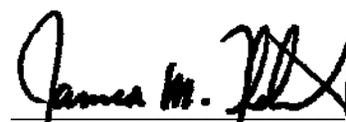


Department of Finance Canada

Report on Plans and Priorities

2007–08

A handwritten signature in black ink, appearing to read "James M. Flaherty", written over a horizontal line.

James M. Flaherty
Minister of Finance

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Section I: Overview

Minister's Message

Canada is on the best economic and fiscal footing of any G7 nation, with the lowest debt burden and the highest employment rate in more than 30 years.

To maintain our position of strength, we must respond to a complex and fast-changing world. We not only have to do things right; we must also do the right things. We must make sure we have the political will and the comprehensive programs to improve government effectiveness.

In Budget 2006, we made reductions in every way the federal government taxes Canadians. We are absolutely committed to balanced budgets, debt reduction, controlled spending, and reducing the regulatory burden on business.

Canada's economy has been performing well in recent years, but we still face many challenges. To remain at the economic forefront, we introduced a long-term economic plan, *Advantage Canada*, that will shape Canada's future and improve the quality of life for families, students, workers, and seniors.

Advantage Canada recognizes the government's obligation to manage Canadians' hard-earned tax dollars effectively and efficiently—and we take that responsibility very seriously. To honour that trust, we must be fiscally prudent.

This *Report on Plans and Priorities* highlights the Department of Finance Canada's key strategies and goals for supporting the government's fiscal and economic priorities.

The Department plays a vital role in helping the government develop the kind of social and economic policies needed for ongoing economic growth and a better quality of life for all Canadians.

It will continue to ensure that government spending is focussed on results and delivers value for taxpayer dollars.

As this *Report on Plans and Priorities* makes clear, the government will continue to take the steps needed to build an even stronger economy and to make this country a world leader.



Management Representation Statement

I submit for tabling in Parliament the 2007–08 *Report on Plans and Priorities* (RPP) for the Department of Finance Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*.

- It adheres to the specific reporting requirements outlined in the Treasury Board of Canada Secretariat guidance.
- It is based on the Department's approved Program Activity Architecture as reflected in its Management, Resources, and Results Structure.
- It presents consistent, comprehensive, balanced, and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it.
- It reports finances based on approved planned spending numbers from the Treasury Board of Canada Secretariat.



Rob Wright
Deputy Minister
Department of Finance Canada

List of Abbreviations

The following abbreviations are used in this report:

AML	Anti-money laundering
ATF	Anti-terrorist financing
CCA	Capital cost allowance
CHT	Canada Health Transfer
CHST	Canada Health and Social Transfer
CPP	Canada Pension Plan
CST	Canada Social Transfer
EBRD	European Bank for Reconstruction and Development
FATF	Financial Action Task Force on Money Laundering
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
FSAP	Financial Sector Assessment Program
G7	Group of 7 leading industrialized countries
G8	G7 nations plus Russia
G20	The members of the G20 are the finance ministers and central bank governors of 19 countries, plus the European Union
GDP	Gross domestic product
GST/HST	Goods and Services Tax / Harmonized Sales Tax
HIPC	Heavily Indebted Poor Countries
IAE	International Assistance Envelope
IDA	International Development Association
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
PCMLTFA	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i>
PRGF	Poverty Reduction and Growth Facility
RCM	Royal Canadian Mint
SDS	Sustainable Development Strategy
TFF	Territorial Formula Financing
WTO	World Trade Organization

Summary Information

Reason for existence: The goal of the Department of Finance Canada is to foster a strong economy, resulting in higher standards of living and an improved quality of life for Canadians.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
75,817,194	77,337,194	79,261,798

Human Resources (FTEs)

2007-08	2008-09	2009-10
798	789	789

Departmental Priorities

		Planned Spending (\$ thousands)		
Name	Type	2007-08	2008-09	2009-10
1. Sound Fiscal Management	Ongoing	34,874,916	34,824,630	34,866,557
2. Sustainable Economic Growth	Ongoing	39,206	38,060	38,193
3. Sound Social Policy Framework	Ongoing	40,345,750	41,921,260	43,834,463
4. Effective International Influence	Ongoing	557,323	553,244	522,585
Total Planned Spending		75,817,194	77,337,194	79,261,798

Program Activities by Strategic Outcome

	Expected Results	Planned Spending (\$ thousands)			Contributes to the Following Priority (Priorities)
		2007-08	2008-09	2009-10	
Strategic Outcome: To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.					
Tax Policy	Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue	30,400	30,517	30,048	Sound Fiscal Management; Sustainable Economic Growth; Sound Social Policy Framework
	Sound fiscal relationships with provinces, Aboriginal governments, and other countries	2,288	2,297	2,262	Sound Fiscal Management; Sustainable Economic Growth; Sound Social Policy Framework
Economic and Fiscal Policy	Transparent fiscal planning and sustainable fiscal policy	6,229	6,253	6,253	Sound Fiscal Management
	Effective analysis of economic performance	8,778	8,812	8,812	Sustainable Economic Growth
Financial Sector Policy	Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios	3,370	2,971	3,067	Sound Fiscal Management
	A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy	10,599	9,343	9,646	Sustainable Economic Growth

	Expected Results	Planned Spending (\$ thousands)			Contributes to the Following Priority (Priorities)
		2007–08	2008–09	2009–10	
Financial Sector Policy (continued)	A legislative and regulatory framework that ensures the security and viability of federally regulated defined benefit pension plans	971	856	883	Sound Social Policy Framework
	An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework	3,172	2,797	2,887	Effective International Influence
Economic Development and Corporate Finance	Sound advice to the minister on economic, funding, and policy proposals	8,289	8,321	8,321	Sound Fiscal Management; Sustainable Economic Growth; Sound Social Policy Framework
Federal-Provincial Relations and Social Policy	A principled framework to restore fiscal balance in Canada	7,032	7,060	7,059	Sound Fiscal Management
	Sound advice to the minister on government social policy priorities	5,265	5,285	5,285	Sound Social Policy Framework
International Trade and Finance	Secure access to key markets for Canadian exporters and investors	6,445	6,470	6,469	Sustainable Economic Growth
	Canadian leadership and influence in international forums on international economic, financial, development, and trade finance issues	9,433	9,469	9,469	Effective International Influence
Public Debt	Stable low-cost financing for the Government of Canada	34,597,000	34,545,000	34,585,000	Sound Fiscal Management
	A well-functioning market in Government of Canada securities	100,000	100,000	100,000	Sound Fiscal Management
Domestic Coinage	A supply of coinage at a reasonable cost	145,000	147,000	149,000	Sound Fiscal Management

	Expected Results	Planned Spending (\$ thousands)			Contributes to the Following Priority (Priorities)
		2007–08	2008–09	2009–10	
Transfer Payments to Provinces and Territories	Administration of federal transfer payments to the provinces and territories, including Equalization, Territorial Formula Financing, the Canada Health Transfer, and the Canada Social Transfer	40,328,203	41,903,765	43,817,109	Sound Social Policy Framework
International Financial Organizations	Payments to international organizations and Canadian creditors consistent with our commitments	544,717	540,978	510,229	Effective International Influence
TOTAL DEPARTMENT OF FINANCE CANADA		75,817,194	77,337,194	79,261,798	

Note: The planned spending figures associated with each expected result are estimates based on management representation.

Departmental Plans and Priorities

The goal of the Department of Finance Canada is to foster a strong economy, resulting in a higher standard of living and an improved quality of life for all Canadians.

Mandate

The Department is committed to making a difference for Canadians by helping the Government of Canada develop and implement strong and sustainable economic, fiscal, social, security, and financial sector policies and programs.

The Department serves as the government's primary source of analysis and advice on the economic, fiscal, and tax implications of key government priorities. Its 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 the provinces and territories, developing regulatory policy for the country's financial sector, and representing Canada within international financial institutions.

Mission

The Department's mission is to support the minister of Finance by providing the best possible analysis and policy advice on economic, fiscal, social, and financial issues; implementing government decisions in a timely and efficient manner; and communicating government decisions in the clearest way possible, within and outside government. Its mission is also to act as an effective conduit for the views of participants in the economy from all parts of Canada and to maintain high-quality support systems and development programs to carry out the Department's functions.

Strategic outcome

In support of its mission, the Department has one strategic outcome: To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.

Program activities

Under its Program Activity Architecture, the Department has established 10 program activities to support its strategic outcome:

1. Tax Policy;
2. Economic and Fiscal Policy;
3. Financial Sector Policy;
4. Economic Development and Corporate Finance;
5. Federal-Provincial Relations and Social Policy;
6. International Trade and Finance;

7. Public Debt;
8. Domestic Coinage;
9. Transfer Payments to Provinces and Territories; and
10. International Financial Organizations.

Alignment with Government of Canada outcomes

The Department of Finance Canada is actively involved in the government's policy and legislative agenda, helping develop and implement fiscal, economic, social, and financial policies and programs. The Department is involved in the four policy areas of the Whole-of-Government Framework: economic, social, international, and government affairs. Its responsibilities include preparing the federal budget, developing tax and tariff policy and legislation, managing federal borrowing on financial markets, administering major transfers of funds to provinces and territories, developing regulatory policy for the country's financial sector, and representing Canada in international financial institutions and forums.

Operating environment

The operating environment of the Department is characterized by the following:

- a strong commitment to consultation, coordination, and collaboration with a wide range of partners and client groups;
- a dynamic engagement with a rapidly changing global economy; and
- a strong commitment to accountability and risk management in its day-to-day business.

Partnerships, consultation, and collaboration

An important component of the work conducted by the Department involves consultation and collaboration with partners in both the public and private sectors. Its primary partners and clients include the following:

The government, Cabinet, and the Treasury Board

The Department provides analysis, advice, and recommendations regarding economic, social, federal-provincial, and financial affairs and tax matters. It also provides instructions about how to draft legislation in many of these areas.

Parliament and parliamentary committees

The Department acts as the primary sponsor of bills on taxation, federal and provincial/territorial transfers, and financial matters and manages them through the parliamentary process. It also supports the minister of Finance in the fulfillment of his or her parliamentary responsibilities.

The public and Canadian interest groups

The Department supports an expanded program of public information and consultation. This includes responding to requests for information and providing opportunities for Canadians to participate in open, broad-based consultations on key economic, social, fiscal, and tax issues.

Departments, agencies, and Crown corporations

The Department plays an active role in encouraging coordination and harmony among all federal initiatives that affect the economy, the financial sector, and financial markets.

Provincial and territorial governments

The Department develops and administers transfer payments in support of social programs and works with the provinces and territories on fiscal, taxation, financial sector, and other issues of concern to all governments. It also works with these other jurisdictions as joint stewards of the Canada Pension Plan (CPP) to ensure that the CPP remains financially secure and stable.

Financial market participants

The Department deals with issues affecting federal financial institutions. It develops the rules and regulations that govern these institutions so they remain safe and sound and are responsive to consumers' needs. The Department also deals on an ongoing basis with a range of market participants, including banks, securities dealers, and investors, in fulfilling its responsibility for managing the public debt and international reserves.

International economic and finance community

The Department plays a key role in promoting a strong multilateral system of global economic and financial governance. The most important role in this regard is support for the minister's participation in the G7, G8, and G20 processes. The Department also has a lead role in managing the country's activities related to international and financial organizations, such as the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD), the Financial Action Task Force on Money Laundering (FATF), and the Financial Stability Forum. The Department also plays an important role in other organizations, such as the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization.

International trade community

The Department plays an important role in negotiating Canada's trade arrangements with other nations and monitoring how those arrangements serve Canada's interests.

International engagement

The Department plays an active and leading role in representing Canada internationally. The Department supports the minister of Finance's involvement in the G7 process, as well as his involvement in other key ministerial forums, including the G8 and G20 finance ministers' processes, and IMF and World Bank meetings. These and similar processes are important forums for exchanging views and forging consensus on measures to strengthen global economic growth, promote financial stability, and reduce global poverty.

The Department's activities are undertaken in the context of a rapidly integrating, technology-driven global economy. Events that take place far from Canada can have a powerful impact, both adverse and beneficial, on Canada's economy.

To support its work on international economic issues, the Department holds extensive consultations not only within the federal government but also with provincial governments, the private sector, civil society, and the Canadian public.

Accountability and risk management

The Department must manage the financial risks associated with the government's financial assets and liabilities. It must be ready to respond to economic and financial developments by taking prompt and decisive action to mitigate, where appropriate, their effects on the Canadian economy and fiscal framework.

The Department is also committed to ensuring that all of its employees and activities, at the personal, professional, and organizational levels, meet the highest standards of ethical conduct and accountability.

The Internal Audit and Evaluation Division (IAED) is responsible for developing risk-based audit and evaluation plans, as well as for the conduct of internal audit and evaluation engagements that meet professional standards. Internal audits and evaluations are selected based on potential risks and exposures and are identified annually in the respective risk-based audit and evaluation plans, which are approved by the Internal Audit and Evaluation Committee chaired by the deputy minister. The Committee also reviews and approves audit and evaluation reports, and their corresponding management action plans.

The new Treasury Board *Policy on Internal Audit* came into effect on April 1, 2006, that significantly increases the requirements of deputy heads, audit committees, and internal audit functions in the federal government. In response to the new Policy and additional requirements embedded in the *Federal Accountability Act*, the Department is undertaking significant efforts to strengthen internal audit capacity and delivery processes. Specifically, IAED has developed a comprehensive three-year plan to implement the structure and activities required to adhere to the Policy. In 2006–07, significant progress was made to develop the internal audit capacity within the Division. IAED will continue to build this capacity to ensure that the Department has a sufficient, competent, and professional internal audit function in place. Regarding program evaluation, a needs assessment review is being undertaken to identify and assess program evaluation requirements for the Department.

Priorities

The Department has established four key priorities in support of its mission. Figures 1 to 4 summarize the key expected results planned by the Department under each of the four priorities by program activity. Section II provides more details on the expected results, ongoing initiatives, and key commitments for each of the 10 program activities.

Priority 1: Sound Fiscal Management

A strong economy requires sensible, strong financial management and leadership. Canada's solid macroeconomic framework, which includes transparent fiscal management, underpins healthy economic growth and helps ensure the sustainability of our social safety net. A sound fiscal structure also includes a competitive, efficient, and fair tax system to promote economic growth, create jobs, and boost living standards in a fiscally sustainable manner.

Solid macroeconomic fundamentals have placed Canadians in a good position to capitalize on both domestic and global economic opportunities. This has allowed the government to reduce the public debt burden and, in turn, invest in important economic and social priorities, while also delivering significant tax relief to all Canadians.

The Department of Finance Canada will play a major role in keeping the government focussed on what it does best: improving services and helping build a climate for the overall economy to perform better. The Department will help ensure that spending is responsible, operations are efficient, and results are effective and accountable to taxpayers.

Figure 1

Summary of the Department of Finance Canada's Expected Results Priority 1: Sound Fiscal Management

Program Activity	Expected Results
Tax Policy	Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue Sound fiscal relationships with provinces, Aboriginal governments, and other countries
Economic and Fiscal Policy	Transparent fiscal planning and sustainable fiscal policy
Financial Sector Policy	Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios
Economic Development and Corporate Finance	Sound advice to the minister on economic, funding, and policy proposals

Program Activity	Expected Results
Federal-Provincial Relations and Social Policy	A principled framework to restore fiscal balance in Canada
Public Debt	Stable low-cost financing for the Government of Canada A well-functioning market in Government of Canada securities
Domestic Coinage	A supply of coinage at a reasonable cost

Priority 2: Sustainable Economic Growth

Government plays an important role in ensuring that Canadian people, businesses, and organizations have the advantages they need to succeed on a global scale. Therefore, the Department puts a key focus on sustainable economic growth by developing and implementing policies and programs that provide appropriate support for the drivers of productivity growth: physical, financial, and human capital and innovation.

As a key source of economic advice to the government, the Department helps ensure that the policies and programs adopted create the framework and conditions necessary for sustainable long-term economic growth by supporting physical investment, and research and development and by helping Canadians acquire skills.

Figure 2

Summary of the Department of Finance Canada's Expected Results Priority 2 Sustainable Economic Growth

Program Activity	Expected Results
Tax Policy	Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue Sound fiscal relationships with provinces, Aboriginal governments, and other countries
Economic and Fiscal Policy	Effective analysis of economic performance
Financial Sector Policy	A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy
Economic Development and Corporate Finance	Sound advice to the minister on economic, funding, and policy proposals

Program Activity	Expected Results
International Trade and Finance	Secure access to key markets for Canadian exporters and investors

Priority 3: Sound Social Policy Framework

The Department contributes, through its analysis and advice, to the government's efforts to meet its objectives for the quality of Canada's communities, health care, education, social safety net, and equality of opportunity for all citizens.

The government supports social programs delivered by provinces and territories by means of transfers of resources to provincial and territorial government treasuries. The Canada Health Transfer (CHT) is the primary federal transfer in support of health care, and the Canada Social Transfer (CST) is provided in support of post-secondary education, social assistance, and social services, including early childhood development, and early learning and childcare. Equalization payments enable less prosperous provincial governments to provide their residents with public services that are reasonably comparable to those in other provinces at reasonably comparable levels of taxation. Finally, Territorial Formula Financing (TFF) is the key unconditional transfer to the three territorial governments. The Department administers these transfers and undertakes regular consultations with provinces and territories.

The Department will assist government partnerships with the provinces and the private sector in strategic areas that contribute to strong economies—including primary scientific research, a clean environment, and modern infrastructure.

Figure 3

Summary of the Department of Finance Canada's Expected Results Priority 3: Sound Social Policy Framework

Program Activity	Expected Results
Tax Policy	Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue Sound fiscal relationships with provinces, Aboriginal governments, and other countries
Financial Sector Policy	A legislative and regulatory framework that ensures the security and viability for federally regulated defined benefit pension plans
Economic Development and Corporate Finance	Sound advice to the minister on economic, funding, and policy proposals
Federal-Provincial Relations and Social Policy	Sound advice to the minister on government social policy priorities

Program Activity	Expected Results
Transfer Payments to Provinces and Territories	Administration of federal transfer payments to the provinces and territories, including Equalization, Territorial Formula Financing, the Canada Health Transfer, and the Canada Social Transfer

Priority 4: Effective International Influence

Improving and sustaining the living standards and quality of life of Canadians in an increasingly competitive and integrated global economy continue to be key departmental objectives. These include maintaining secure and open borders, working to strengthen global growth and stability, advancing Canada's trade and investment interests, and helping foster development to reduce global poverty.

In representing Canada in a wide range of international economic organizations, the Department contributes to policies and measures to increase global economic growth, promote global financial stability, encourage policies to reduce poverty in developing countries, and advance international standards to prevent abuses to the international financial system, including terrorist financing.

The Department will also assist the government in creating the right economic conditions to encourage Canadian firms to invest and flourish, and to be open to trade and foreign investment so goods, services, and technologies flow freely into Canada and Canadian firms have ready access to foreign markets to compete with the best in the world.

Figure 4

Summary of the Department of Finance Canada's Expected Results Priority 4: Effective International Influence

Program Activity	Expected Results
Financial Sector Policy	An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework
International Trade and Finance	Canadian leadership and influence in international forums on international economic, financial, development, and trade finance issues
International Financial Organizations	Payments to international organizations and Canadian creditors consistent with our commitments

Section II: Analysis of Program Activities by Strategic Outcome

Section II provides detailed information on how each of the Department of Finance Canada's 10 program activities supports the Department's strategic outcome and priorities over the reporting period.

Strategic Outcome

The Department has one strategic outcome: To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.

The Department continues to maintain a balanced approach that will ensure a sustainable fiscal structure, encourage a more productive, competitive, and dynamic Canada, and support and sustain Canadian society.

Figure 5 summarizes how each of the Department's 10 program activities is linked to its four priorities.

Figure 5

Support of Departmental Priorities by Program Activity

Program Activities	Priority 1 Sound Fiscal Management	Priority 2 Sustainable Economic Growth	Priority 3 Sound Social Policy Framework	Priority 4 Effective International Influence
1. Tax Policy	✓	✓	✓	
2. Economic and Fiscal Policy	✓	✓		
3. Financial Sector Policy	✓	✓	✓	✓
4. Economic Development and Corporate Finance	✓	✓	✓	
5. Federal-Provincial Relations and Social Policy	✓		✓	
6. International Trade and Finance		✓		✓
7. Public Debt	✓			
8. Domestic Coinage	✓			
9. Transfer Payments to Provinces and Territories			✓	
10. International Financial Organizations				✓

Program Activity 1: Tax Policy

The Tax Policy Branch is responsible for the development and evaluation of federal taxation policies and legislation regarding personal and business income tax, sales tax, and excise tax. The Branch provides advice and recommendations for changes to improve the personal, corporate, sales, and excise tax systems while raising the required amount of revenue to finance government priorities. The Branch also provides advice on federal-provincial and federal-Aboriginal tax coordination.

Initiatives include developing tax legislation and negotiating tax treaties, federal-provincial tax collection and reciprocal agreements, federal-Aboriginal tax administration agreements, and tax policy research and evaluation.

Financial Resources (\$ thousands)

2007–08	2008–09	2009–10
32,689	32,814	32,310

Human Resources (FTEs)

2007–08	2008–09	2009–10
244	248	247

Priorities

The work of the Branch and both its expected results contribute to the following three of the Department's priorities:

1. Sound Fiscal Management;
2. Sustainable Economic Growth; and a
3. Sound Social Policy Framework.

The tax system contributes to these priorities by raising sufficient revenues to pay for public services, including social programs (e.g. universal health care, and public safety and security) and strategic investments in areas that promote a more competitive and productive Canadian economy (e.g. education and training, basic scientific research, and infrastructure). At the same time, however, revenues must be raised in a manner that keeps tax burdens and marginal tax rates low to provide incentives to work, save, and invest. Tax revenues must also be raised in a fair manner so that taxpayers in similar circumstances face similar tax treatment, ensuring that the tax burden is shared in accordance with the ability of taxpayers to pay. Where appropriate, the tax system may also be used to pursue specific economic and social objectives, such as savings for post-secondary education, promoting physical activity among children, encouraging research and development, and helping protect the environment.

Expected results

1. Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue

The Tax Policy Branch will continue to advise the minister of Finance over the 2007–10 planning period on potential measures to further improve the competitiveness, efficiency, and fairness of the tax system in a fiscally sustainable manner. This will include reducing the GST by an additional percentage point starting no later than January 1, 2011, and developing other measures to support implementations of *Advantage Canada*, the government's strategic long-term economic plan.

The Tax Policy Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Provide sound and timely advice, analysis, briefings, and recommendations to the minister and senior officials on ways to improve the tax system, including proposals to make it more attractive for Canadians to work, save, and invest; make the tax system fairer; improve the competitiveness of the tax system; and support other government priorities.
- Meet and consult with the Canada Revenue Agency, the Department of Justice Canada, and other government departments, as well as external stakeholders, including tax professionals, business groups, and representatives of non-governmental organizations, other jurisdictions, provincial governments, Aboriginal peoples, and international organizations to listen to their concerns and views, to discuss and explain the government's policies, and to ensure the effective functioning of Canada's tax system and implementation of policy changes.
- Conduct consultations with provinces and stakeholders on various taxation issues.
- Manage the Air Travellers' Security Charge, the Comprehensive Integrated Tax Coordination Agreement, and the Harmonized Sales Tax provincial revenue payment mechanism.
- Assess and manage risks associated with court challenges related to taxation matters and be prepared to take appropriate actions.
- Evaluate various measures in the Canadian tax structure to ensure that they continue to be relevant, effective, and efficient.
- Improve databases, research tools, and research methodologies in order to enhance the quality of analysis in the Branch.
- Increase the use of contract research to broaden scope and improve timeliness.
- Publish the annual tax expenditure report.

Key commitments

- Identify initiatives for budgets and provide thorough analysis of these initiatives, including estimates of costs and effects on affected taxpayers. Among other potential policy measures that will be assessed and possibly implemented during the planning period are:

- options to support the government’s commitment to use interest savings on national debt repayments to reduce personal income taxes;
 - options for reducing taxes on new investment towards the goal of establishing a Canadian marginal effective tax rate (METR) that is the lowest in the G7—this will include aligning capital cost allowance rates with the useful life of assets and encouraging provinces to pursue policies that improve the competitiveness and efficiency of Canada’s tax system;
 - options to improve the tax treatment of personal savings (including capital gains);
 - ways to help parents save for the long-term financial security of a child with severe disabilities; and
 - improved incentives to work for low-income Canadians, including the Working Income Tax Benefit.
- Prepare and draft parts of the budget plan relating to taxation, the supplementary tax annexes, and other budget products within deadlines.
 - Implement goods and services tax / harmonized sales tax (GST/HST) measures to streamline GST/HST compliance in the financial services sector.
 - Draft income tax legislation to implement government initiatives (e.g. the Tax Fairness Plan announced in October 2006, outstanding technical amendments and measures related to foreign affiliates, and future measures to be announced both in the budget and outside the budget over the 2007–10 period) on a sound and timely basis.
 - Undertake research to support future tax policy initiatives, including the expanded use of the marginal effective tax rate methodology.

2. Sound fiscal relationships with provinces, Aboriginal governments, and other countries

In order to ensure that the tax system functions efficiently, the federal government works with provinces, Aboriginal governments, and other countries to improve tax policy coordination. It also undertakes ongoing analysis of the impact of both new and existing tax policy initiatives on these jurisdictions.

The Tax Policy Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Review new provincial tax measures administered under the tax collection agreements.
- Review entities in Schedule A of the reciprocal taxation agreements.
- Review set-off arrangements with provinces.
- Make methodological improvements to payments under the tax collection agreements.
- Evaluate and develop options that promote federal-provincial tax harmonization.
- Manage the First Nations Sales Tax, the First Nations Goods and Services Tax, and the First Nations Personal Income Tax payment mechanism.

- Negotiate tax elements related to more than 20 agreements in principle and four final comprehensive land claim agreements and self-governing agreements with Aboriginal peoples.
- Negotiate new First Nations Goods and Services Tax, and First Nations Personal Income Tax agreements with Aboriginal governments.
- Maintain Canada's network of international tax treaties.
- Seek to obtain tax information exchange agreements with non-treaty jurisdictions.

Key commitments

- Develop options to address the challenge set out in *Advantage Canada*, released in November 2006, to work with provinces to build a more competitive national tax system.
- Enter into a corporate income tax collection agreement with Ontario consistent with the Canada–Ontario Memorandum of Agreement signed on October 6, 2006.
- Negotiate new reciprocal taxation agreements with a number of provinces and territories.
- Develop long-term sustainable tax policies regarding Aboriginal self-government and comprehensive land claims.
- Develop negotiation strategies in respect of comprehensive land claim and self-government agreements.
- Negotiate new and revised tax treaties with other countries, as appropriate.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Improving the fairness, efficiency, and competitiveness of the personal, corporate, sales, and excise tax systems while raising the required amount of tax revenue	2. Sound fiscal relationships with provinces, Aboriginal governments, and other countries
Performance Indicators	1.1 Proposals and research to improve the competitiveness, efficiency, and fairness of the personal, corporate, sales, and excise tax systems 1.2 Amount of tax revenue raised	2.1 Active negotiation of additional tax administration agreements with provincial and Aboriginal governments 2.2 Effective network of tax treaties with other countries 2.3 Effective meetings of the Federal-Provincial Tax Committee
Data Sources	Federal budgets, legislation, regulations, press releases, tax treaties, the Department's Marginal Effective Tax Rate models, Public Accounts, tax evaluations, working and research papers, and tax expenditure reports	Federal-provincial agreements, federal-provincial meetings, federal-Aboriginal agreements, and federal-Aboriginal negotiations
Frequency	Annual	Annual
Target	1.1 Proposals in the budget and throughout the year, as required, to implement the government's tax policy agenda and maintain a competitive, effective, and fair tax system 1.2 Collect sufficient tax revenues to pay for public services 1.3 Publication of the tax expenditures and evaluations report 1.4 Two published evaluations per year	Increased number of tax agreements and tax treaties signed
Target Date	Ongoing	Ongoing

Program Activity 2: Economic and Fiscal Policy

The Economic and Fiscal Policy Branch is responsible for monitoring and preparing forecasts of Canada's economic and fiscal position, and plays a lead role in the management of the government's fiscal framework. The Branch provides ongoing analysis and advice regarding the government's economic policy framework, its budget planning framework and spending priorities, as well as the fiscal positions of other levels of government and in other countries.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
15,007	15,065	15,064

Human Resources (FTEs)

2007-08	2008-09	2009-10
121	122	122

Priorities

Priority 1: Sound Fiscal Management

The Branch contributes to sound fiscal management by ensuring that budget planning is carried out in a transparent manner and supports long-term fiscal sustainability. The *Economic and Fiscal Update 2006* builds on changes made in Budget 2006 to improve fiscal transparency and accountability of budget planning.

Expected results

1. Transparent fiscal planning and sustainable fiscal policy

The government's framework will help ensure that fiscal planning is transparent and supports long-term fiscal sustainability.

The Branch will undertake the following ongoing activities and key commitments in support of the expected result.

Ongoing

- Continue to monitor and assess fiscal developments, update fiscal projections, provide fiscal policy analysis and advice, and play a lead role in the management of the fiscal framework and coordination of the Economic and Fiscal Update and the budget.
- Provide information on the government's financial position in the monthly *Fiscal Monitor*.

- As committed to in the *Federal Accountability Action Plan*, provide quarterly updates of the fiscal outlook for the current fiscal year.
- Prepare the *Annual Financial Report of the Government of Canada* on the government's fiscal performance for the previous fiscal year.

Key commitments

- Present in the Economic and Fiscal Update fiscal projections for the current year and the next five years to show medium-term implications of current policies. Since a short planning horizon is appropriate for budgetary decisions, the budget will continue to focus on a two-year horizon.
- Plan for annual debt reduction of \$3 billion and a reduction of the debt-to-GDP ratio to 25 per cent by 2012–13. This is the government's contribution to the goal of eliminating Canada's total government net debt by 2021.
- Dedicate interest savings from federal debt reduction to personal income tax reductions.
- Keep growth of spending, on average, below the rate of growth in the economy.

Priority 2: Sustainable Economic Growth

The Branch contributes to sustainable economic growth through an accurate assessment of current and future economic conditions both in Canada and abroad, an analysis of effective economic policies, and in-depth economic research.

A focus for 2007–08 will be to monitor and assess the implications for the Canadian economy of U.S. economic developments, and of fluctuations in commodity prices and the Canadian dollar. In the longer term, two areas of focus are the implications of the rise of emerging markets and population aging.

An effective assessment of these issues will enable the government to better anticipate potential fiscal constraints arising from future economic conditions and to develop effective policies to promote long-term growth.

Expected results

2. Effective analysis of economic performance

The current economic environment is one characterized by issues that are constantly changing, complex, and far-reaching. It is critical that the government understand the strengths and weaknesses of the Canadian economy now and in the future in order to develop economic policies that lead to sustained economic growth. In-depth economic research is also essential to understand and evaluate the interactions and effects of economic developments.

The government benefits from understanding past, ongoing, or proposed reforms in other countries and their implications for the economic and fiscal situation abroad. This understanding will enable the government to develop and implement economic policies that are best suited to promote sustained economic growth in Canada. International cooperation is necessary to

understand and provide an accurate assessment of the economic and fiscal conditions around the world.

The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Provide regular briefings to the minister on major macroeconomic developments in Canada and abroad, as well as informing the public of key economic developments.
- Provide briefings on the main drivers of productivity growth, the implications of globalization and emerging economies, and population aging. This information includes chapters on economic developments and outlook in the Economic and Fiscal Update and the Budget Plan, briefing notes to the minister, and regular documents such as the *Economy in Brief*.
- Consult regularly with officials from the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) to share data and views on economic developments in Canada and the world.
- Continue to represent Canada at OECD meetings and to provide analysis on economic policies proposed by the institution.

Key commitments

- Conduct four private-sector surveys of the Canadian economic outlook and assess the potential risks to these outlooks.
- Analyze and monitor key structural factors underlying Canada's economic performance.
- Analyze possible measures to improve Canada's productivity performance.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Transparent fiscal planning and sustainable fiscal policy	2. Effective analysis of economic performance
Performance Indicators	1.1 Publication of fiscal projections 1.2 Federal debt as a share of the gross domestic product (GDP)	Canada's GDP growth relative to the G6 (G7 less Canada)
Data Sources	1.1 Federal budget and Economic and Fiscal Update 1.2 <i>Annual Financial Report of the Government of Canada</i>	<i>IMF World Economic Outlook</i>
Frequency	1.1 Twice a year 1.2 Annual	Semi-annual
Target	1.1 Publish two-year and five-year fiscal projections 1.2 Reduce the federal debt-to-GDP ratio to 25% by 2012–13	Above-average annual growth rate
Target Date	1.1 Ongoing 1.2 March 31, 2013	Ongoing

Program Activity 3: Financial Sector Policy

Under this program activity, the Financial Sector Policy Branch is responsible for providing analysis of Canada's financial services sector and financial markets, as well as developing the legislative and regulatory framework governing federally chartered financial institutions (banks, trust companies, insurance companies, and cooperative credit associations) and federally regulated defined benefit pension plans. The Branch is also responsible for issues related to anti-money laundering and anti-terrorist financing. The Branch also manages the government's cash and official international reserves, and provides support to the minister regarding Crown corporation borrowing.

The Branch is responsible for the public debt and domestic coinage programs. For more information on these programs, see Program Activities 7 and 8, Public Debt and Domestic Coinage.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
18,113	15,966	16,483

Human Resources (FTEs)

2007-08	2008-09	2009-10
129	116	118

Priorities

Priority 1: Sound Fiscal Management

The focus of Financial Sector Policy Branch activity for 2007-08 will be pursuing improvement to the borrowing framework for major government-backed entities. These activities will, among other things, contribute to reduced debt service costs for the federal government and its agencies.

Expected results

1. Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios

Under the *Financial Administration Act*, the minister is responsible for approving borrowing by government entities and ensuring prudent treasury management policies. A 2005 study by an outside consulting firm of the current borrowing framework for major Crown borrowers identified improvements to the existing framework and advised on the potential benefits and costs of a consolidated borrowing framework.

In addition, under the *Financial Administration Act* and the *Currency Act*, the minister is responsible for the management of the government's cash and reserve assets. Funds need to be invested with due regard for risk and return. External evaluations of cash management and reserves management conducted in 2006 identified a number of possible enhancements.

The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Provide advice on borrowing plan approvals and on ministerial policies for prudent treasury management for major Crown borrowers.
- Provide advice on cash and reserves investment policy, working in collaboration with the government's fiscal agent, the Bank of Canada.

Key commitments

- Enhance the borrowing framework for major government-backed borrowers, taking into account the interests of the entities and their stakeholders, market participants, and the government as a shareholder.
- Follow up on the recommendations of the external evaluations of cash management and reserve management.

Priority 2: Sustainable Economic Growth

Ensuring the competitiveness, efficiency, safety, and soundness of Canada's financial sector and ensuring that domestic financial markets function well are necessary to achieving sustainable growth in the Canadian economy. For 2007–08, the focus will be on making progress on more collaborative and efficient securities regulation and enforcement, and on establishing a common securities regulator in Canada, implementing and drafting regulations in the context of the 2006 review of the financial institutions statutes, implementing regulations associated with the new corporate governance legislation for financial institutions, undergoing a planned Financial Sector Assessment Program (FSAP) update by the International Monetary Fund, as a follow-up to the assessment conducted in 1999, and reviewing the mortgage insurance framework.

Expected results

2. A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy

The Department advises on and develops policy, legislation, and regulations to support a leading-edge financial services sector and domestic capital market to achieve a more productive, competitive, and dynamic economy.

The Branch plans to attain the expected result through the following ongoing actions and key commitments.

Ongoing

- Conduct policy analysis and provide advice on a broad range of financial sector issues, including:
 - payment systems;
 - financial stability issues;
 - issues related to the regulatory and supervisory framework for the financial services industry;
 - federal-provincial financial sector issues;
 - structural issues;
 - consumer issues;
 - financial services trade issues; and
 - competition issues.
- Develop a supportive environment for financing Canadian companies by identifying areas for potential policy change.

Key commitments

- Implement and draft regulations associated with Bill C-37, *An Act to amend the law governing financial institutions and to provide for related and consequential matters*.
- Develop regulations associated with Bill C-57, *An Act to amend certain Acts in relation to financial institutions*.
- Plan, coordinate, and undergo an IMF FSAP update.
- Work with the provinces and territories to make progress on more collaborative and efficient securities regulation and enforcement, and on establishing a common securities regulator in Canada.
- Review the mortgage insurance framework.

Priority 3: Sound Social Policy Framework

A properly designed private pension system, with appropriate incentives for both employers and employees, can contribute to the security and prosperity of Canadian workers and retirees, and support increases in living standards.

Expected results

3. A legislative and regulatory framework that ensures the security and viability of federally regulated defined benefit pension plans

The Department will continue to review and assess means to strengthen the legislative and regulatory framework for federally regulated defined benefit pension plans in order to ensure the security and viability of defined benefit pension plans.

The Branch plans to attain the expected result through the following ongoing activity.

Ongoing

- Conduct analysis and research, draw upon consultations, and study domestic and international trends in order to provide policy advice on pension issues.

Priority 4: Effective International Influence

The Department is responsible for issues related to anti-money laundering and anti-terrorist financing. The Department's leading role in the global fight against money laundering and terrorist financing contributes to public safety in Canada and worldwide. Until July 2007, the focus will be on the continuing role of the presidency of the Financial Action Task Force (FATF). Presiding over the FATF demonstrates internationally Canada's commitment to remain at the forefront of the global fight against terrorist financing and money laundering. Throughout the year, the focus will be on enhancing Canada's anti-money laundering and anti-terrorist financing regime and establishing the permanent home of the Egmont Secretariat, the group of international financial intelligence units.

The Department is also responsible for the federal government's relations with foreign governments in the area of trade in financial services, namely the administration of Canada's commitments under the North American Free Trade Agreement and the World Trade Organization (WTO) General Agreement on Trade in Services, international trade negotiations related to these agreements, as well as other bilateral and multilateral trade initiatives.

Expected results

4. An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework

The goal of Canada's AML and ATF regime is to combat money laundering and terrorism financing by providing appropriate tools to law enforcement, while respecting the privacy of Canadians and conforming to international standards.

The Branch plans to attain the expected result through the following ongoing initiatives and key commitments.

Ongoing

- Conduct analysis and research, and study domestic and international trends in order to provide policy advice on AML and ATF issues.
- Coordinate the AML and ATF regime with federal partners, including the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

Key commitments

- Pursuant to the passage of Bill C-25, *An Act to amend the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and the Income Tax Act and to make a consequential amendment to another Act* (PCMLTFA), develop regulations to fully implement and bring the regime into compliance with international standards and the recommendations of the Auditor General of Canada and Treasury Board-mandated evaluation reports.
- Undergo an evaluation of our AML/ATF regime against the Financial Action Task Force 40+9 recommendations to combat money laundering and terrorist financing.
- Provide effective support for Canada's presidency of the FATF until the end of June 2007. The work plan of the presidency builds on ongoing work of the FATF, including regular member assessments and improving international cooperation, and focusses on a few key priorities: actively pursuing the accession to membership by China, India, and Korea; enhancing dialogue with the private sector; and a review of the strategic direction of the organization in preparation for its mid-term review.
- Work with FINTRAC towards the establishment of the permanent home of the Egmont Secretariat in Toronto until it is operational in 2007–08. Canada will host the permanent home of the Egmont Secretariat, the group that coordinates the exchange of information, provides training, and shares expertise among its 101 financial intelligence unit members worldwide.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios	2. A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy	3. An enhanced legislative and regulatory framework for federally regulated defined benefit pension plans	4. An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework
Performance Indicators	1.1 Crown borrowing costs 1.2 Net returns on liquid asset portfolios 1.3 Amount of exposure to financial risk 1.4 Administrative costs of treasury functions	Policy, legislative, and regulatory initiatives	Policy, legislative, and regulatory initiatives	4.1 Regulations 4.2 International standards and evaluation reports 4.3 Canadian presidency of the Financial Action Task Force on Money Laundering (FATF) 4.4 Establishment of the Egmont Secretariat

Expected Results / Performance Measurement	1. Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios	2. A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy	3. An enhanced legislative and regulatory framework for federally regulated defined benefit pension plans	4. An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework
Data Sources	1.1 Crown annual reports and corporate plans 1.2 Public Accounts, <i>Debt Management Report, Report on the Management of Canada's Official International Reserves</i> 1.3 <i>Debt Management Report, Report on the Management of Canada's Official International Reserves</i> 1.4 Crown and Bank of Canada annual reports	Legislation, regulations, and publications	Legislation and regulations	4.1 Legislation, regulations 4.2 FATF mutual evaluation report 4.3 Report from the outgoing president 4.4 Official announcement of the Secretariat
Frequency	Annual	Legislative and regulatory amendments as needed; securities regulation work on an ongoing basis Financial Sector Assessment Program in (FSAP) 2007	Amendments as needed	4.1 Regulations as needed 4.2 Mutual evaluation roughly every five years 4.3 Presidency is rotated among the FATF members 4.4 One time

Expected Results / Performance Measurement	1. Prudent and cost-effective treasury management of the borrowing activities of Crown corporations and the government's investment portfolios	2. A regulatory framework that promotes a sound, efficient, and competitive Canadian financial sector that serves the needs of individuals, businesses, and the economy	3. An enhanced legislative and regulatory framework for federally regulated defined benefit pension plans	4. An effective anti-money laundering (AML) and anti-terrorist financing (ATF) framework
Target	1.1 Low and stable risk-adjusted costs of borrowing and investing funds 1.2 Positive returns on investment portfolios, net of costs 1.3 Exposure to financial risks within Board- and minister-approved limits 1.4 Overhead costs in line with comparable entities	2.1 Implement and draft regulations for Bill C-37 2.2 Develop Bill C-57 regulations 2.3 Complete IMF FSAP update 2.4 Develop policies for the review of the mortgage insurance framework	Develop legislation and regulations as needed	4.1 Develop regulations for the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> 4.2 Comply with international standards and the recommendation of the Auditor General of Canada and Treasury Board-mandated evaluation reports 4.3 Deliver the FATF president's work program 4.4 Egmont Secretariat becomes operational
Target Date	Ongoing	2007–08	Ongoing	2007–08

Program Activity 4: Economic Development and Corporate Finance

Under this program activity, the Economic Development and Corporate Finance Branch is responsible for fulfilling the challenge function of the Department of Finance Canada, including providing policy analysis and advice to the minister on the financial implications of the government's microeconomic policy and programs; for providing proposals for the funding of programs; for developing regional and sectoral policy analysis in the areas of the knowledge-based economy, defence, transportation, public infrastructure, environment, energy and resources, agriculture, fisheries, and privatization; and for advising on corporate restructuring regarding Crown corporation and other corporate holdings. The Branch is also responsible for analysis and advice on other projects, such as the Smart Regulation Initiative.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
8,289	8,321	8,321

Human Resources (FTEs)

2007-08	2008-09	2009-10
67	68	67

Priorities

The work of the Branch and its expected result contribute to the following three of the Department's priorities:

1. Sound Fiscal Management;
2. Sustainable Economic Growth; and a
3. Sound Social Policy Framework.

The focus of the Branch's work will be on supporting the government's microeconomic policy, including monitoring world-class research and development, creating a cleaner and healthier environment, strengthening the economic union, and outlining the government's comprehensive plan for infrastructure. The Branch will also advise the minister regarding other departments' funding and policy proposals.

Expected results

1. Sound advice to the minister on economic, funding, and policy proposals

The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Provide weekly briefings, including policy analysis and recommendations for consideration by the minister to assist in the preparation for meetings of Cabinet and its committees, the annual budget, and fiscal updates, as required.
- Assess operating and capital funding for key federal assets and programs.
- Provide advice for Cabinet reviews of program spending and new policy proposals.
- Fulfil the central agency role of the Department by identifying major policy issues and proposals under development in the economic departments.
- Ongoing examination of policy and program options related to key government infrastructure programs.
- Help shape regional development policies and sectoral policies such as agriculture, environment, fisheries, aerospace, and automotive.

Key commitments

- Provide advice on potential initiatives for budgets in 2007–08, 2008–09, and 2009–10 that implement the government’s economic agenda in the following areas:
 - post-secondary education, research, and commercialization;
 - support for private sector research and development;
 - improvement of the regulatory framework and reducing the paper burden on business;
 - work towards a comprehensive plan for infrastructure that includes long-term predictable funding;
 - energy and the environment; and
 - strengthening of the economic union through improved frameworks for internal trade and foreign investment.
- Reform the government’s science and technology strategy.
- Consideration of proposals for government support for the Mackenzie Gas Project.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Sound advice to the minister on economic proposals
Performance Indicators	Announcement of measures that advance productivity and economic growth
Data Sources	Budget and <i>Economic Update</i>
Frequency	Annual
Target	Implementation of microeconomic policy directions in the government's economic agenda
Target Date	Ongoing

Program Activity 5: Federal-Provincial Relations and Social Policy

Under this program activity, the Federal-Provincial Relations and Social Policy Branch has primary responsibility for providing analysis and advice to the minister of Finance on federal-provincial-territorial fiscal arrangements, fiscal and economic relations, and Canadian social policies and programs, such as health care, employment insurance, seniors' benefits, Aboriginal programs, education programs, and cultural programs.

Financial Resources (\$ thousands)

2007–08	2008–09	2009–10
12,298	12,345	12,344

Human Resources (FTEs)

2007–08	2008–09	2009–10
92	93	93

Priorities

Priority 1: Sound Fiscal Management

The focus for the 2007–08 fiscal year will be on implementing a principled framework to restore fiscal balance. In Budget 2006, the government took important first steps to restore fiscal balance. These included tax reductions, new investments, and a commitment to provide funding of \$3.3 billion to provinces and territories for shared priorities.

In Budget 2006, the government also committed to bringing forward proposals to restore fiscal balance after undertaking consultations with provinces and territories, academics and experts, and individual Canadians. The government followed through on this commitment. As reported in *Advantage Canada* (November 2006): “The key message the Government has heard is that Canadians support a system of fiscal arrangements that funds national priorities and redistributes wealth from the more prosperous regions to the less prosperous ones—but that these arrangements must be founded on principles of fairness and predictability.” The government intends to table its proposals to restore fiscal balance in Budget 2007.

Expected results

1. A principled framework to restore fiscal balance in Canada

Canada's government is committed to restoring fiscal balance, in part through the development of a principle-based transfer system, with a clearer delineation of responsibilities among different orders of government and with greater overall efficiency for governments and enhanced accountability for citizens.

The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Implement policy and program proposals related to fiscal balance broadly, and fiscal arrangements more specifically, as per approved policy statements (e.g. consistent with Budget 2007). Provide analysis and advice, including assessments of impacts, related to those proposals.
- Ensure well-functioning processes are in place to support ongoing federal-provincial-territorial fiscal relations and communications regarding fiscal balance and changes to federal-provincial-territorial fiscal arrangements.

Key commitments

- Continue to work on various elements of the commitment to restore fiscal balance, including improved transparency and accountability of the Government of Canada to citizens.
- Establish a principle-based program for Equalization and TFF to ensure all provinces and territories have access to sufficient revenues to provide reasonably comparable programs and services at reasonably comparable levels of taxation.
- Prepare legislation and regulatory changes, and coordinate with provinces and territories to renew the Canada Social Transfer (CST). The CST expires at the end of 2007–08; therefore new legislation must be in place to allow for payments in 2008–09.

Priority 3: Sound Social Policy Framework

The focus for the 2007–08 fiscal year will be on contributing to the government's social policy priorities by providing analysis and advice to the minister of Finance and senior government officials on a wide range of social policy issues, including items outlined in *Advantage Canada*.

Expected results

2. Sound advice to the minister on government social policy priorities

The Federal-Provincial Relations and Social Policy Branch is responsible for the provision of analysis and advice to the minister of Finance and senior government officials on social policy issues, including early learning and childcare, post-secondary education, income security, justice and safety, health and wellness, culture, and Aboriginal opportunities.

The Branch plans to attain the expected result through the following ongoing activity and key commitments.

Ongoing

- Provide weekly briefings, including policy analysis and recommendations for consideration by the minister to assist in the preparation for meetings of Cabinet and its committees, the annual budget, and fiscal updates, as required.

- Assess operating and capital funding for key federal assets and programs.
- Provide advice for Cabinet reviews of program spending and new policy proposals.
- Fulfil the central agency role of the Department by identifying major policy issues and proposals under development in the social departments.
- Help shape social policies and sectoral policies such as Aboriginal issues, health, justice, security, cultures, income security, labour market, and immigration.

Key commitments

- Work with other branches of the Department, central agencies, government departments, and external stakeholders to ensure timely decisions with respect to, and implementation of, the commitment to provide long-term and predictable support for post-secondary education and training.
- Work with other branches of the Department, central agencies, government departments, and external stakeholders to ensure timely decisions with respect to, and implementation of, the commitment to make it easier for Canadian-educated foreign students and temporary foreign workers to stay in Canada.
- Work with other branches of the Department, central agencies, government departments and external stakeholders to ensure timely decisions with respect to, and implementation of, initiatives and related funding in the areas of social policy identified by the government as priorities.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Principled framework to restore fiscal balance in Canada	2. Sound advice to the minister on government social policy priorities
Performance Indicators	Implementation of a principle-based transfer system	Announcement of measures and related funding that advance social policy priorities
Data Sources	Transfer agreements	Budget, and the Economic and Fiscal Update
Frequency	Ongoing	Annual
Target	1.1 Timely, accurate implementation of legislative and regulatory changes 1.2 New arrangements for Equalization, TFF, and the CST 1.3 Enhanced accountability and transparency of fiscal arrangements for citizens	Timely implementation of social policy priorities in the government's agenda
Target Date	1.1 Proposals for new framework intended to be brought forward as part of Budget 2007 1.2 New Equalization and TFF legislation to be tabled by spring 2007; new legislation for the CST must be in place by April 2008 1.3 Ongoing	Ongoing

Program Activity 6: International Trade and Finance

Under this program activity, the International Trade and Finance Branch:

- supports the minister's participation in the G7, G8, and G20 and in international financial institutions;
- conducts work related to international development assistance, export finance, and international economic and financial relations;
- maintains responsibility for the policy management of import legislation (tariffs and trade remedies);
- provides analytical support and policy advice on international trade and investment matters;
- works with other members of the international community to reduce the risks of international financial and economic instability; and
- contributes to the international effort to reform the governance and operations of the IMF.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
15,879	15,939	15,938

Human Resources (FTEs)

2007-08	2008-09	2009-10
118	120	120

Priorities

Priority 2: Sustainable Economic Growth

As a highly open economy in an increasingly integrated global marketplace, Canada's economic performance and future prosperity depend on trade and investment flows supported by high-standard multilateral, regional, and bilateral trade and investment rules and agreements. Securing access to key markets for Canadian exporters and investors, and reducing tariffs where possible will enhance the competitiveness of domestic industries and expand commercial opportunities for them.

Expected results

1. Secure access to key markets for Canadian exporters and investors

The Branch will work to improve Canada's overall economic performance by building a stronger international trade and investment system that opens markets, enhances competitiveness of domestic industries, and expands access for Canadian exports and investments in major foreign markets.

The Branch plans to attain the expected result through the following ongoing activity and key commitments.

Ongoing

- Work to foster trade and investment liberalization through trade and investment agreements and initiatives.

Key commitments

- Work to conclude WTO negotiations, foreign investment and protection agreements, and bilateral free trade agreements in partnership with other government departments.
- Improve the competitiveness of Canadian industry by reducing tariffs where possible.
- Lay a strong foundation for the North American Security and Prosperity Partnership, particularly on border efficiency, with other government departments.

Priority 4: Effective International Influence

As an open economy that benefits from a strong multilateral system of global economic and financial governance, Canada has a strong interest in promoting initiatives to strengthen the leadership of forums such as the G7 and G20, as well as in ensuring the credibility and strength of organizations such as the IMF and World Bank. In addition, Canada will work with other players in the international community to reduce the risks of international financial and economic instability. Canada also has an interest in greater security, prosperity, and economic and social progress in developing economies.

Expected results

2. Canadian leadership and influence in the international forums on international economic, financial, development, and trade finance issues

The Branch seeks to promote Canadian prosperity and economic security by reducing international financial and economic instability. It does this by advancing Canadian leadership in international forums such as the G7 and G20, and by providing policy direction to international financial institutions that is consistent with Canadian interests and policy objectives. This includes contributing to economic and social progress in developing economies, and the development and promotion of initiatives on trade finance issues.

The Branch will also work to support a strong multilateral system of global economic and financial governance by strengthening the leadership of groups such as the G7 and G20, and by ensuring the credibility and strength of organizations such as the IMF and World Bank.

The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing

- Support Canada's role in international forums on international and development issues.
- Ensure timely and high-quality briefings at the G7, G20, and other international forums on key economic issues, on international financial and development issues, as well as on the need to ensure international financial stability.
- Identify Canadian priorities and provide strategic advice on how to advance Canadian interests and policy positions on trade finance, debt relief, and other critical issues.
- Pursue research programs focussing on current and emerging issues that are of importance to Canada.
- Monitor overseas economies on an ongoing basis.

Key commitments

- Develop initiatives for more effective use of international assistance and debt management capacity.
- Develop and promote positions that will lead to effective international cooperation on government support for trade finance.
- Provide high-quality advice on the key elements of a comprehensive IMF and World Bank reform exercise.
- Provide advice on international financial assistance programs assembled by the IMF to assist economies in maintaining stability and avoiding financial crises.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Secure access to key markets for Canadian exporters and investors	2. Canadian leadership and influence on international economic, financial, development, and trade finance issues
Performance Indicators	Progress will be measured through various domestic, regional, and multilateral trade and investment negotiations and initiatives	Outcomes of international forums and policy decisions
Data Sources	Trade and investment negotiations and agreements	Results (and communiqués) and agreements from international meetings and negotiations
Frequency	Ongoing	Ongoing
Target	Completed negotiations and agreements	Canadian policy positions and interests are reflected at international meetings and negotiations
Target Date	Ongoing	Ongoing

Program Activity 7: Public Debt

Under this program activity, the Financial Sector Policy Branch is responsible for managing the Government of Canada's debt program, including the statutory funding of interest, the service costs of the public debt, and the issuing costs of new borrowings.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
34,697,000	34,645,000	34,685,000

Human Resources (FTEs)

2007-08	2008-09	2009-10
28	22	22

Priority

Priority 1: Sound Fiscal Management

Debt service is the largest spending program of the federal government. The prudent and effective management of the government's debt continues to be an important element of the Department's strategy for sound fiscal management. The focus for 2007-08 will be on reviewing and evaluating the effectiveness of debt management and treasury management frameworks and programs. The Department also will work to implement changes to the retail debt program to enhance cost-effectiveness.

Expected results

1. Stable low-cost financing for the Government of Canada

The government's operational needs are met through borrowing from capital markets. The government's debt structure (the mix of fixed- and floating-rate debt) is managed to ensure that debt costs are kept low and stable over time.

The Branch plans to attain the expected result through the following ongoing actions and key commitments.

Ongoing

- Plan and conduct, in conjunction with the Bank of Canada, debt and cash management operations to meet operational needs.

- Periodically review funds management frameworks, targets, and programs to ensure the soundness of governance regimes and effectiveness of the management of financial cost and risk.

Key commitments

- Adjust bond and bond buyback programs to continue progress toward the debt structure target of 60 per cent fixed-rate debt announced in the 2003 budget.
- Implement a rationalized administrative structure for the retail debt program following up on the September 2006 decision to wind down the Canada Investment and Savings Agency (a special operating agency of the Department of Finance Canada) while maintaining broad availability of Canada Savings Bonds.

2. A well-functioning market in Government of Canada securities

A well-functioning wholesale market in Government of Canada securities benefits the government and a wide range of market participants. For the government as a debt issuer, a well-functioning market attracts investors and ensures that funding costs are kept low. For market participants, a liquid and active secondary market in government debt provides credit-risk-free assets for investment portfolios, a pricing benchmark for other instruments, and a primary tool for hedging risk.

The Branch plans to attain the expected result through the following ongoing activities and commitment.

Ongoing

- Design and implement Government of Canada debt programs to provide liquidity, transparency, and regularity.
- Consult regularly with market participants to identify adjustments to debt programs to maintain well-functioning markets in Government of Canada securities.

Key Commitment

- Adjust debt program design to supplement supply at key maturities for market participants.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. Stable low-cost financing for the Government of Canada	2. A well-functioning market in Government of Canada securities
Performance Indicators	1.1 Measures of operational performance (e.g. auction statistics) 1.2 Public debt structure	Measures of market performance (e.g. turnover, trading spreads)
Data Sources	1.1 <i>Fiscal Monitor; Debt Management Report</i> 1.2 <i>Annual Financial Report of the Government of Canada</i> and other outcomes summarized in the <i>Debt Management Report</i>	<i>Debt Management Report</i>
Frequency	Monthly; annual	Annual
Target	1.1 Well-contested auctions and operations 1.2 Debt structure target of 60% fixed-rate debt	Operational measures, in particular operational results reporting times, and secondary market indicators such as volumes and trading spreads that are in line with or better than previous years
Target Date	Ongoing	Ongoing

Program Activity 8: Domestic Coinage

Under this program activity, the Financial Sector Policy Branch is responsible for providing advice to the minister on Royal Canadian Mint initiatives and for the payment of the production and distribution costs, in the domain of domestic circulating coinage.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
145,000	147,000	149,000

Priority

Priority 1: Sound Fiscal Management

Under the *Royal Canadian Mint Act*, the minister of Finance is responsible for buying domestic circulating coinage from the Royal Canadian Mint (RCM). The RCM distributes the coins produced to financial institutions on the minister's behalf. The overriding objective is to ensure the supply of circulating coinage meets the needs of the economy. A secondary objective is to ensure that coins are produced at reasonable cost. Coin sales earn seigniorage for the government. Seigniorage is the net revenue derived from the issuing of currency and is the difference between the face value of a coin or bank note and the cost of producing, distributing, and eventually retiring it from circulation.

Expected results

1. A supply of coinage at a reasonable cost

The Branch will work to achieve the expected result through the following ongoing activities and key commitment.

Ongoing

- Provide analysis and advice to the minister on plans and initiatives in the domain of domestic circulating coinage, including the production of commemorative coins.
- Pay RCM production and distribution costs for domestic circulating coinage.

Key commitment

- Review the RCM contract and the composition of the coinage system to improve incentives for the RCM and reduce coinage costs.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected results under this program activity.

Expected Results / Performance Measurement	1. A supply of coinage at a reasonable cost
Performance Indicators	1.1 Production and demand for coinage 1.2 Seigniorage earned by the government
Data Sources	1.1 Royal Canadian Mint annual report 1.2 Public Accounts
Frequency	1.1 Annual 1.2 Annual
Target	1.1 Production of coinage meets the demand of the economy 1.2 Reduce costs and increase the amount of seigniorage earned by the government
Target Date	Ongoing

Program Activity 9: Transfer Payments to Provinces and Territories

Under this program activity, the Federal-Provincial Relations and Social Policy Branch is primarily responsible for the administration of the major transfer payments to provinces and territories.

Financial Resources (\$ thousands)

2007–08	2008–09	2009–10
40,328,203	41,903,765	43,817,109

Priority

Priority 3: Sound Social Policy Framework

The focus for the 2007–08 fiscal year will be administering federal transfers to the provinces and territories, including Equalization, Territorial Formula Financing (TFF), the Canada Health Transfer (CHT), and the Canada Social Transfer (CST).

Expected results

1. Administer federal transfers to the provinces and territories including Equalization, TFF, CHT, and CST

Payments made under the various transfer programs are an important source of revenue for provincial and territorial governments. In 2007–08, an estimated \$40.3 billion in cash payments will be provided to the provinces and territories.

The Branch plans to attain the expected result through the following ongoing activities.

Ongoing

- Administer the transfer programs (see Table 8 for details on transfer payment programs), including the calculation of entitlements, provision of payments, provision of information for Government of Canada reports, and the provision of information to federal auditors—information concerning entitlements is provided to provincial and territorial officials, including auditors.
- Administer the various trust funds, including the five trust funds totalling \$3.3 billion that were established in March 2006 using the authority of Bill C-48, the \$4.25-billion Wait Times Reduction Transfer Trust announced in September 2004, and the \$120-million Northern Strategy Trust Fund announced in Budget 2005.

- Administer several important loans and deferral arrangements currently in place, including the Equalization Repayable Floor loan, deferral of the effects of Census 2001 and 2002 taxation data (Equalization, and Canada Health and Social Transfer), and deferral of the effect of the new residential net capital stock data (Equalization) on Quebec.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected result under this program activity.

Expected Result / Performance Measurement	1. Administer federal transfers to the provinces and territories, including Equalization, TFF, CHT, and CST
Performance Indicators	Timely and accurate administration of transfer payments
Data Sources	Public Accounts of Canada / departmental financial reporting system
Frequency	Annual
Target	Payments made according to levels and formulas set out in legislation and agreements
Target Date	Ongoing

Program Activity 10: International Financial Organizations

Under this program activity, the International Trade and Finance Branch is responsible for the effective administration of Canada's international commitments associated with Paris Club debt rescheduling agreements and financial assistance to the International Development Association, the International Monetary Fund, and the European Bank for Reconstruction and Development.

Financial Resources (\$ thousands)

2007-08	2008-09	2009-10
544,717	540,978	510,229

Priority

Priority 4: Effective International Influence

Expected result

1. Payments to international organizations and Canadian creditors consistent with our commitments

The Branch will contribute to international initiatives to improve outcomes in the developing economies through effective use of international assistance, debt relief, and other means and will provide payments consistent with the Department's commitments.

The Branch plans to attain the expected result through the following ongoing activity.

Ongoing

- Provide timely and accurate payments to a wide range of international financial organizations and Canadian creditors consistent with the government's commitments and policy objectives.

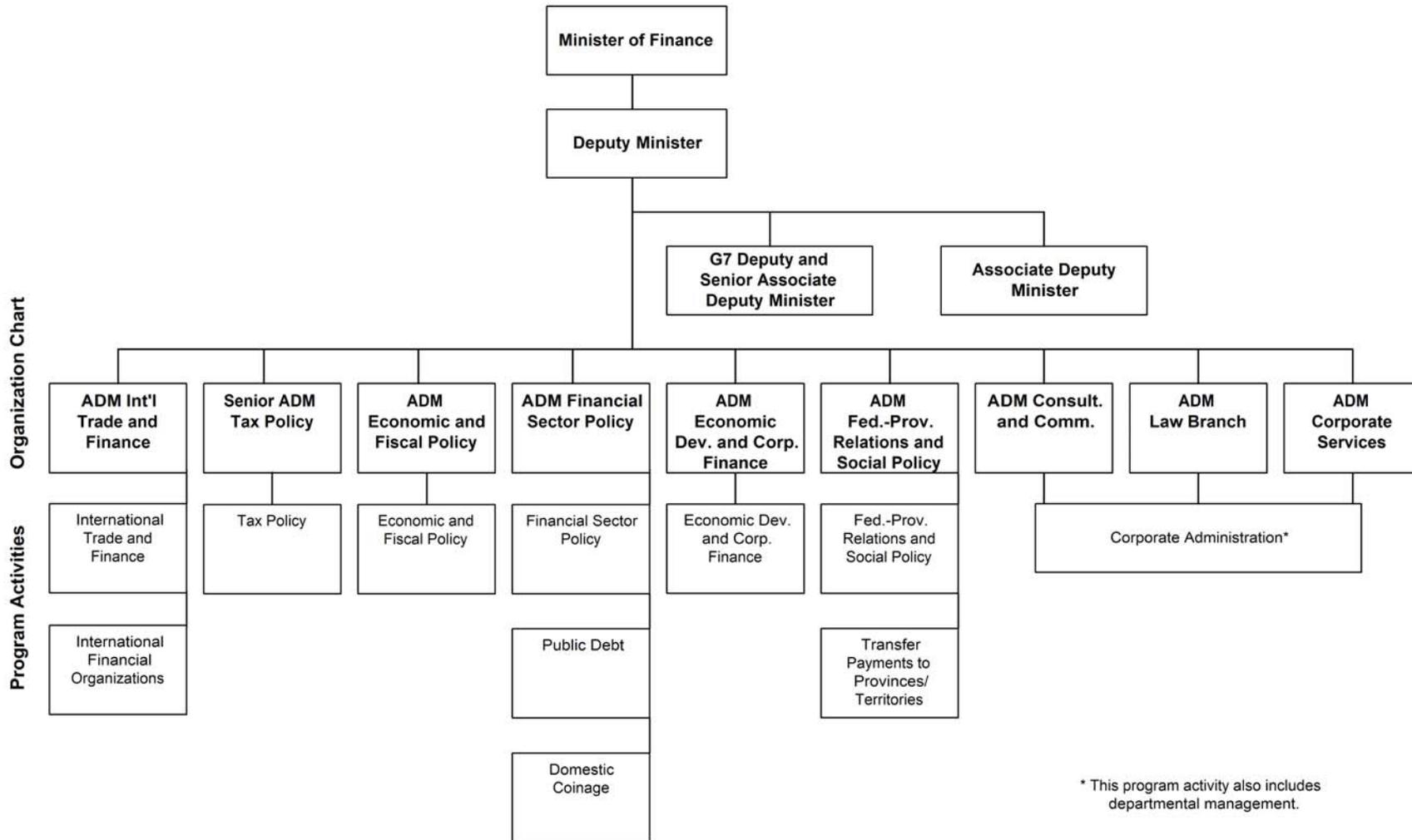
Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the expected result under this program activity.

Expected Results / Performance Measurement	1. Payments to international organizations and Canadian creditors consistent with our commitments
Performance Indicators	Timely and accurate payments
Data Sources	Public Accounts / departmental financial reporting system
Frequency	Periodic
Target	Payments made as per agreement and according to pre-determined schedule, or within 30 days of invoice being received
Target Date	Ongoing

Section III: Supplementary Information

Organization Chart and Program Activity Architecture



* This program activity also includes departmental management.

Departmental Links to the Government of Canada Outcomes (for RPPs)

2007-08

	Budgetary				Responsible Revenue	Net	Non-budgetary Loans, Investments, and Advances	Total Main Estimates	Adjustments (planned spending not in Main Estimates)	Total Planned Spending
	Operating	Grants	Contributions and Other Transfer Payments	Gross						
(\$ thousands)										
<i>Strategic Outcome:</i> To create a fiscal, economic, social, and global advantage for Canada by providing appropriate policies and sound advice with respect to economic, social, and financial conditions and to the government's overall agenda.										
Tax Policy ¹	32,653			32,653	(128)	32,525		32,525	164	32,689
Economic and Fiscal Policy ²	14,991			14,991	(59)	14,932		14,932	75	15,007
Financial Sector Policy ³	18,093			18,093	(71)	18,022		18,022	91	18,113
Economic Development and Corporate Finance ⁴	8,280			8,280	(32)	8,248		8,248	41	8,289
Federal- Provincial Relations and Social Policy ⁵	12,284			12,284	(48)	12,236		12,236	62	12,298
International Trade and Finance ⁶	15,861			15,861	(62)	15,799		15,799	80	15,879
Public Debt ⁷	34,697,000			34,697,000		34,697,000		34,697,000		34,697,000
Domestic Coinage ⁸	145,000			145,000		145,000		145,000		145,000
Transfer Payments to Provinces and Territories ⁹			40,328,203	40,328,203		40,328,203		40,328,203		40,328,203
International Financial Organizations ¹⁰		176,200	363,269	539,469		539,469	5,247	544,716	1	544,717
Total	34,944,162	176,200	40,691,472	75,811,834	(400)	75,811,434	5,247	75,816,681	512	75,817,194

1. The program activity Tax Policy contributes to the achievement of all Government of Canada outcomes.
2. The program activity Economic and Fiscal Policy contributes to the achievement of the Government of Canada's "Strong economic growth" outcome.
3. The program activity Financial Sector Policy contributes to the achievement of the Government of Canada's "A fair and secure marketplace" outcome.
4. The program activity Economic Development and Corporate Finance contributes to the achievement of the Government of Canada's "Strong economic growth" outcome.
5. The program activity Federal-Provincial Relations and Social Policy contributes to the achievement of the Government of Canada's "A diverse society that promotes linguistic duality and social inclusion" outcome.
6. The program activity International Trade and Finance contributes to the achievement of the Government of Canada's "A prosperous Canada through global commerce" outcome.
7. The program activity Public Debt contributes to the achievement of all Government of Canada outcomes.
8. The program activity Domestic Coinage contributes to the achievement of all Government of Canada outcomes.
9. The program activity Transfer Payments to Provinces and Territories contributes to the achievement of several of the Government of Canada's outcomes, including the outcomes of "Strong economic growth" and "Healthy Canadians."
10. The program activity International Financial Organizations contributes to the achievement of the Government of Canada's "Global poverty reduction through sustainable development" outcome.

Table 1: Departmental Planned Spending and Full-time Equivalents

	Forecast Spending 2006–07	Planned Spending 2007–08	Planned Spending 2008–09	Planned Spending 2009–10
	(\$ thousands)			
Tax Policy	30,865	32,653	32,945	32,438
Economic and Fiscal Policy	14,559	14,991	15,125	15,124
Financial Sector Policy ¹	20,521	18,093	16,030	16,549
Economic Development and Corporate Finance	7,784	8,280	8,354	8,354
Federal-Provincial Relations and Social Policy ²	16,753	12,284	12,394	12,393
International Trade and Finance	15,555	15,861	16,003	16,002
Public Debt ³	34,395,000	34,697,000	34,645,000	34,685,000
Domestic Coinage ⁴	83,100	145,000	147,000	149,000
Transfer Payments to Provinces and Territories ⁵	38,330,000	40,328,203	41,903,765	43,817,109
International Financial Organizations ⁶	725,869	539,469	537,469	508,469
Budgetary Main Estimates (gross)	73,640,006	75,811,834	77,334,085	79,260,438
International Financial Organizations ⁷	7,471	5,247	3,498	1,749
Non-budgetary Main Estimates (gross)	7,471	5,247	3,498	1,749
Less: Respondable revenue	400	400	400	400
Total Main Estimates	73,647,077	75,816,681	77,337,183	79,261,787
<i>Adjustments</i>				
<i>Procurement Savings</i>				
Tax Policy	(207)			
Economic and Fiscal Policy	(97)			
Financial Sector Policy	(137)			
Economic Development and Corporate Finance	(52)			
Federal-Provincial Relations and Social Policy	(112)			
International Trade and Finance	(104)			
<i>Supplementary Estimates</i>				
Operating Budget Carry Forward	4,233			
Advertising campaigns	4,100			
Cost of New Ministry—Regional Responsibilities	25			
Transfer to Foreign Affairs and International Trade Canada for Beijing Councillor Position	(393)			
Transfer to the Canadian International Development Agency for Multilateral Debt Initiative ⁸	(5,595)			

	Forecast Spending 2006–07	Planned Spending 2007–08	Planned Spending 2008–09	Planned Spending 2009–10
	(\$ thousands)			
Public Debt—Interest and Other Costs ⁹	209,000			
Equalization and Territorial Formula Financing ¹⁰	255,464			
Payments to territories (Data Revisions)	46,035			
Youth Allowances Recovery ¹¹	69,000			
Alternative Payments for Standing Programs ¹²	125,000			
Domestic Coinage ¹³	42,900			
Increase to International Development Association	1			
<i>Other</i>				
Treasury Board Vote 15 (Collective Bargaining)	2,186			
Employee Benefit Plan (EBP)	437			
Payments to International Development Association ¹⁴		1		
Internal Audit ¹⁵		512	11	11
<i>Total Adjustments</i>	<i>751,683</i>	<i>513</i>	<i>11</i>	<i>11</i>
Total Planned Spending	74,398,760	75,817,194	77,337,194	79,261,798
Total Planned Spending	74,398,760	75,817,194	77,337,194	79,261,798
Less: Non-respendable revenue	217,840	233,517	248,766	257,518
Plus: Cost of Services Received Without Charge	14,645	15,386	15,488	15,637
Total Departmental Spending	74,195,566	75,599,063	77,103,916	79,019,917
Full-time Equivalents¹⁶	811	798	789	789

Notes

1. The decrease of \$2.4 million in 2007–08 is due to the sunsetting of \$1.07 million in funding for the Financial Action Task Force on Money Laundering (FATF) presidency and a decrease of \$1.3 million in the redistribution of corporate administration costs.
2. The decrease of \$4.5 million in 2007–08 is due to the sunsetting of the Expert Panel on Equalization and Territorial Formula Financing (TFF) of \$3 million and a decrease of \$1.5 million in the redistribution of corporate administration costs.
3. The change in the public debt charges is due to an increase in forecast short-term interest rates.
4. The increase in Domestic Coinage reflects the increased funding required for the cost to produce and distribute the augmented volume of domestic coinage due to higher demand for coinage from the economy.
5. The increase in the amount of transfer payments is the result of increased transfer payments to provinces and territories, including Fiscal Equalization, TFF, the Canada Health Transfer, and the Canada Social Transfer.

6. The decrease in 2007–08 in the budgetary amount of the International Financial Organizations program activity is due largely to a significant payment for debt for Cameroon, part of the Heavily Indebted Poor Countries process, which was made in 2006–07, but which will not be repeated in 2007–08.
7. The decrease in the non-budgetary amounts for the International Financial Organizations program activity is consistent with the agreed upon schedule of Canada's payments and encashment for the capital subscription of the European Bank for Reconstruction and Development (EBRD).
8. \$5.6 million transferred from the Department of Finance Canada's reference level to the Canadian International Development Agency for 2006–07. This represents surplus funds from lower than expected payments under the Multilateral Debt Relief Initiative for 2006–07. The International Assistance Envelope's (IAE)'s management framework supports inter-pool flexibility to ensure that any surplus resources are reallocated to areas of need.
9. Forecasts of public debt charges for 2006–07 increased by \$393 million due to an increase in expected short-term interest rates.
10. Budget 2006 provided additional funding to compensate certain provinces and territories for losses, based on updated data.
11. This is a recovery based on tax abatements for the Province of Quebec. The amount of \$69 million represents a decrease in the amount to be recovered from Quebec. This decrease is related to a decrease in the value of personal income tax points compared with the data used for Main Estimates 2006–07.
12. This is a recovery from the Province of Quebec for the additional tax point transfers above and beyond the Canada Health Transfer and Canada Social Transfer tax point transfers. The decrease is related to a decrease in the value of personal income tax points compared with the data used for Main Estimates 2006–07.
13. The revised estimate for domestic coinage reflects an increase in private sector demand for coinage.
14. The adjustment is due to a discrepancy with the 2006–07 Main Estimates due to a revised forecast for payments to the International Development Association.
15. The increased funding of \$512,000 for internal audit is for the creation of an internal audit committee, as well as for additional personnel and related training to assist in carrying out new requirements flowing from the new *Policy on Internal Audit*.
16. The decrease in FTEs is largely due to the September 2006 decision to wind down the Canada Investment and Savings Agency (a special operating agency of the Department of Finance Canada).

Table 2: Voted and Statutory Items Listed in Main Estimates

Vote or Statutory Item	Truncated Vote or Statutory Wording	2007-08 Main Estimates	2006-07 Main Estimates
		(\$ thousands)	
1	Operating expenditures ¹	89,343	93,135
5	Grants and contributions ²	221,200	404,200
(S)	Minister of Finance—Salary and motor car allowance	75	73
(S)	Territorial Financing (Part I.1— <i>Federal-Provincial Fiscal Arrangements Act</i>) ³	2,142,450	2,070,000
(S)	Payments to the International Development Association	318,269	318,269
(S)	Contributions to employee benefit plans	12,344	12,429
(S)	Purchase of Domestic Coinage ⁴	145,000	83,100
(S)	Interest and Other Costs ⁵	34,697,000	34,395,000
(S)	Statutory Subsidies (<i>Constitution Acts, 1867–1982</i> , and Other Statutory Authorities)	32,000	32,000
(S)	Fiscal Equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>) ⁶	11,676,353	11,282,000
(S)	Canada Health Transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i>) ⁷	21,348,400	20,140,000
(S)	Canada Social Transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i>) ⁸	8,800,000	8,500,000
(S)	Youth Allowances Recovery (<i>Federal-Provincial Fiscal Revision Act, 1964</i>) ⁹	(661,000)	(699,000)
(S)	Alternative Payments for Standing Programs (Part VI— <i>Federal-Provincial Fiscal Arrangements Act</i>) ¹⁰	(3,010,000)	(2,995,000)
	Appropriations not required		
–	Pursuant to section 29 of the <i>Financial Administration Act</i> , to authorize the Minister on behalf of Her Majesty in Right of Canada to guarantee payment to the holders of mortgages insured by private insurers approved by the Superintendent of Financial Institutions to sell mortgage insurance in Canada of not more than 90% of the net claims of the holders of the insured mortgages in the event of the insolvency or liquidation of the private insurer, subject to the limitation that the aggregate outstanding principal amount of all mortgages covered by the guarantee shall not exceed \$100,000,000,000 at any time; and to repeal Vote 16b, <i>Appropriation Act No. 4, 2003–2004</i>	-	-
	Items not required		
–	Payments to International Monetary Fund's Poverty Reduction and Growth Facility ¹¹	-	3,400
	Total budgetary	75,811,434	73,639,606

Vote or Statutory Item	Truncated Vote or Statutory Wording	2007-08 Main Estimates	2006-07 Main Estimates
L10	Issuance and payment of demand notes to the International Development Association	-	-
(S)	Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital Subscriptions ¹²	5,247	7,471
	Total non-budgetary	5,247	7,471
	Total Department	75,816,681	73,647,077

Notes

1. The decrease of \$3.8 million, or 4.1%, in the operating expenditures vote is largely due to the transfer of \$391,000 to Foreign Affairs and International Trade Canada for the Finance Councillor Position in Beijing, procurement savings of \$710,000, the sunset of \$1.07 million in funding for the Financial Action Task Force on Money Laundering (FATF) presidency and \$3 million for the Expert Panel on Equalization and Territorial Formula Financing. The Department also received \$1.3 million in funding in 2007-08 for compensation for collective bargaining.
2. The decrease of \$183 million, or 45.3%, in the grants and contributions vote is due largely to a significant payment for debt for Cameroon, part of the Heavily Indebted Poor Countries process, which was made in 2006-07, but which will not be repeated in 2007-08. Grants and contributions amounts can fluctuate appreciably from year to year for two reasons. First, the amounts of debt relief vary from country to country so corresponding payments made on behalf of these countries will change accordingly. Second, the timing of debt treatment can change, as the schedule for debt treatment of a country benefiting from debt relief may change for reasons internal to that country.
3. The increase of \$72.5 million, or 3.5%, in the Territorial Formula Financing (TFF) is a result of the October 26, 2004, New Framework for Equalization and the Territorial Formula Financing Program. The New Framework established a level of TFF for 2005-06 of \$2 billion and annual increase of 3.5% until 2013-14.
4. The increase of \$61.9 million, or 74.5%, in Domestic Coinage reflects the increased funding required for the cost to produce and distribute the augmented volume of domestic coinage due to higher demand for coinage from the economy.
5. Public Debt charges have increased by \$302 million, or 0.9%, due to an increase in forecast short-term interest rates.
6. The increase of \$394 million, or 3.5%, in transfer payments for Fiscal Equalization is a result of the October 26, 2004, New Framework for Equalization and the Territorial Formula Financing Program. The New Framework established a level for Equalization for 2005-06 of \$10.9 billion and an annual increase of 3.5% until 2013-14.
7. The increase of \$1.2 billion, or 6%, in the Canada Health Transfer represents the legislated amount for health transfers as per Budget 2003 and the additional funding announced in the September 2004 10-Year Plan to Strengthen Health Care.
8. The increase of \$300 million, or 3.5%, in the Canada Social Transfer represents the legislated amount for social transfer. Additional funding was committed for this transfer in Budget 2003 and March 2003.
9. The decrease in the Youth Allowances Recovery of \$38 million, or 5.5%, is due to a decrease in the amount to be recovered from Quebec. This decrease is related to a decrease in the value of personal income tax points compared with the data used for the 2006-07 Main Estimates.
10. The increased recovery of \$15 million, or 0.5%, in the Alternative Payments for Standing Programs is attributable to an increase in the amount to be received from Quebec. This increase is related to a increase in the value of personal income tax points compared with the data used for the 2006-07 Main Estimates.
11. The decrease of \$3.4 million, or 100%, to the payment to the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF) is due to lower obligations to fund the IMF's PRGF.
12. The decrease in the payments and encashment of notes to the ERBD of \$2.2 million, or 30%, is consistent with the agreed upon schedule of Canada's payments and encashment for the capital subscription of the EBRD.

Table 3: Services Received Without Charge

	2007-08
	(\$ thousands)
Accommodation provided by Public Works and Government Services Canada	7,284
Contributions covering the employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds)	4,669
Salary and associated expenditures of legal services provided by the Department of Justice Canada	3,432
Total 2007-08 Services Received Without Charge	15,386

Table 4: Loans, Investments, and Advances (Non-budgetary)

	Forecast Spending 2006–07	Planned Spending 2007–08	Planned Spending 2008–09	Planned Spending 2009–10
(\$ thousands)				
International Financial Organizations				
Issuance and Payment of demand notes to the International Development Association (IDA) ¹	-	-	-	-
Issuance of demand notes to the European Bank for Reconstruction and Development (EBRD)—Capital Subscriptions ¹	-	-	-	-
Payments and encashment of notes issued to the EBRD—Capital Subscriptions ²	7,471	5,247	3,498	1,749
Issuance of loans to the International Monetary Fund’s (IMF) Poverty Reduction and Growth Facility (PRGF) ¹	-	-	-	-
Total	7,471	5,247	3,498	1,749

Notes

1. Zero dollar appropriations are required for parliamentary approval in the Main Estimates of the L15 Vote for the issuance of demand notes to the IDA, and as notification of the statutory issuance of demand notes for the EBRD Capital Subscription and loan to the IMF’s PRGF. The encashment of each of these notes is covered under separate statutory payments in the Main Estimates.
2. The decrease in the payments and encashment of notes to the ERBD is consistent with the agreed upon schedule of Canada’s payments and encashment for the capital subscription of the EBRD.

Table 5: Sources of Respendable and Non-respendable Revenue

Respendable Revenue

	Forecast Revenue 2006-07	Planned Revenue 2007-08	Planned Revenue 2008-09	Planned Revenue 2009-10
(\$ thousands)				
Tax Policy				
Sale of Departmental Documents	117	128	131	130
Economic and Fiscal Policy				
Sale of Departmental Documents	55	59	60	60
Financial Sector Policy				
Sale of Departmental Documents	77	71	64	65
Economic Development and Corporate Finance				
Sale of Departmental Documents	29	32	33	33
Federal-Provincial Relations and Social Policy				
Sale of Departmental Documents	63	48	49	49
International Trade and Finance				
Sale of Departmental Documents	59	62	63	63
Total Respendable Revenue	400	400	400	400

Non-respendable Revenue

	Forecast Revenue 2006-07	Planned Revenue 2007-08	Planned Revenue 2008-09	Planned Revenue 2009-10
(\$ thousands)				
Domestic Coinage				
Domestic Coinage ¹	217,840	233,517	248,766	257,518
Total Non-respendable Revenue	217,840	233,517	248,766	257,518
Total Respendable and Non-respendable Revenue	218,240	233,917	249,166	257,918

Note

1. The Domestic Coinage non-respendable revenue represents the face value of the forecast volume of coins that will be sold to financial institutions to meet trade and commerce requirements. The increase in the forecast volume of coins is due to a strong Canadian economy, a strong retail sector, and the inclusion of the Olympic program.

Table 6: Resource Requirement by Branch

2007-08

	Tax Policy	Economic and Fiscal Policy	Financial Sector Policy	Economic Development and Corporate Finance	Federal-Provincial Relations and Social Policy	International Trade and Finance	Public Debt	Domestic Coinage	Transfer Payments to Provinces and Territories	International Financial Organizations	Total Planned Spending
(\$ thousands)											
Tax Policy	32,689										32,689
Economic and Fiscal Policy		15,007									15,007
Financial Sector Policy			18,113				34,697,000	145,000			34,860,113
Economic Development and Corporate Finance				8,289							8,289
Federal-Provincial Relations and Social Policy					12,298				40,328,203		40,340,501
International Trade and Finance						15,879				544,717	560,596
Total	32,689	15,007	18,113	8,289	12,298	15,879	34,697,000	145,000	40,328,203	544,717	75,817,194

Table 7: Regulatory Initiatives

Regulations	Expected Results
<p>Support consideration by Parliament of Bill C-37, <i>An Act to amend the law governing financial institutions and to provide for related and consequential matters</i>, with a view to passage before sunset in April 2007. Associated regulations will also be brought forward to bring the legislation into force.</p>	<p>Legislation adopted before sunset of existing legislation in April 2007 and regulations developed to update the financial institutions statutes and ensure the efficiency of the regulatory framework that allows for a sound, efficient, and competitive financial sector.</p>
<p>Regulations are being introduced pursuant to the passage of Bill C-57, which updated the corporate governance provisions in the financial institutions statutes.</p>	<ul style="list-style-type: none"> • Develop regulations to implement the new corporate governance provisions in the financial institutions statutes.
<p>Amendments may be made to regulations under Part IX of the <i>Excise Tax Act</i> (GST/HST)—Part IX of the <i>Excise Tax Act</i> contains a number of provisions that give regulatory powers to deal with GST/HST issues.</p>	<p>Through the use of regulations, the government may propose changes to address some issues in the GST/HST tax system. Amendments to the regulations are required from time to time to respond to emerging policy and technical issues, including budget-related measures.</p>
<p>Customs Tariff—The Tariff contains a number of provisions that allow the government to respond to the competitive needs of Canadian industry and to enforce Canada’s rights and meet its obligations under international agreements and arrangements to which Canada is a party.</p>	<p>Through the use of orders and regulations, the government will continue to respond to the competitive needs of Canadian industry and will enforce Canada’s rights and meet its obligations under international agreements and arrangements.</p>
<p><i>Income Tax Act</i> and related regulations—The <i>Income Tax Act</i> contains a number of provisions that give regulatory powers to deal with income tax issues.</p>	<p>Through the use of regulations, the government may propose changes to address some issues in the income tax system. Amendments to the Regulations are required from time to time to address emerging policy or technical issues, including budget-related measures.</p>
<p>Orders in Council for the Equalization and the Territorial Formula Financing Program—<i>Federal-Provincial Fiscal Arrangements Act</i>.</p>	<p>Under current legislation, an Order in Council must be prepared in order to establish payment levels until superseded by Budget 2007 commitments.</p>

Regulations	Expected Results
Legislative changes expected as a result of policy changes in Budget 2007 regarding fiscal balance.	Legislation and regulatory changes will be introduced to implement a principled framework for major federal transfers, reflecting the proposals to restore fiscal balance included in Budget 2007.
Regulations to establish guidelines for the chief actuary of the Canada Pension Plan (CPP) to calculate the full cost of benefit enrichments or new benefits to the CPP, upon Royal Assent of Bill C-36, which provides for this regulation-making authority.	This would deliver on a federal-provincial-territorial agreement reached in June 2006 as part of the conclusion of the CPP's triennial review.
Amend existing regulations relating to the calculation of the default contribution rate to the CPP that provide for rounding of this rate to the nearest cent. This requires a consequential change to Bill C-36.	This would deliver on a federal-provincial-territorial agreement reached in June 2006 as part of the conclusion of the CPP's triennial review.
Budget 2005 proposed to amend regulations made under the <i>Pension Benefits Standards Act, 1985</i> to remove the requirement that life income funds be used to purchase an annuity when the beneficiary reaches age 80.	Legislation and/or regulations will be introduced to repeal the requirement to purchase an annuity at age 80.
Amendments to the regulations made pursuant to the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> .	Regulations will be introduced or amended to respond to the revised Financial Action Task Force recommendations and to respond to the recommendations of the Auditor General of Canada and the Treasury Board-mandated evaluation.

Table 8: Details of Transfer Payment Programs

Over the next three years, the Department of Finance Canada will manage the following transfer payment programs in excess of \$5 million:

2007–08 to 2009–10

1. Compensation to Canadian agencies or entities established by an Act of Parliament for reduction of debts of debtor countries
2. Payments to the International Development Association
3. Debt payments on behalf of poor countries to international organizations
4. Fiscal Equalization (Part I, *Federal-Provincial Fiscal Arrangements Act*)
5. Territorial Formula Financing (Part I.1, *Federal-Provincial Fiscal Arrangements Act*)
6. Canada Health Transfer (Part V.1, *Federal-Provincial Fiscal Arrangements Act*)
7. Canada Social Transfer (Part V.1, *Federal-Provincial Fiscal Arrangements Act*)
8. Statutory Subsidies (*Constitution Act, 1867*, *Constitution Act, 1982*, and other statutory authorities)
9. Youth Allowances Recovery (*Federal-Provincial Revision Act, 1964*)
10. Alternative Payments for Standing Programs (Part VI, *Federal-Provincial Arrangements Act*)
11. Wait Times Reduction Transfer (Part V.1, *Federal-Provincial Fiscal Arrangements Act*)

For further information on the above-mentioned transfer payment programs, see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

Table 9: Horizontal Initiative

Over the next three years, the Department of Finance Canada will be involved in the following horizontal initiative as the lead department:

2007–08 to 2009–10

1. National Initiative to Combat Money Laundering

For further information on the above-mentioned horizontal initiatives, see <http://www.tbs-sct.gc.ca/est-pre/estime.asp>.

Table 10: Sustainable Development Strategy

“Sustainable development” is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, and it is a key commitment of all federal departments. In 1995, the *Auditor General Act* was amended to require each department to prepare and update a sustainable development strategy (SDS). These strategies are tabled in the House of Commons, and the Commissioner of the Environment and Sustainable Development monitors the progress toward their implementation.

An SDS is intended to outline a department’s goals and action plans for integrating sustainable development into its policies, programs, and operations over three-year planning periods.

The Department of Finance Canada’s Sustainable Development Strategy (SDS) for the period of 2007–09 is the department’s third update of its original SDS tabled in Parliament in December 1997. The 2007–09 SDS builds upon the foundation of previous strategies, including key achievements in debt reduction, evaluating environmental tax proposals, strategic environmental assessment, and green stewardship. The Department’s 1998–2000, 2001–03, 2004–06, and 2007–09 strategies can be found at <http://www.fin.gc.ca/purl/susdev-e.html>.

The Department’s vision for sustainable development is “Economic and fiscal policy frameworks and decisions that promote equity and enhance the economic, social, and environmental well-being of current and future generations.” It highlights the long-term ideal that the Department will strive to achieve. For the 2007–09 SDS, the Department has set out five long-term goals that focus on key areas where it can contribute, within its mandate, to sustainable development: (1) fiscal sustainability and a high standard of living for future generations; (2) strong social foundations; (3) integration of sustainable development considerations into policy making; (4) integration of sustainable development considerations into the economy; and (5) demonstration of the Department’s commitment to sustainable development in operations.

Under each of these five goals, the Department’s action plan for sustainable development sets out a number of objectives and targeted actions over the planning period. In undertaking these actions over the next three years, the Department recognizes that fully achieving sustainable development will take time and continued effort. This requires a long-term strategic approach, while continuing to commit to short-term actions that make progress toward the departmental vision for sustainable development.

A detailed outline of the Department’s objectives, actions, and planned results in its SDS in 2007–08 is available at <http://www.fin.gc.ca/purl/susdev-e.html>.

Table 11: Internal Audits and Evaluations

Internal audits will be undertaken as required under a three-year risk-based audit plan being developed and that is to be approved by the Internal Audit and Evaluation Committee in early 2007–08.

Development of a risk-based evaluation plan is planned for 2007–08 that will identify evaluation requirements for 2007–08, 2008–09, and 2009–10.

1. Name of Internal Audit / Evaluation	2. Audit Type / Evaluation Type	3. Status	4. Expected Completion Date	5. Electronic Link to Report
Audit of Administrative Controls over the Foreign Debt Portfolio and Foreign Currency Asset Reserves	Assurance	Completed		http://www.fin.gc.ca/access/audit_e.html#Internal
6. Electronic Link to Internal Audit and Evaluation Plan: Not Applicable				

Section IV: Other Items of Interest

Business Transformation

As part of a branch-wide business transformation initiative, the Corporate Services Branch (CSB) has initiated a review of all its functional activities (Financial Management, Human Resources Management, Information Management/Information Technology, Procurement, Facilities Management, Audit, and Security services). This review was launched in September 2006. The purpose of the review is to build CSB's capability and capacity to deliver integrated corporate services to its clients. Through the business transformation exercise, CSB will:

- clarify its strategic direction and delivery priorities;
- increase process standardization across functional areas;
- clarify roles and responsibilities within CSB, and between CSB and its clients and suppliers;
- enhance the Branch's understanding of clients' needs and establish service level agreements;
- develop a capacity to track and report on performance;
- develop integrated tools, templates, processes, and infrastructure to support efficient and effective operational delivery;
- develop a knowledge inventory that supports knowledge transfer, learning, and coaching; and
- partner with the Treasury Board of Canada Secretariat to ensure that the implementation of the business transformation is aligned to emerging policies and practices.

This business transformation is being designed to achieve the following results for CSB clients:

- increased access to integrated internal service infrastructure solutions;
- increased ability to demonstrate business results;
- increased ability to assure and report on compliance with Government of Canada legislation, policies, practices, and controls; and
- increased access to advice and information for decision making.

The business transformation of the Corporate Services Branch is designed to increase the Branch's ability to support the Department's programs in meeting their commitments and aligning their results to the strategic direction of the Department and the government.

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

Canada Investment and Savings Annual Report

Debt Management Report

Debt Management Strategy

Departmental Performance Report

Economic and Fiscal Update

Economy in Brief—Quarterly

Federal budget

Fiscal Monitor—Monthly

Government of Canada Securities—Quarterly

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

Tax Expenditures and Evaluations

Note

The reports listed above are available on the Department of Finance Canada website at <http://www.fin.gc.ca>, with the exception of the annual report for Canada Investment and Savings, which is available at <http://www.csb.gc.ca>.

Contacts for Further Information and Websites

Home page: <http://www.fin.gc.ca>

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