in related negotiations as they concern trade, import policy, services and investment issues.

2. Departmental Organization

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.”

2.A Departmental Organization: Lines of Business

Business line objectives and descriptions are presented below for the three departmental programs.

Economic, Social and Financial Policies Program

<p>● Policies and Advice Business Line</p> <p>Objective: Appropriate policies and sound advice with respect to economic, social and financial conditions and the government’s agenda.</p> <p>Description:</p> <ul style="list-style-type: none"> ● 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; economic co-operation; export financing; international development assistance and international financial relations (including G-7 and G-20); ● Tax Policy: the development and evaluation of federal taxation policies and legislation with respect to income, sales and excise taxes; ● Financial Sector Policy: government debt, cash and reserves management; legislation governing federally regulated financial institutions; transaction approvals; anti-money-laundering initiatives; financial, investment and borrowing issues relating to Crown corporations, departments and agencies; and issues related to financing “the new knowledge-based economy”; ● Federal-Provincial Relations and Social Policy: federal-provincial fiscal and economic relations and Canadian social policies and programs; ● 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; and the management and, as appropriate, the privatization of Crown corporations and other corporate holdings; and ● Consultations and Communications: communications strategies and initiatives within all aspects of policy development; broad consultations to provide the Minister and Department with public input on policy options.
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● International Financial Organizations Business Line

Objective: Responsible administration of international financial obligations and subscriptions.

Description:

- 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);
- 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.

● Domestic Coinage Business Line

Objective: Payment of the production and distribution costs for domestic circulating coinage.

Description:

- 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;
- coins are sold to financial institutions at face value and the proceeds are deposited in the Consolidated Revenue Fund.

● Corporate Administration Business Line

Objective: Effective and efficient corporate administration.

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.

Public Debt Program

● Interest and Other Costs Business Line

Objective: The funding of interest and of service costs of the public debt and of the issuing costs of wholesale debt, as necessary; the provision of stable, low cost funding for the government; and the maintenance of a well-functioning market in Government of Canada securities.

Description:

- management of the government's borrowing program. (The Department works closely with the Bank of Canada on all aspects of debt management since the Bank acts as official fiscal agent for the federal government in the area of debt operations and provides advice related to overall debt strategy.)

NOTE: Interest costs related to retail debt products are included in this business line, while retail debt-issuing costs are included in the Canada Investment and Savings Business Line, described below.

● Canada Investment and Savings Business Line

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; and the offer of attractive products that benefit all Canadians.

Description:

- the development and marketing of retail debt non-marketable instruments such as Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) directly to Canadians, through employers and in co-operation with financial institutions, by Canada Investment and Savings (a special operating agency reporting to the Deputy Minister of Finance).

Federal-Provincial Transfers Program

<p>● Transfer Payments Business Line</p>
<p>Objective: transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer (CHST), Equalization and other transfers, and pursuant to agreements with respect to Territorial Formula Financing.</p>
<p>Description:</p>
<ul style="list-style-type: none">● 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.

2.B Departmental Organization: Branch Structure

Six policy branches supported by Consultations and Communications Branch, Law Branch and Corporate Services Branch deliver the above-noted programs, as well as the associated business lines. The organizational structure displayed on the following page shows the positions responsible for each business line.

2.C Departmental Employees

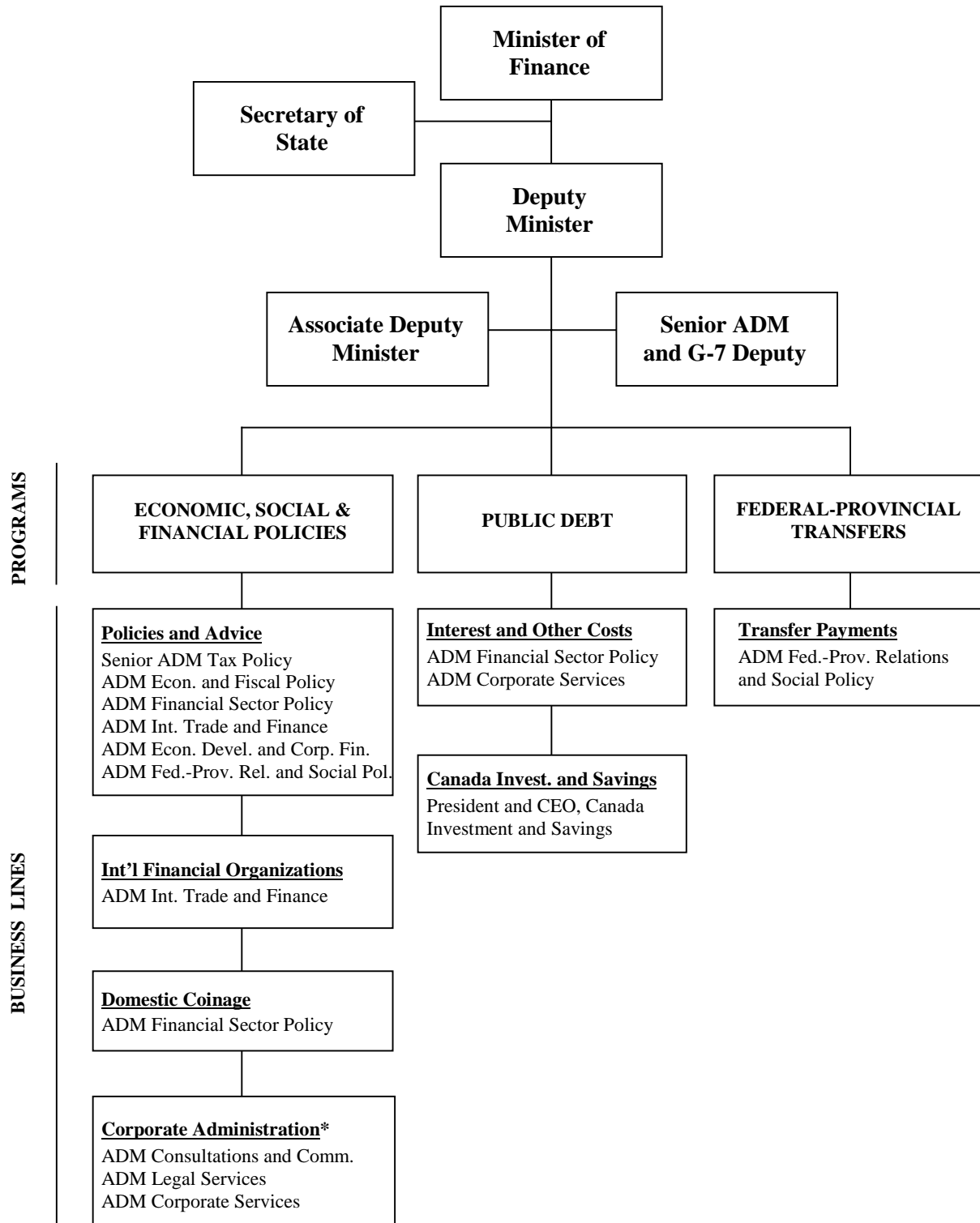
The Department of Finance has a strong culture of professionalism and excellence. We are a knowledge organization, a policy department and a central agency. We have extremely competent and exceptionally committed employees who have joined the Department because they believe that public service is both different and important and that they can make a real contribution to their country.

Of our total workforce, the two largest groups are analysts/economists (52 per cent) and managers (20 per cent). Among the analysts/economists:

- the average age is 35;
- 52 per cent speak both English and French;
- 30 per cent have French as their mother tongue;
- 10 per cent have identified themselves as belonging to a visible minority.

Our people, and the culture and environment in which they work, are our key assets. Our ongoing challenge as an organization is continually to build a workplace that attracts and retains the best and the brightest knowledge workers. Departmental management views comprehensive human resource management as a key on-going priority and is committed to moving forward on our departmental Human Resources Plan.

Program, Business Line and Organization Chart



* This business line also includes departmental management.

3. Planning Context

The key strategic priority for the Department is to help the government make the decisions that will contribute the most to strong and sustainable economic growth. Such growth will allow both individuals to enjoy sustained increases in living standards and governments to have the resources required to provide high-quality public services.

The Department will make these efforts in the midst of a challenging environment. As was noted in the Speech from the Throne on January 30, 2001, Canada and Canadians are called to compete in a faster-paced, technology-driven world economy; to respond to economic uncertainty among our trading partners; to continue to strengthen the fabric of our society in an era of increasing globalization; and to advance our Canadian interests and values in the international arena.

Canada's recent economic performance has been impressive. The economy grew at a strong pace in 2000, while the unemployment rate declined to its lowest level in 25 years. At the same time, Canada's inflation rate over the past five years has averaged 1.7 per cent – well below the average for G-7 countries. All Canadians can take pride in the strong performance of our economy in recent years, but there is no room for complacency. The U.S. economy has slowed more than expected, and uncertainty about future U.S. prospects has increased. This will have an impact on the global economy. In this context, given the improved fundamentals in recent years and the massive tax cuts which took effect on January 1, 2001, Canada is well-positioned to ride through any short-term economic downturn.

4. Departmental Planned Spending

	Forecast Spending 2000–01*	Planned Spending 2001–02	Planned Spending 2002–03
	(\$ millions)		
Budgetary Main Estimates (gross)	64,404.3	68,916.7	70,116.0
Non-Budgetary Main Estimates (gross)†	462.1	24.2	26.3
Less: Respendable revenue	7.1	7.4	7.4
Total Main Estimates	64,859.3	68,933.5	70,134.9
Adjustments	5,459.8	–	–
Net Planned Spending	70,319.1	68,933.5	70,134.9
Less: Non-respendable revenue	198.7	100.8	105.6
Plus: Cost of services received without charge	10.1	11.3	11.4
Net Cost of Program	70,130.5	68,844.0	70,040.7
Full-Time Equivalents	811	793	791

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

† Expenditures decreased from 2000–01 because expenditures related to the International Development Association and the International Monetary Fund's Poverty Reduction and Growth Facility were reduced.

Reference should be made to Table 1 in Section V of this *Report* for the presentation of Net Planned Spending and Full-Time Equivalents by program and business line.

Section III: Departmental Plans, Results and Activities

Fostering strong and sustainable economic growth is the goal upon which all departmental activities are focussed. The following chart displays key results commitments. Key priorities and activities to meet these commitments are detailed on subsequent pages.

Summary of Key Results Commitments

<i>To provide Canadians with</i>	<i>To be demonstrated by</i>
Fiscal Sustainability	<ul style="list-style-type: none"> ✓ budgets that are balanced or better, and debt reduction ✓ an enduring low-inflation environment to foster growth ✓ a fair, efficient and competitive tax system ✓ an effective public debt program
The New Knowledge-based Economy	<ul style="list-style-type: none"> ✓ an agenda for innovation in the new knowledge-based economy ✓ a competitive and secure financial sector ✓ a policy environment supporting access to capital ✓ sectoral programs that promote economic adjustment
Social Advantage for Canada	<ul style="list-style-type: none"> ✓ support for the implementation of the Health and Early Childhood Development Agreements ✓ a system of transfers to provinces upholding a strong federation ✓ assistance in the development of the skills of Canadians ✓ sustainable social programs
Global Advantage for Canada	<ul style="list-style-type: none"> ✓ a key role in building international consensus on reforms to promote global stability and sharing of the benefits of globalization ✓ advancement of Canada’s international trade and investment interests ✓ a policy environment encouraging sustainable development ✓ an active role in building the Canada “brand” globally

Strong and Sustainable Economic Growth

The next few years present a unique opportunity to determine the shape of the Canadian economy for at least the decade to come. The economic transformation of Canada has been underway for some time, but the rate of change needed for success has been picking up even faster. The combined forces of the information revolution and globalization, and the speed at which these forces are changing the economic landscape, present unique opportunities and risks to all economies. Canada is particularly well placed to seize these opportunities.

An integrated approach is key to longer-term success in the new, global knowledge-based economy. The aim of this approach is to make Canada more competitive in the converging North American and global space by accentuating our strengths and carving out new areas of advantage rather than replicating others. The payoff to such a concerted approach should be significantly higher standards of living for Canadians and an improved quality of life – in short, making Canada the best place both to live and to work.

Fiscal Sustainability

- After two decades of deficits, the federal government is now in a period of surpluses. A key fiscal planning objective for the next few years is to ensure that a sustainable fiscal structure is put in place.
- The current slowdown in the U.S. economy raises concerns. It has been deeper and more significant than was expected only a few months ago. Given the size of our trading relationship with the U.S., this obviously has implications for Canada. It is thus essential to ensure that the fiscal structure put in place can cope with such unavoidable cyclical swings in the global economy. A healthy mix of strong fundamentals – fiscal surpluses, low inflation, tax cuts and forward-looking policies – means that Canada is better positioned to manage economic turbulence than it has been in decades.
- Making sure that the spending and revenue trends that the government puts in place are consistent with prudent forecasts of future economic development is key to establishing fiscal sustainability over the mandate.
- Over the last couple of years, several large, upward revisions to the economic forecast have provided the extra resources for the implementation of significant new initiatives. It is important to understand the reason for these positive fiscal surprises: forecasters under-estimated the pace and scope of Canada's cyclical recovery. Future fiscal dividends have largely to come from growth in productivity above the rate assumed in the average private sector medium-term forecast and embedded in the 2000 Economic Statement and Budget Update.

Key Result: Fiscal Sustainability

<i>Demonstrated by:</i>	<i>Key Priorities</i>
<ul style="list-style-type: none"> ✓ budgets that are balanced or better, and debt reduction ✓ an enduring low-inflation environment to foster growth ✓ a fair, efficient and competitive tax system ✓ an effective public debt program 	<ul style="list-style-type: none"> ➤ Developing economic and fiscal policy options for the next budget ➤ Concluding an agreement on medium-term inflation targets with the Bank of Canada ➤ Implementing the five-year plan for tax relief ➤ Improving the neutrality and international competitiveness of the corporate tax system ➤ Expanding the tax treaty network ➤ Renewing federal-provincial-territorial income tax collection agreements ➤ Maintaining a prudent public debt structure and financial position ➤ Enhancing liquidity and transparency standards to maintain a well-functioning Government-of-Canada securities market ➤ Delivering a vibrant, cost-effective retail debt program through diversification of sales channels and improved back-office efficiency

The New Knowledge-based Economy

- Innovation is a key element required for success in the new knowledge-based economy. It is also an area where Canada faces a real challenge, since a nation's potential for innovative activity is strongly linked to its research capacity. At the moment, Canada ranks 15th among OECD countries in its investments in research and development as a percentage of GDP. Transforming all sectors of Canada's economy into sectors of the new knowledge-based economy will require a major focus on innovation, particularly by the private sector. For its part, the government will provide appropriate support for basic research and development, and continue to develop a tax and policy regime supportive of entrepreneurship, innovation and risk-taking.
- Although Canada faces significant challenges in taking full advantage of opportunities provided by the new knowledge-based economy, there is now real momentum. The federal government has made significant new investments in basic research over the last four years. As well, the tax changes in the 2000 budget (<http://www.fin.gc.ca/budget00/toce/2000/bud2000e.htm>) and 2000 Economic Statement and Budget Update (<http://www.fin.gc.ca/toce/2000/ec00e.htm>) have substantially improved incentives for entrepreneurship and innovation.
- Canada needs to ensure that capital markets are efficient and globally competitive to serve Canadian business and Canadian consumers well over the decade ahead and to support innovation and entrepreneurship. The financial services sector is both a key global sector of the new knowledge-based economy in its own right, and a key enabler of this economy and of approaches to doing business in all sectors of the economy. Leading-edge financial services are information-based, technology-driven and strategically focussed (often seeking global market share in niche areas). Innovative capital markets will be crucial to Canada's future economic success.
- Finally, there is a need to ensure that government programs facilitate the adaptation of all sectors of the economy to this new environment.

Key Result: The New Knowledge-based Economy

<i>Demonstrated by:</i>	<i>Key Priorities</i>
<ul style="list-style-type: none"> ✓ an agenda for innovation in the new knowledge-based economy ✓ a competitive and secure financial sector ✓ a policy environment supporting access to capital ✓ sectoral policies that promote economic adjustment 	<ul style="list-style-type: none"> ➤ Increasing the level of research and development across all sectors ➤ Improving the policy framework for the commercialization of research ➤ Implementing a new policy framework for the financial services sector ➤ Continuing the implementation of the anti-money-laundering regime ➤ Ensuring that the regulatory framework for Canada’s financial institutions remains internationally competitive ➤ Developing a supportive environment for financing at early stages ➤ Ensuring that the government’s programs facilitate the transition of all sectors of the economy to the new technological, global environment

Social Advantage for Canada

- To succeed in the new knowledge-based economy and to sustain such success demands a focus on key social programs, and the values they represent, that support, educate and sustain a knowledge economy and society. The quality of communities, the quality of health care, the quality of education, the quality of the social safety net, and equality of opportunity all matter in creating world-class knowledge-based economies/societies. Creating a social advantage bolsters a country's economic advantage. And strong productive economies provide the resources to re-invest continually in key social infrastructure. In short, successful knowledge economies are high quality-of-life societies.
- In the new knowledge-based economy, knowledge workers are a key resource. Access to a highly skilled, innovative labour force is increasingly a crucial competitive advantage. With the rapidly growing new economies come shifts in “employability skills” in all sectors of the economy. The challenge is not only to increase Canada's labour pool of knowledge workers, but also to focus on the skills, retention and lifelong learning of those in the pool.
- This also means making substantial progress on a number of key current issues in social policy in order to provide
 - support for the implementation of the Health and Early Childhood Development Agreements;
 - sustainable system of transfers to provinces to foster a strong federation;
 - assistance in the development of the skills of Canadians; and
 - sustainability of social programs.

Key Result: Social Advantage for Canada

<i>Demonstrated by</i>	<i>Key Priorities</i>
<ul style="list-style-type: none"> ✓ support for the implementation of the Health and Early Childhood Agreements 	<ul style="list-style-type: none"> ➤ Providing provinces and territories with \$23.4 billion of new federal investments in the CHST over the next five years to help renew the health care system and improve and expand early childhood development programs
<ul style="list-style-type: none"> ✓ a system of transfers to provinces upholding a strong federation 	<ul style="list-style-type: none"> ➤ Continuing the review of the Equalization program and of the Territorial Formula Financing in preparation for new arrangements in 2004–05 ➤ Taking steps to lift the Equalization ceiling for 1999–2000 ➤ Ensuring the efficient administration of the transfer programs, including timely and accurate payments to provinces consistent with legislation and regulations
<ul style="list-style-type: none"> ✓ assistance in the development of the skills of Canadians 	<ul style="list-style-type: none"> ➤ Working with Human Resources Development Canada (HRDC) and other key departments to develop and implement policies that help Canadians upgrade their skills
<ul style="list-style-type: none"> ✓ sustainability of social programs 	<ul style="list-style-type: none"> ➤ Launching the upcoming CPP triennial review of the financial status of the Plan

Global Advantage for Canada

- Globalization is not a new trend, but the interaction of “globalizing forces” with technology – particularly new information and communications technologies – has increased its pace and extended its scope over the last decade. It has fundamentally changed our concepts of the “effective marketplace” for goods and services, it is leading to the “death of distance,” redefining ways of doing business, and has created a truly global market for capital. It has also created truly transnational firms, and now transnational NGOs. It is, in short, reshaping relations among citizens, firms, states and international organizations.
- Looking ahead over the mandate, Canada is well-positioned to play a leadership role in developing further the international “rules of the game,” and in working to ensure that the new global economy provides advantages for Canada. As Chair of the G-20 (<http://www.g20.org/indexe.html>) and member of other fora, Canada will seek to forge consensus on reforms to increase global growth, financial stability and the sharing of the benefits of globalization. Canada will also work to strengthen the rules-based international trading system. It will pursue its trade and investment interests in negotiations, notably in the WTO and the Free Trade Area of the Americas (FTAA), and by the appropriate use of dispute settlement procedures.
- Branding matters. We believe that reaping the benefits of truly global markets will depend not only on a better policy environment, but on a much better appreciation by global investors and global markets of Canada’s advantages.

Key Result: Global Advantage for Canada

<i>Demonstrated by</i>	<i>Key Priorities</i>
<ul style="list-style-type: none"> ✓ a key role in building international consensus on reforms to promote global stability and sharing of the benefits of globalization 	<ul style="list-style-type: none"> ➤ Supporting the Minister as Chair of the G-20 and Chair of the Western Hemisphere Finance Ministers' meeting (WHFM), and preparing to chair the G-7 in 2002 ➤ Working with the International Monetary Fund and the World Bank to develop the necessary tools for the prevention and management of financial and economic crises ➤ Showing leadership in working multilaterally and bilaterally towards timely debt relief for the eligible poorest, heavily indebted countries
<ul style="list-style-type: none"> ✓ advancement of Canada's international trade and investment interests 	<ul style="list-style-type: none"> ➤ Working to improve the international trade rules in the WTO and the North American Free Trade Agreement (NAFTA); participating actively in bilateral and regional free-trade and other negotiations (e.g., services, agriculture); contributing to the resolution of trade and investment disputes ➤ Ensuring that tariff and trade remedy policies support and enhance the competitiveness of Canadian business ➤ Developing innovative approaches to financing that support Canada's participation in foreign trade and investment opportunities
<ul style="list-style-type: none"> ✓ a policy environment encouraging sustainable development 	<ul style="list-style-type: none"> ➤ Working with the World Bank, the regional development banks and other institutions to promote poverty reduction through sustainable development ➤ Continuing the analysis of domestic emissions trading ➤ Working with other departments on new environmental regulatory and expenditure proposals
<ul style="list-style-type: none"> ✓ an active role in building the Canada "brand" globally 	<ul style="list-style-type: none"> ➤ Developing initiatives to foster better understanding abroad of Canada's economy

Section IV: Horizontal Initiatives

Legislative and Regulatory Initiatives

Legislation and/or Regulations	Planned Results
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>	<ul style="list-style-type: none"> ◆ Legislation was re-introduced in Parliament on February 7, 2001.
<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 defend Canada's rights and meet its obligations in accordance with international agreements and arrangements to which Canada is a party.	<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, defending Canada's rights and meeting its obligations under international agreements and arrangements.
<i>The Special Import Measures Act</i> – Legislation and related regulations were revised in 2000 to respond to recommendations contained in a parliamentary report.	<ul style="list-style-type: none"> ◆ The government will monitor the implementation of recent changes to Canada's trade remedy system to ensure that it is functioning as intended and to address any unforeseen issues that may arise as a result of these changes.
Sales Tax and Excise Tax Legislation – Legislation will be brought forward to implement measures relating to the Goods and Services Tax and Harmonized Sales Tax (GST/HST), as well as the export tax on tobacco, that were proposed in the February 28, 2000, budget. Legislation will also be introduced to implement further technical sales tax changes that were announced on October 4, 2000.	<ul style="list-style-type: none"> ◆ These tax changes will improve the operation and fairness of the tax system in the affected areas, will address industry concerns and protect the competitiveness of Canadian businesses, will remove certain anomalies in the existing tax structure, will secure revenues and will ensure that the legislation achieves the intended policy goals.
<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 to address emerging policy or technical issues.	<ul style="list-style-type: none"> ◆ 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).

Legislation and/or Regulations	Planned Results
<p><i>Excise Act</i> and related rules and regulations – New legislative framework for the federal taxation of spirits, wine and tobacco products</p>	<ul style="list-style-type: none"> ◆ 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.
<p>Amendments to the <i>Fiscal Arrangements Act</i> to remove the Equalization payment ceiling for fiscal 1999–2000</p>	<ul style="list-style-type: none"> ◆ The legislation will give effect to the Prime Minister’s commitment to remove the Equalization ceiling for 1999–2000.
<p>Income tax changes relating to foreign investment entities and non-resident trusts</p>	<ul style="list-style-type: none"> ◆ New draft of legislation to implement the 1999 budget proposals to tighten the tax system applying to foreign trusts and investment funds is to be released in the spring of 2001, effective for 2002.
<p>Implementation of tax treaties</p>	<ul style="list-style-type: none"> ◆ The government will introduce a bill to approve and implement new and amended income tax treaties between Canada and other countries.
<p>2000 income tax legislation</p>	<ul style="list-style-type: none"> ◆ Comprehensive income tax bill to be tabled, incorporating provisions: <ul style="list-style-type: none"> ◆ to implement the income tax measures announced in the 2000 budget; ◆ to implement income tax measures announced in the October 2000 Economic Statement and Budget Update; ◆ previously included in Bill C-43 of 2000 (the 2000 “Technical Bill” which included the technical proposals of November 1999, the income tax legislation relating to taxpayer migration and the income tax amendments to implement the Bill C-55 accord regarding advertising expenses in foreign periodicals); and ◆ to implement other income tax initiatives proposed in 2000 (including income tax measures relating to Foreign Branch Banking and the rules governing the taxability of foreign actors).

Legislation and/or Regulations	Planned Results
Possible 2001 release of draft technical income tax amendments	<ul style="list-style-type: none"> ◆ The Department may release further draft technical income tax amendments for consultation, if operational requirements permit.
<p><i>Proceeds of Crime (Money-Laundering) Act</i></p> <p>Regulations required to implement certain provisions of the new Act, which received Royal Assent in June 2000, will be promulgated.</p> <p>Legislation to amend the Act will be re-introduced.</p>	<ul style="list-style-type: none"> ◆ The new Act and associated regulations will enhance the existing anti-money-laundering framework in Canada by adding new measures to improve the detection and deterrence of money-laundering. ◆ The new legislation will fulfil the government's commitment to the Senate to introduce amendments to address its concerns.

Sustainable Development Strategy

The Department of Finance Canada, along with 27 other federal departments, tabled its first sustainable development strategy (SDS) in Parliament in December 1997. The Department's first SDS proved valuable in showing how the federal government's fiscal and economic plans contributed to sustainable development in Canada. It also outlined Finance's approach and contribution to environmental objectives and issues in international sustainable development. Finally, it showed how we would improve environmental performance in our own operations.

The Department has now released its updated 2001–03 SDS. This new strategy builds upon the solid foundation that was provided by the 1997 strategy and upon the progress achieved by the Department and the Government as a whole over the last three years in promoting sustainable development. The 2001–03 SDS is focused on priority areas where the Department can make unique and important contributions to sustainable development in Canada and internationally. It makes use of guidance that was provided by the Commissioner of the Environment and Sustainable Development and by other departments and stakeholders, and has been shaped by the Department's own experience and lessons learned.

The actions contained in this strategy support Finance's two key goals in sustainable development for 2001–03: ensuring intergenerational equity and more fully integrating economic, social and environmental considerations and objectives into policy making. In pursuing these goals the Department has identified four theme areas or key issues upon which to base action over the next three years: Building the Future; Integrating the Economy and the Environment; Sustainable Development in the Global Economy; and Greening Operations. The Department has also renewed its approach to implementing its strategy, including designating a departmental sustainable development champion and giving new roles to senior management and officials in ensuring the strategy's implementation.

The Department's sustainable development strategy, containing its sustainable development action plan for 2001–03, can be found at <http://www.fin.gc.ca/toce/2001/sds2001e.html>.

Government On-Line

As noted in the *1999–2000 Departmental Performance Report*, the Department met the GOL initiative's Tier-One requirements to have information on-line on all key programs and services, to make available e-forms and to provide automatic e-mail acknowledgements in advance of December 31, 2000, all by means of its Web site.

The Department's sole program, transfers to provinces and territories, is already fully compliant with Tier-Two requirements to deliver programs and services securely on-line in advance of the year 2004. In addition, because the Department's services largely consist of information products such as the budget, which are already publicly available on the Department's Web site, Finance is considered to be compliant with the service component as well. The Department will continue to participate in developing and promoting GOL's client-centric clustering and integration.

Section V: Financial Information

- Table 1:** Net Planned Spending and Full-Time Equivalents
- Table 2:** Summary of Transfer Payments
- Table 3:** Details of Transfer Payments
- Table 4:** Source of Respendable and Non-respendable Revenue
- Table 5:** Net Cost of Programs for the Estimates Year
- Table 6:** Loans, Investments and Advances by Program and Business Line

Table 1: Net Planned Spending and Full-Time Equivalents

Program/Business Line	Forecast Spending 2000–01		Planned Spending 2001–02		Planned Spending 2002–03	
	\$millions	FTE	\$millions	FTE	\$millions	FTE
Economic, Social and Financial Policies Program						
Policies and Advice*	49.9	559	52.8	541	53.2	539
International Financial Organizations† ‡	1,260.6	–	652.7	–	569.7	–
Domestic Coinage	95.7	–	41.0	–	45.0	–
Corporate Administration*	39.9	252	29.0	252	29.0	252
	1,446.1	811	775.5	793	696.9	791
Public Debt Program						
Interest and Other Costs	42,036.0	–	41,527.0	–	41,052.0	–
Canada Investment & Savings	164.0	–	173.0	–	148.0	–
	42,200.0	–	41,700.0	–	41,200.0	–
Federal-Provincial Transfers Program						
Transfer Payments	26,673.0	–	26,458.0	–	28,238.0	–
	26,673.0	–	26,458.0	–	28,238.0	–
TOTAL	70,319.1	811	68,933.5	793	70,134.9	791

* Includes a transfer between business lines not reflected in Part II of the Main Estimates.

† Includes both Budgetary and Non-budgetary items.

‡ Expenditures decreased from 2000–01 because expenditures related to the International Development Association and the International Monetary Fund's Poverty Reduction and Growth Facility were reduced.

Table 2: Summary of Transfer Payments

	Forecast Spending 2000–01	Planned Spending 2001–02	Planned Spending 2002–03
	(\$ millions)		
Grants			
International Financial Organizations	175.0	161.0	161.0
Total Grants	175.0	161.0	161.0
Contributions			
International Financial Organizations	170.0	165.0	165.0
Total Contributions	170.0	165.0	165.0
Other Transfer Payments			
International Financial Organizations*	447.1	302.5	217.3
Federal-Provincial Transfer Payments (cash portion)†	26,673.0	26,458.0	28,238.0
Total Other Transfer Payments	27,120.1	26,760.5	28,455.3
Total Transfer Payments	27,465.1	27,086.5	28,781.3

* Expenditures decreased from 2000–01 because expenditures related to the International Development Association were reduced.

† The amount shown as Planned Spending for 2001–02 is the cash contributions authorized by Part V of the *Federal-Provincial Fiscal Arrangements Act*. The following table shows the total federal contribution in respect of the Canada Health and Social Transfer (CHST), including the tax portion of the transfer:

	(\$ millions)
Total cash Transfers Payments – Main Estimates	17,300.0
Plus Tax Transfers	15,807.0
Total	33,107.0

Table 3: Details of Transfer Payments

Economic, Social and Financial Policies Program	
<i>International Financial Organizations Business Line</i>	
Objective:	
<ul style="list-style-type: none"> Responsible administration of international financial obligations and subscriptions 	
Planned Results:	
<ul style="list-style-type: none"> The efficient use of resources to promote growth and equitable development in the world economy 	
Milestones:	
<ul style="list-style-type: none"> Annual Parliamentary tabling in March of the <i>Report on Operations Under the Bretton Woods and Related Agreements Act</i> 	
Federal-Provincial Transfers Program	
<i>Transfer Payments Business Line</i>	
Objective:	
<ul style="list-style-type: none"> Transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer (CHST), Equalization and other transfers, and pursuant to agreement with respect to Territorial Formula Financing 	
Planned Results:	
<ul style="list-style-type: none"> Efficient and effective administration of the program 	
Milestones:	
<ul style="list-style-type: none"> Timely and accurate payments consistent with statutory requirements 	

Table 4: Source of Respendable and Non-respendable Revenue

	Forecast Revenue 2000–01	Planned Revenue 2001–02	Planned Revenue 2002–03
(\$ millions)			
Respendable Revenue			
Economic, Social and Financial Policies Program	9.7	7.4	7.4
Total Credited to the Respendable Revenue	9.7	7.4	7.4
Non-respendable revenue			
Economic, Social and Financial Policies Program*	198.7	100.8	105.6
Total Credited to the Non-respendable Revenue	198.7	100.8	105.6
Total Revenue	208.4	108.2	113.0

* Revenue is reduced because of an expected decrease in the sales and production of domestic coinage with the close of the Millennium coin project.

Table 5: Net Cost of Programs for the Estimates Year 2001–02

	Economic, Social & Financial Policies Program	Public Debt Program	Federal- Provincial- Transfers Program	Total
	(\$ millions)			
Net Planned Spending	775.5	41,700.0	26,458.0	68,933.5
Plus:				
<i>Services Received without Charge</i>				
Accommodation provided by Public Works and Government Services Canada	5.6			5.6
Contributions covering employees' share of insurance premiums and costs paid by the Treasury Board Secretariat	3.5			3.5
Workmen's Compensation coverage provided by Human Resources Development Canada	0.0			0.0
Salary and associated costs of legal services provided by the Department of Justice Canada	2.2			2.2
Total Cost of Programs	786.8	41,700.0	26,458.0	68,944.8
Less:				
Non-respendable Revenue	100.8			100.8
Total Revenue	100.8			100.8
2001–02 Net Cost of Programs	686.0	41,700.0	26,458.0	68,844.0

Table 6: Loans, Investments and Advances by Program and Business Line

	Forecast Spending 2000–01	Planned Spending 2001–02	Planned Spending 2002–03
	(\$ millions)		
Economic, Social and Financial Policies Program			
International Financial Organizations*	468.5	24.2	26.3

* Expenditures decreased from 2000–01 because expenditures related to the International Development Association and the International Monetary Fund's Poverty Reduction and Growth Facility were reduced.

Section VI: Other Information

Statutory and Departmental Reports

Annual Financial Report of the Government of Canada and Fiscal Reference Tables

Annual Report to Parliament on the Operations of the Exchange Fund Account

Canadian Federal Budget

Debt Management Report

Debt Management Strategy

Departmental Performance Report

Economic and Fiscal Update

Economy in Brief – Quarterly

Fiscal Monitor – Monthly

Government of Canada Securities – Quarterly

Government of Canada Tax Expenditures and Evaluations

Report on Operations under the Bretton Woods and Related Agreements Act

*Report on Operations under the European Bank for Reconstruction
and Development Agreement Act*

Report on Plans and Priorities

Sustainable Development Strategy

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These reports can be accessed at the Web site of the Department of Finance Canada:
<http://www.fin.gc.ca/>

Appendix: Crosswalk – Key Results to Business Lines

Program / Business Line* → Key Results ↓	Economic, Social and Financial Policies			Public Debt		Fed.-Prov. Transfers
	Policies and Advice	Int'l. Financial Org.	Domestic Coinage	Interest and Other Costs	CI&S	Transfer Payments
<i>Fiscal Sustainability</i>						
<ul style="list-style-type: none"> ● budgets that are balanced or better ● an enduring low-inflation environment ● a fair, efficient and competitive tax system ● an effective public debt program 	✓	✓	✓			
<i>New Knowledge-based Economy</i>						
<ul style="list-style-type: none"> ● an agenda for innovation ● a competitive and secure financial sector ● a policy environment supporting access to capital ● sectoral programs that promote economic adjustment 	✓					
<i>Social Advantage for Canada</i>						
<ul style="list-style-type: none"> ● support for the implementation of Health and Early Childhood Development Agreements ● a system of transfers to provinces upholding a strong federation ● assistance in the development of the skills of Canadians ● sustainability of social programs 	✓					✓
	✓					✓
	✓					✓
	✓					✓

* Details on program and business line resources are included in Table 1, Section V of this Report.

Program / Business Line* → Key Results ↓	Economic, Social and Financial Policies			Public Debt		Fed.-Prov. Transfers
	Policies and Advice	Int'l. Financial Org.	Domestic Coinage	Interest and Other Costs	CI&S	Transfer Payments
<i>Global Advantage for Canada</i>						
<ul style="list-style-type: none"> ● a key role in building international consensus on reforms to promote global stability and the sharing of the benefits of globalization ● advancement of Canada's international trade and investment interests ● a policy environment encouraging sustainable development ● an active role in building the Canada "brand" globally 	✓	✓				