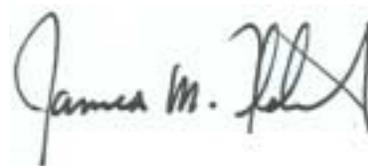


Department of Finance Canada

A Report on Plans and Priorities

2006-07

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is written in a cursive style with a large, stylized initial "J".

James M. Flaherty
Minister of Finance

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Section I: Overview

Minister's Message

Canadians gave our new government a mandate to lead change based on five clear priorities:

- cleaning up government by passing the Federal Accountability Act;
- reducing the tax burden of Canadians starting with a one-percentage-point cut to the GST;
- making Canadian streets and communities safer by cracking down on crime and introducing mandatory minimum sentences;
- supporting the childcare choices of parents through direct assistance and by supporting employers who cover the full cost of creating childcare spaces; and
- working with provinces to improve health care by establishing a Patient Wait Times Guarantee.



The 2006 budget delivered on those priorities in a focussed and fiscally responsible way. In fact, it went beyond the five basic priorities with additional action to reduce taxes, curb spending while providing enhanced funding to priority areas, address the fiscal balance issue, invest in education, improve Canada's borders, build new infrastructure, increase security, and more.

The Department of Finance Canada will pursue policies to foster greater productivity, competitiveness, and growth of Canada's economy as well as to maintain balanced budgets and reduce debt. It will continue to develop tax and tariff policy, manage federal borrowing, administer transfers of federal funds to the provinces and territories, develop regulatory policy for the financial sector and advance Canada's interests on the international stage.

Canadians can look to the future with confidence. The government continues to record surpluses, the economy continues to grow, core inflation remains within the target range set by the Bank of Canada and the government, corporate profits are strong, and employment is at an all-time high.

That being said, in developing policies to build an even better tomorrow, the government will not take Canada's economic and fiscal success for granted. The government will continue to make the difficult choices that are needed about what we as a government can do and when we can do it. Our approach will continue to be frugal, focussed, and fiscally responsible.

The Department of Finance Canada has made significant progress already and will continue to work on vital economic and social policies that will improve the standard of living and quality of life enjoyed by Canadians, their families, and their communities even more in the years to come.

Management Representation Statement

I submit for tabling in Parliament the 2006–07 report on plans and priorities (RPP) for the Department of Finance Canada.

This document has been prepared based on the reporting principles contained in *Guide for the Preparation of Part III of the 2006-2007 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 (the Secretariat) guidance:

- it is based on the department's approved Program Activity Architecture structure as reflected in its Management, Resources, and Results Structure;
- it presents consistent, comprehensive, balanced, and accurate information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved planned spending numbers from the Secretariat in the RPP.



Rob Wright
Deputy Minister,
Department of Finance Canada

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)

2006–07	2007–08	2008–09
73,952,320	75,454,456	77,186,405

Human Resources: FTEs

2006–07	2007–08	2008–09
901	901	894

Departmental priorities by strategic outcome

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.

			Planned Spending (\$ thousands)		
Priority	Type	Expected Results	2006–07	2007–08	2008–09
1. Sound Fiscal Management	Ongoing	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems	8,633	8,577	8,644
		Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries	1,305	1,297	1,307
		High-quality research and evaluation	643	639	644
		Transparent fiscal planning and sustainable fiscal policy	5,980	5,942	5,989
		Stable, low-cost financing for the Government of Canada	34,290,960	34,664,164	34,489,070

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.

			Planned Spending (\$ thousands)		
Priority	Type	Expected Results	2006-07	2007-08	2008-09
1. Sound Fiscal Management (cont'd)		A well-functioning market in Government of Canada securities	1,005	918	824
		Effective management of Canada's official international reserves	2,009	1,834	1,647
		A cost-effective retail debt program	105,045	96,754	96,754
		A sound borrowing framework for Crown entities	2,344	2,139	1,921
		A supply of coinage at a reasonable cost	83,420	80,992	49,262
		A thorough assessment of operating and capital funding related to economic development and policy proposals	2,402	2,386	2,405
Sound Fiscal Management Subtotal			34,503,746	34,865,642	34,658,467
2. Sustainable Economic Growth	Ongoing	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems	8,633	8,577	8,644
		Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries	1,305	1,297	1,307
		High-quality research and evaluation	643	639	644
		Effective monitoring and forecasting of economic performance	5,477	5,442	5,485

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.

			Planned Spending (\$ thousands)		
Priority	Type	Expected Results	2006–07	2007–08	2008–09
2. Sustainable Economic Growth (con't)		Effective briefing and advice on a wide selection of economic questions	1,758	1,747	1,761
		A regulatory framework that promotes soundness, efficiency, and competitiveness of Canada's financial sector and serves the needs of individuals, businesses, and the economy	8,415	7,679	6,897
		Sound advice to the Minister on economic proposals	2,402	2,386	2,405
		Enhanced productivity and economic growth through other governmental initiatives	2,882	2,863	2,886
		Improved awareness of the requirements and departmental process for conducting strategic environmental assessments	320	318	321
		Stronger international trading system and more open markets	6,665	6,625	6,677
	Sustainable Economic Growth Subtotal			38,500	37,573
3. Sound Social Policy Framework	Ongoing	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems	8,633	8,577	8,644
		Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries	1,305	1,297	1,307

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.

			Planned Spending (\$ thousands)		
Priority	Type	Expected Results	2006–07	2007–08	2008–09
3. Sound Social Policy Framework (cont'd)		High-quality research and evaluation	643	639	644
		A sound legislative and regulatory framework for federally regulated defined benefit pension plans	1,201	1,096	985
		Effective framework for investment of Canada Pension Plan (CPP) funds*	0	0	0
		Implementation of a new formula for Equalization and Territorial Formula Financing	9,388	6,659	6,712
		Determination of the most appropriate arrangements for post-secondary education and training	3,252	2,307	2,325
		Effective implementation of government social policy priorities	4,590	3,256	3,282
		Financial support for Canadian provinces and territories to assist them in providing public services, universally accessible health care services, post-secondary education, and social assistance	38,631,828	40,095,000	41,940,000
Sound Social Policy Framework Subtotal			38,660,840	40,118,831	41,963,899

* Spending related to an effective framework of CPP funds is recovered from Human Resources and Social Development Canada.

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.

			Planned Spending (\$ thousands)		
Priority	Type	Expected Results	2006–07	2007–08	2008–09
4. Effective International Presence	Ongoing	Understand and contribute to international economic policies and reforms	1,758	1,747	1,761
		A world-class anti-money laundering and anti-terrorist financing framework	2,403	2,193	1,969
		Effective support for Canada's presidency in 2006–07 of the Financial Action Task Force	2,402	2,192	1,968
		Policy positions and proposals that improve prospects for global economic and financial stability and better financial governance	4,095	4,070	4,102
		Effective international initiatives to strengthen developing economies	5,237	5,205	5,246
		Payments to international organizations and Canadian creditors consistent with the government's commitments	733,340	417,005	511,967
Effective International Presence Subtotal			749,235	432,412	527,013
TOTAL DEPARTMENT OF FINANCE CANADA			73,952,320	75,454,456	77,186,405

Note: The planned spending figures associated with each expected result is an estimate 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 to develop and implement fiscal, economic, social, and financial policies and programs. 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.

These activities align with the following Government of Canada outcomes, as reported in the *2006–07 Government of Canada Report on Plans and Priorities*:

- strong economic growth;
- a fair and secure marketplace;
- a diverse society that promotes linguistic duality and social inclusion;
- Canadian prosperity through global commerce; and
- global poverty reduction through sustainable development.

As well, certain activities in the Department support all Government of Canada outcomes.

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 fulfilment 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 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. As well, the Department plays an important role in other organizations, such as the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).

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 has developed an internal audit plan that addresses all areas of higher risk and significance to the Department. Each year, audits are selected based on the potential risks and exposures identified in a risk assessment and confirmed through interviews with Internal Audit and Evaluation Committee members. The Internal Audit and Evaluation Committee then approves the Risk-based Internal Audit.

The Risk-based Internal Audit Plan ensures an appropriate mix of audits to provide the Department's management with an objective assessment of the design and operations of management practices, control systems, and information in keeping with the government's continuous management improvement program and accountability for results.

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 ongoing initiatives and key commitments for each of the 10 program activities.

Priority 1: Sound fiscal management

A solid macroeconomic framework, which includes transparent fiscal management, underpins healthy economic growth, and helps ensure the sustainability of Canada's social safety net. A sound fiscal structure also encompasses 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. It 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.

Figure 1

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

Program Activity	Expected Results
1. Tax Policy	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries High-quality research and evaluation
2. Economic and Fiscal Policy	Transparent fiscal planning and sustainable fiscal policy
3. Financial Sector Policy	Stable, low-cost financing for the Government of Canada A well-functioning market in Government of Canada securities Effective management of Canada's official international reserves A sound borrowing framework for Crown entities A supply of coinage at a reasonable cost

Program Activity	Expected Results
4. Economic Development and Corporate Finance	A thorough assessment of operating and capital funding related to economic development and policy proposals
7. Public Debt	Stable, low-cost financing for the Government of Canada A well-functioning market in Government of Canada securities A cost-effective retail debt program
8. Domestic Coinage	A supply of coinage at a reasonable cost

Priority 2: Sustainable economic growth

The Department strives for 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.

Individuals and businesses will make most of the investments necessary to improve productivity growth. For its part, the government must provide a policy framework to encourage Canadians to invest in the drivers of growth. 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 to acquire skills.

Figure 2

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

Program Activity	Expected Results
1. Tax Policy	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries High-quality research and evaluation
2. Economic and Fiscal Policy	Effective monitoring and forecasting of economic performance Effective briefing and advice on a wide selection of economic questions
3. Financial Sector Policy	A regulatory framework that promotes the soundness, efficiency, and competitiveness of Canada's financial sector and serves the needs of individuals, businesses, and the economy

Program Activity	Expected Results
4. Economic Development and Corporate Finance	<p>Sound advice to the Minister on economic proposals</p> <p>Enhanced productivity and economic growth through other governmental initiatives</p> <p>Improved awareness of the requirements and departmental process for conducting strategic environmental assessments</p>
6. International Trade and Finance	Stronger international trading system and more open markets

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.

Transfer payments

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.

Figure 3

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

Program Activity	Expected Results
1. Tax Policy	Competitive, efficient, and fair personal, corporate, sales, and excise tax systems Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries High-quality research and evaluation
3. Financial Sector Policy	A sound legislative and regulatory framework for federally regulated defined benefit pension plans Effective framework for investment of CPP funds
5. Federal-Provincial Relations and Social Policy	Implementation of a new formula for Equalization and TFF Determination of the most appropriate arrangements for post-secondary education and training Effective implementation of government social policy priorities
9. Transfer Payments to Provinces and Territories	Financial support for Canadian provinces and territories to assist them in providing public services, universally accessible health care services, post-secondary education, and social assistance

Priority 4: Effective International Presence

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. This includes 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, advance international standards to prevent abuses to the international financial system, and eliminate terrorist financing.

Figure 4

**Summary of the Department of Finance Canada's Expected Results,
Priority 4: Effective International Presence**

Program Activity	Expected Results
2. Economic and Fiscal Policy	Understand and contribute to international economic policies and reforms
3. Financial Sector Policy	A world-class anti-money laundering (AML) and anti-terrorist financing (ATF) framework Effective support for Canada's presidency of the FATF
6. International Trade and Finance	Policy positions and proposals that improve prospects for global economic and financial stability and better financial governance Effective international initiatives to strengthen developing economies
10. International Financial Organizations	Payments to international organizations and Canadian creditors consistent with the Department's commitments

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome

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

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 Presence
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.

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

Financial Resources (\$ thousands)

2006–07	2007–08	2008–09
31,742	31,537	31,784

Human Resources: FTEs

2006–07	2007–08	2008–09
269	275	278

Priorities

The work of the Branch contributes to three of the Department's priorities:

- 1. Sound fiscal management;**
- 2. Sustainable economic growth; and**
- 3. Sound social policy framework.**

The tax system contributes to these priorities by raising sufficient revenues to pay for public services, including social programs (for example, universal health care and public safety and security) and strategic investments in areas that promote a more competitive and productive Canadian economy (for example, 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 the physical fitness of children, encouraging research and development, and helping protect the environment.

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.

Recent tax policy initiatives that contribute to achieving the Department's priorities include:

- cutting the goods and services tax (GST) by one percentage point;
- reducing the general corporate income tax rate, eliminating the corporate surtax, and accelerating the elimination of the federal capital tax;
- reducing the lowest personal income tax rate to 15.5 per cent from 16 per cent and increasing the basic personal amount;
- introducing a new \$1,000 Canada Employment Credit;
- implementing other targeted personal income tax measures, such as a new tax deduction for the cost of tools for tradespeople, a new tax credit for the cost of textbooks, a new children's fitness tax credit, and a tax credit for the cost of monthly public transit passes;
- negotiating new reciprocal taxation agreements with a number of provinces;
- signing a number of tax administration agreements with Aboriginal governments, including a new First Nations Goods and Services Tax Administration Agreement with the Tlicho First Nation and a new First Nations Personal Income Tax Agreement with the Nunatsiavut First Nation;
- negotiating and implementing a number of double taxation conventions with other countries; and
- publishing an evaluation report that helped to inform the government's strategy to create a meaningful marginal effective tax rate advantage for business investment, as announced in Budget 2006.

Looking ahead, the Department will continue to advise the government over the 2006–09 planning period on potential measures to further improve the competitiveness, efficiency, and fairness of the tax system in a fiscally sustainable manner, including cutting the GST by an additional percentage point and establishing a meaningful overall marginal effective tax rate advantage over the U.S. Among the other potential policy measures that will be assessed during the planning period are:

- improved incentives to work for low-income Canadians, including an earned income tax credit, such as a working income tax benefit; and
- ways to help parents save for the long-term financial security of a child with severe disabilities.

Expected results

1. Competitive, efficient, and fair personal, corporate, sales, and excise tax systems

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

Ongoing activities

- 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, non-governmental organizations, other jurisdictions, provincial governments and 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;
- Maintain and improve statistical models of the tax system and contribute to the publication of the annual tax expenditure report;
- Manage the Air Travellers' Security Charge, the Comprehensive Integrated Tax Coordination Agreement, and the harmonized sales tax provincial revenue payment mechanism; and
- Assess and manage risks associated with court challenges related to taxation matters and be prepared to take appropriate actions.

Key commitments

- Identify initiatives for budgets and provide thorough analysis of these initiatives, including estimates of costs and effects on affected taxpayers;
- 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 measures for financial institutions announced in the fall of 2005; and
- Draft high-quality income and sales tax legislation and regulations to implement government initiatives on a sound and timely basis.

2. Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries

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

Ongoing activities

- Review new provincial tax measures administered under the tax collection agreements;
- Review entities on 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 Nation sales tax, the First Nation goods and services tax, and the First Nation personal income tax payment mechanism;
- Negotiate tax elements related to more than 20 agreements in principle and seven 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; and
- Seek to obtain tax information exchange agreements with non-treaty jurisdictions.

Key commitments

- Implement a Corporate Income Tax Collection Agreement with Ontario consistent with the agreement reached in May 2005;
- 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;
- Implement a consultation strategy that will reflect the principles and objectives of the *First Nations–Federal Crown Political Accord on the Recognition and Implementation of First Nation Governments*; and
- Negotiate new and revised tax treaties with other countries, as appropriate.

3. High-quality research and evaluation

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

Ongoing activities

- 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; and
- Increase the use of contract research to broaden scope and improve timelines.

Key commitment

- Undertake research to support future tax policy initiatives, including the expanded use of the marginal effective tax rate methodology.

Performance measurement

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

Expected Results/Performance Measurement	1. Competitive, efficient, and fair personal, corporate, sales, and excise tax systems	2. Improved coordination of the federal tax system with those of provinces, Aboriginal governments, and other countries	3. High-quality research and evaluation
Performance Indicators	1. Proposals to improve the competitiveness, efficiency, and fairness of the personal, corporate, sales, and excise tax systems	1. Active negotiation of additional tax administration agreements with provincial and Aboriginal governments	1. Number and effect of research studies and evaluation reports
	2. The amount of tax revenue raised	2. Effective network of tax treaties with other countries 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 evaluation, and tax expenditure reports	Federal-provincial agreements, federal-provincial meetings, federal-Aboriginal agreements, and federal-Aboriginal negotiations	Working papers, models developed, research papers
Frequency	Annual	Annual	Annual
Target	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	Increased number of tax agreements signed	Two published reports per year
Target Date	As required	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.

Financial Resources (\$ thousands)

2006–07	2007–08	2008–09
14,973	14,878	14,996

Human Resources: FTEs

2006–07	2007–08	2008–09
122	125	126

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. In Budget 2006 the government introduced a new budget framework in order to improve fiscal transparency and financial management. This new framework includes:

- The presentation of economic and fiscal projections over a two-year time horizon. By focussing the planning period on the near term, where uncertainties are fewer, the government can reasonably be held to account for its fiscal plan.
- Restraining the rate of growth of spending to a more sustainable level and reviewing the Expenditure Management System to ensure that government programs focus on results and value for money and are consistent with government priorities and responsibilities.
- A proposal to allocate unplanned surpluses in recognition that better-than-expected fiscal results may arise. A formal arrangement for sharing a portion of unplanned surpluses at year-end will allow fiscal risks to be handled transparently and ensure that the benefits of better-than-expected fiscal results are shared broadly.
- Reforms to the government's financial reporting, including the consolidation of several foundations and the presentation of budgeted revenues and expenses on a gross basis. This will result in transparent presentation of financial information.

Expected result

1. Transparent fiscal planning and sustainable fiscal policy

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

The Department will undertake the following ongoing activities and key commitments in support of the government's expected result.

Ongoing activities

- 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 annual budget process.
- 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 fiscal outlook for the current fiscal year.
- Prepare the annual financial report on the government's fiscal performance for the previous fiscal year.
- Plan for annual debt reduction of \$3 billion starting in 2006–07 and reduce the debt-to-GDP ratio to 25 per cent by 2013–14.

Key commitments

- Develop a new approach for allocating unplanned surpluses. In particular, discuss with provinces and territories the possibility of introducing legislation authorizing the allocation of a portion of unanticipated surpluses at fiscal year-end to the CPP and the Quebec Pension Plan.
- Provide support to the review of the government's Expenditure Management System, which will be led by Treasury Board of Canada Secretariat. To progress toward more sustainable spending, the President of the Treasury Board will identify savings of \$1 billion for 2006–07 and 2007–08.

Priority 2: Sustainable economic growth

Effective economic policies that will enable the Canadian economy to perform well despite external economic shocks require an accurate assessment of current and future economic conditions both in Canada and abroad.

A focus for 2006–07 will be to monitor and assess the implications for future Canadian growth prospects of productivity growth, labour adjustment, and the challenges presented by an aging population.

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

Expected results

2. Effective monitoring and forecasting of economic performance

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. Given the constantly changing domestic and international economic environment, there is a need to continuously monitor and forecast the implications of these developments.

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

Ongoing activity

- Provide regular briefings to the Minister on major macroeconomic developments in Canada and abroad as well as inform the public on key economic developments. 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; Canadian and U.S. monthly economic assessments; and periodical monitors on labour markets, housing markets, business investment, inventory changes, productivity developments, Canadian financial conditions, the Canada-U.S. corporate financial situation, interest rate expectations; and commodity price developments.

Key commitment

- Conduct four private-sector surveys of the Canadian economic outlook and assess the potential risks to these outlooks.

3. Effective briefing and advice on a wide selection of economic questions

The current economic environment is one characterized by issues that are both complex and far reaching. In-depth economic research is essential to understand and evaluate the interactions and effects of these issues.

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

Ongoing activity

- Continue to provide regular briefings to the Minister on the main drivers of productivity growth, labour market developments, and the economic and fiscal effects of developments such as energy price changes, exchange rate movements, and population aging. This information includes briefing notes to the Minister and publications, such as working papers, analytical notes, and technical notes, and this could also include special chapters or annexes in the Economic and Fiscal Update or the Budget Plan.

Key commitments

- Update presentations on the determinants of human capital and productivity; and
- Analyze possible measures to improve Canada's productivity performance.

Priority 4: Effective international presence

International cooperation is necessary to understand and provide an accurate assessment of the economic and fiscal conditions around the world. By participating in international meetings, Canada can coordinate economic policies, when and where it is appropriate, to foster international economic growth and, given the openness of the Canadian economy, improve the growth potential of Canada.

Expected result

4. Understand and contribute to international economic policies and reforms

The government benefits from understanding past, ongoing, or proposed reforms in other countries and their implications on 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.

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

Ongoing activity

- Continue to represent Canada at OECD meetings and to provide analysis on economic policies proposed by the institution.

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 monitoring and forecasting of economic performance 3. Effective briefing and advice on a wide selection of economic questions	4. Understand and contribute to international economic policies and reforms
Performance Indicators	Federal debt as a share of the gross domestic product (GDP)	Canada's GDP growth relative to G6 (G7 less Canada)	Canada's GDP growth relative to G6 (G7 less Canada)
Data Sources	Annual Financial Report	IMF World Economic Outlook	IMF World Economic Outlook
Frequency	Annual	Semi-annual	Semi-annual
Target	Reduce the federal debt-to-GDP ratio to 25 per cent by 2013–14	Above-average annual growth rate	Above-average annual growth rate
Target Date	Ongoing	Ongoing	Ongoing

Program Activity 3: Financial Sector Policy

Under this program activity, the Financial Sector Policy Branch is responsible for providing analysis on 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, credit unions, and other financial institutions) and federally regulated defined benefit pension plans. The Branch also manages the government's borrowing program and its cash and official international reserves and provides support to the Minister regarding Crown corporation borrowing.

Financial Resources: (\$ thousands)

2006-07	2007-08	2008-09
21,105	19,261	17,297

Human Resources: FTEs

2006-07	2007-08	2008-09
146	144	131

Priorities

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 is an important element of the Department's strategy for sound fiscal management. For more information on debt management, see the following link: http://www.fin.gc.ca/toce/2005/dmr05_e.html. The focus of Financial Sector Policy Branch activity for 2006-07 will be on continuing to review and evaluate the effectiveness of debt management and treasury management frameworks and programs while pursuing improvements to the borrowing framework for major government-backed entities.

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.

For information on the initiatives under this result, see "Program Activity 7, Public Debt."

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.

For more information on the initiatives under this result, see “Program Activity 7, Public Debt.”

3. Management of Canada’s official international reserves

In conjunction with the Bank of Canada, the Department manages Canada’s official international reserves. This is a portfolio of diversified foreign currency assets, which is maintained to provide foreign currency liquidity for the Government of Canada and to provide the funds if required to help promote orderly conditions for the Canadian dollar in foreign exchange markets. See http://www.fin.gc.ca/toce/2005/oir05_e.html.

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

Ongoing activity

- Work with the Bank of Canada to maintain a target level of reserves and to pursue the portfolio objectives of maintaining a high standard of liquidity, preserving capital value, and optimizing return.

Risks and mitigation plans

Operational risks associated with reserves investment are addressed through the maintenance of effective governance and audit regimes and through business continuity planning.

4. A sound borrowing framework for Crown entities

Under the *Financial Administration Act*, the Minister is responsible for approving the borrowing done 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. The study is available through the following link: <http://www.fin.gc.ca/toce/2005/MFGBE-e.html>.

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

Ongoing activity

- Provide advice on borrowing plan approvals and on ministerial policies for prudent treasury management.

Key commitment

- Enhance the borrowing framework for major government-backed borrowers and conduct follow-up analysis of a consolidated borrowing framework, taking into account the interests of the entities and their stakeholders, market participants, and the government as shareholder.

Risks and mitigation plans

The Department will work with the borrowers to ensure that improvements to the borrowing framework are designed and implemented in such a manner as to achieve operational efficiencies while minimizing exposure to financial and operational risks for the Government of Canada and the borrower.

5. A supply of coinage at a reasonable cost

The Department of Finance Canada buys coinage from the Royal Canadian Mint and resells it to financial institutions. The overriding objective is to ensure the supply of circulating coinage meets the needs of the economy.

For information on the initiatives under this result, see “Program Activity 8, Domestic Coinage.”

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 2006–07, the focus will be on completing the 2006 review of the financial institutions statutes, implementing regulations associated with the new corporate governance legislation for financial institutions, preparing for a planned Financial Sector Assessment Program (FSAP) update by the IMF as a follow up to the assessment conducted in 1999, and contributing to an enhanced system of securities regulations in Canada.

Expected result

6. A regulatory framework that promotes the soundness, efficiency, and competitiveness of Canada’s financial sector and serves the needs of individuals, businesses, and the economy

The Department advises 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 activity and key commitments.

Ongoing activity

- Conducting policy analysis and providing advice on a broad range of financial sector issues, including systemic stability, prudential issues, efficiency and global competitiveness, responsiveness to needs of users (including consumers and small and medium enterprises (SME)) and financial services trade.

Key commitments

- Develop legislative proposals for review of financial sector statutes;
- Develop regulations associated with Bill C-57, *An Act to Amend Certain Acts in Relation to Financial Institutions*;
- Develop preparatory work for the IMF FSAP update; and
- Work with the provinces and territories toward a common securities regulator for Canada.

Risks and mitigation plans

Key commitments generally include legislative initiatives that are subject to consultations, (including intergovernmental discussion), ministerial and Cabinet decision making, as well as parliamentary approval. Priorities and plans, including timelines, are adjusted accordingly.

Priority 3: Sound social policy framework

A properly designed private pension system can contribute to the security of Canadian workers and retirees and support increases in living standards. The focus in 2006–07 will be on strengthening the framework for defined benefit pension plans and providing advice related to the Canada Pension Plan Investment Board (CPPIB).

Expected results

7. A sound legislative and regulatory framework for federally regulated defined benefit pension plans

Following up on the public consultation process that commenced in 2005 and commitments in the 2006 budget, the Department will move forward proposals to strengthen the legislative and regulatory framework for federally registered defined benefit pension plans in order to improve the security of pension benefits and ensure the viability of defined benefit pension plans.

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

Ongoing activity

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

Key commitment

- Move forward proposals to strengthen the legislative and regulatory framework for federally registered defined benefit pension plans in order to improve the security of pension benefits and ensure the viability of defined benefit pension plans.

8. Effective framework for investment of CPP funds

The CPPIB invests CPP funds on behalf of more than 16 million contributors and beneficiaries. The success of the CPPIB in achieving its investment objectives derives primarily from the soundness of its governance and the quality of its board. The Minister of Finance is responsible for the CPPIB legislative framework and for coordinating, on behalf of federal and provincial governments, the appointment of individuals to the Board.

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

Ongoing activity

- Provide timely advice on the CPPIB governance, legislation, regulatory, and reporting issues.

Key commitment

- Contribute to the triennial review of the CPPIB governance and investment issues.

Risks and mitigation plans

The Chief Actuary, within the Office of the Superintendent of Financial Institutions Canada, has the statutory responsibility for ensuring the actuarial soundness of the CPP.

Priority 4: Effective international presence

The Department is responsible for issues related to AML and ATF. The Department's leading role in the global fight against money laundering and terrorist financing contributes to public safety in Canada and worldwide. In 2006–07, the focus will be on enhancing Canada's AML and ATF regime, undergoing a mutual evaluation, and presiding over the FATF.

Expected results

9. A world-class AML and ATF framework

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

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

Ongoing activities

- Conduct analysis and research and study domestic and international trends in order to provide policy advice on AML/ATF issues; and
- Coordinate the National Initiative to Combat Money Laundering.

Key commitments

- Support the five-year parliamentary review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- Conduct consultations and develop legislation and regulations to enhance Canada's AML/ATF regime in line with revised international standards; and
- Prepare the next mutual evaluation of Canada's AML/ATF regime planned for 2007.

Risks and mitigation plans

Key commitments generally include legislative initiatives that are subject to consultations (including intergovernmental discussion), ministerial and Cabinet decision making, as well as parliamentary approval. Priorities and plans, including timelines, are adjusted accordingly on an ongoing basis.

10. Effective support for Canada's presidency of the FATF

Canada will hold the presidency of the FATF, the key international body established to address terrorist financing and money laundering, from July 2006 to June 2007. As president of the FATF, Canada will set out the work program for the FATF for 2006–07, chair FATF meetings, host a plenary meeting in October 2006 in Vancouver, and represent the FATF at a number of other international meetings, including meetings of FATF-style regional bodies.

Presiding over the FATF will demonstrate internationally Canada's commitment to remain at the forefront of the global fight against terrorist financing and money laundering.

The Branch plans to provide effective support for Canada's presidency of the FATF through the following ongoing activity and key commitment.

Ongoing activity

- The Financial Sector Division will provide secretariat support for the Canadian president of the FATF during his tenure.

Key commitment

- Planning, organizing, and hosting a plenary meeting of the FATF for 300 to 400 delegates in Canada.

Risks and mitigation plan

International developments and pressures could force a realignment of FATF priorities, which could create operational challenges and alter planning assumptions for the Canadian presidency.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the 10 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	3. Management of Canada's official international reserves	4. Improved framework for major Crown-backed entities	5. A supply of coinage at a reasonable cost
Performance Indicators	Measures of operational performance (e.g. interest costs, fixed-floating shares of debt, average term to maturity)	Measures of market performance (e.g. turnover, trading spreads)	Measures of operational performance (e.g. investment returns, risk exposures)	Cost-effective borrowing activities and sound investment practices	Regular audit of payments to the Mint for domestic coinage supply and distribution
Data Sources	Fiscal Monitor; Debt Management Report	Debt Management Report	Annual Report on the Management of Canada's Official International Reserves	Annual Reports, Corporate Plans, quarterly reporting	Public Accounts
Frequency	Monthly and Annual	Annual	Annual	Quarterly and Annual	As required
Target	Stable, low-cost financing	Liquid markets for Government of Canada securities	Portfolio objectives attained	Minimize risk-adjusted borrowing costs and ensure prudent and effective treasury management	Efficient coinage system
Target Date	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

Performance measurement (continued)

Expected Results/ Performance Measurement	6. A regulatory framework that promotes the soundness, efficiency, and competitive-ness of Canada's financial sector	7. A sound legislative and regulatory framework for federally regulated defined benefit pension plans	8. Effective framework for investment of CPP funds	9. A world-class AML and ATF framework	10. Effective support for Canada's presidency of the FATF
Performance Indicators	Policy, legislative, or regulatory initiatives	Policy, legislative, or regulatory initiatives	The CPPIB investment performance	Policy, legislative, or regulatory initiatives	Support for Canada's FATF presidency
Data Sources	Legislation, regulations, and publications	Legislation or regulations	CPPIB reports	Legislation, regulations, FATF mutual evaluation report	Press releases or other communications for year of Canada's presidency
Frequency	Legislative and regulatory amendments, as needed	Legislative and regulatory amendments, as needed	Quarterly	Amendments to the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)</i> and regulations, as needed Mutual evaluation roughly every five years	As required

Performance measurement (continued)

Expected Results/ Performance Measurement	6. A regulatory framework that promotes the soundness, efficiency, and competitive-ness of Canada's financial sector	7. A sound legislative and regulatory framework for federally regulated defined benefit pension plans	8. Effective framework for investment of CPP funds	9. A world-class AML and ATF framework	10. Effective support for Canada's presidency of the FATF
Target	<p>Progress toward a common securities regulator for Canada</p> <p>The tabling of the 2006 financial institutions legislation review</p> <p>The completion of Bill C-57 regulations</p> <p>Preparations for IMF FSAP update completed</p>	<p>Improved security of pension benefits and viability of defined benefit pension plans</p>	<p>Well-governed CPPIB, investment returns at or above long run target required to achieve sustainability</p>	<p>A world-class AML/ATF framework</p>	<p>An effective presidency</p>
Target Date	<p>To be completed by April 24, 2007: Financial Sector legislative review</p> <p>2006: most of Bill C-57 regulations</p> <p>2007: IMF FSAP review</p>	<p>2006: release of proposed amendments to the <i>Pension Benefits Standards Act</i> or regulations</p>	<p>Ongoing</p>	<p>2006: issuing of amendments to PCMLTFA and regulations</p> <p>2007: FATF mutual evaluation</p>	<p>July 1, 2006, to June 30, 2007</p>

Program Activity 4: Economic Development and Corporate Finance

Under this program activity, the Economic Development and Corporate Finance Branch is responsible for the following:

- providing policy analysis and advice to the Minister on the financial implications of the government's microeconomic policy and programs;
- providing proposals for funding of programs;
- developing sectoral and regional policy analysis; and
- advising on corporate restructuring regarding Crown corporations and other corporate holdings.

To accomplish these tasks, the Branch is organized into the Microeconomic Policy Analysis Division and the Sectoral Policy Analysis Division.

This program activity involves providing policy advice and analysis in the areas of knowledge-based economy, defence, transportation, public infrastructure, environment, energy and resources, agriculture, fisheries, privatization, and Crown corporations.

At times, issues or files that do not fall directly under other Branch portfolios are dealt with under this program activity. Current examples include the New Deal for Cities and Communities and the Smart Regulation Initiative.

Financial Resources: (\$ thousands)

2006-07	2007-08	2008-09
8,006	7,953	8,016

Human Resources: FTEs

2006-07	2007-08	2008-09
70	72	72

Priorities

Priority 1: Sound fiscal management

Expected result

1. Thorough assessment of operating and capital funding related to economic development and policy proposals

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

Ongoing activities

- Assess operating and capital funding for key federal assets and programs, including contributing to the annual climate change review, and the efficient allocation of government resources toward national security initiatives; outputs will include advice to the Minister to support his participation in Cabinet committees and subcommittees to assist with the preparation of the budget and economic updates; and
- Fulfill the central agency role of the Department by identifying major policy issues and proposals under development in the economic departments.

Priority 2: Sustainable economic growth

Expected results

2. Sound advice to the Minister on economic proposals

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

Ongoing activity

- Provide weekly briefings to the Minister in preparation for meetings of Cabinet and its committees, the annual budget, and fiscal updates, as required.

Key commitment

- Provide advice on potential initiatives for budgets in 2006–07, 2007–08, and 2008–09 that implement the government’s economic agenda in the following areas:
 - post-secondary education, research, and commercialization;
 - support for private sector research and development;
 - the Security and Prosperity Partnership of North America;
 - improving the regulatory framework;
 - world-class gateways;
 - promoting energy efficiency and environmental sustainability; and
 - strengthening the economic union through work under the *Agreement on Internal Trade*.

3. Enhanced productivity and economic growth through other governmental initiatives

Working in cooperation with central agencies and key line departments, the Branch will achieve this result through the following ongoing activities and key commitments.

Ongoing activities

- Consideration of government support for the Mackenzie Gas Project;
- Ongoing examination of policy and program options related to the renewal of key government infrastructure programs;
- Development of a made-in-Canada plan to address the issue of greenhouse gas emissions; and
- Helping to shape regional development policies, sectoral policies such as agriculture, fisheries, aerospace, and automotive, and policies related to the New Deal for Cities and Communities.

Outputs will include policy analysis and recommendations for consideration by the Minister before Cabinet committees and subcommittees and advice to the Minister to assist the preparation of the budget and fall update.

Key commitment

- Develop new departmental sustainable development strategy for 2007–10.

4. Improved awareness of the requirements and departmental process for conducting strategic environmental assessments

The Branch will continue to promote awareness throughout the Department of the need to undertake strategic environmental assessments in accordance with the *2004 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.

The Branch will achieve this result through the following key commitments.

Key commitments

- Request that the Canadian Environmental Assessment Agency provide a briefing on strategic environmental assessment to the Department's Sustainable Development Working Group, which would also be open to all officers;
- Provide a subsequent presentation to officials on the strategic environmental assessment process tailored to the specific role and activities of the Department; and
- Report to the Departmental Coordinating Committee on the state of strategic environmental assessment implementation within the Department.

Performance measurement

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

Expected Results/Performance Measurement	1. Thorough assessment of operating and capital funding related to economic development and policy proposals	2. Sound advice to the Minister on economic proposals	3. Enhanced productivity and economic growth through other governmental initiatives	4. Improved awareness of the requirements and departmental process for conducting strategic environmental assessments
Performance Indicators	Measures of sector-specific cost-effectiveness (e.g. greenhouse gas reductions, profitability of the agriculture sector)	Implementation of microeconomic policy directions in the government's economic agenda	Fiscally responsible plans to implement the initiatives listed above	The number of strategic environmental assessments conducted by the Department will be tracked and monitored
Data Sources	Various	Budget and Economic Update	Budget and Economic Update	Departmental Inventory
Frequency	Annual	Annual	Annual	Annual
Target	Related to each sector	Announcement of measures that advance productivity and economic growth	Announcement of measures that advance productivity and economic growth	Maintain awareness of the departmental strategic environmental assessment process
Target Date	Budgets and economic updates in 2006–07, 2007–08, and 2008–09	Budgets and economic updates in 2006–07, 2007–08, and 2008–09	Ongoing, annual activities	Ongoing, annual activities

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)

2006–07	2007–08	2008–09
17,229	12,222	12,319

Human Resources: FTEs

2006–07	2007–08	2008–09
115	102	103

Priorities

Priority 3: Sound social policy framework

The focus for the Branch for 2006–07 will be on the following:

- Restoring fiscal balance; and
- Contributing to the government's social policy priorities.

Expected results

1. Implementation of a new formula for Equalization and Territorial Formula Financing (TFF)

Equalization and TFF are closely related programs, with the former providing funding to certain provinces and the latter providing funding to the three territories.

Since 1957–58, Equalization has been Canada's most important program for reducing fiscal disparities among provincial governments. Equalization payments enable provincial governments to provide their residents with public services that are reasonably comparable to those in other provinces at reasonably comparable levels of taxation. In 2005–06, \$10.9 billion was provided to recipient provinces and in 2006–07, more than \$11.5 billion will be provided.

TFF is the main transfer program from the Government of Canada to the three territorial governments. Although territorial governments have the authority to raise revenues by taxation, rentals, and the sale of goods and services, a significant portion of their financial resources comes from the federal government through TFF. In 2005–06, \$2 billion was provided to territories and in 2006–07 \$2.07 billion will be provided.

Both Equalization and TFF are typically renewed every five years to ensure the integrity of the formulas upon which payments are based. Data sources and methodologies are reviewed and improvements made where necessary. The most recent renewal for Equalization, for the period from 2004–05 to 2008–09, took place in May 2004. The last renewal for TFF, for the period from 1999–2000 to 2003–04, was in October 1998.

Following these renewals, discussions between the federal, provincial, and territorial governments in 2004 led to the October 2004 announcement by the Government of Canada of a new framework for Equalization and TFF.

An important element of the October 2004 announcement was the establishment of an independent Expert Panel in March 2005 to review Equalization and TFF. The Panel's mandate was to provide advice on how the legislated levels of Equalization and TFF should be allocated annually among provinces and territories. As part of its review, the Panel was, among other things, to:

- evaluate the established methodology for measuring fiscal disparities among provinces and territories;
- examine alternative approaches (such as those based on aggregate macroeconomic indicators or expenditure needs);
- review the evolution of fiscal disparities among provinces, and the costs of providing services in the territories, to help governments and citizens evaluate the overall level of support for Equalization and TFF; and
- advise on whether the Government of Canada should establish a permanent independent body to advise it on the allocation of Equalization and TFF within the framework of legislated levels.

The Expert Panel provided a report to the Minister in June 2006. The report is available on the Panel's website at <http://www.eqttf-pfft.ca/english/index.asp>. The Branch plans to attain the expected result through the following ongoing activities and key commitments.

Ongoing activities

- Continue to update Equalization and TFF information; and
- Determine payment levels based on legislation.

Key commitments

- Review the recommendations of the Expert Panel;
- Develop advice on new allocation formulas for Equalization and TFF;
- Undertake consultations with provinces and territories; and
- Prepare legislation and regulatory changes and coordinate with provinces and territories.

2. Determination of the most appropriate arrangements for post-secondary education and training

The government made a commitment in the 2006 budget to determine the most appropriate arrangements for long-term funding commitments for post-secondary education and training.

Key commitment

- 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 determine funding in the areas of post-secondary education and training.

3. Effective implementation of 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 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 commitment.

Ongoing activity

- Continue to advise the Minister and senior management on social policy issues as they arise.

Key commitment

- 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 three expected results under this program activity.

Expected Results/ Performance Measurement	1. Implementation of new formula for Equalization and TFF	2. Determine the most appropriate arrangements for post- secondary education and training	3. Effective implementation of government social policy priorities
Performance Indicators	Research, analysis, and advice with respect to Equalization and TFF Bring forward proposal on renewed programs	Bring forward proposal on renewed arrangements	Timely implementation of programs related to the government's social policy priorities
Data Sources	Various	Various	Main and Supplementary Estimates for other departments
Frequency	Ongoing	Ongoing	Annual
Target	Timely and accurate research, analysis, and advice	Timely decisions with respect to, and implementation of, the commitment to determine funding in the areas of post-secondary education and training	Timely rollout of initiatives and related funding of government social policy priorities
Target Date	Ongoing Proposals for renewal intended to be brought forward by the fall of 2006	Proposals for renewal intended to be brought forward by fall of 2006	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); and
- Provides analytical support and policy advice on international trade and investment matters.

Financial Resources: (\$ thousands)

2006-07	2007-08	2008-09
15,997	15,900	16,025

Human Resources: FTEs

2006-07	2007-08	2008-09
123	126	128

Priorities

Priority 2: Sustainable economic growth

As a highly open economy in an increasingly globalized marketplace, Canada's economic performance will continue to improve through more open trade and investment flows and high standard multilateral, regional, and bilateral trade and investment rules and agreements. Securing access for Canadian exports and investors to key markets will enhance the competitiveness of domestic industries and expand commercial opportunities for them.

Expected result

1. Stronger international trading system and more open markets

The Branch will work to improve Canada's overall economic performance through a stronger international trading system and open markets to enhance competitiveness of domestic industries and expand access for Canadian exports and investment in major foreign markets.

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

Ongoing activities

- Enhance Canadian competitiveness through further progress on a range of trade facilitation and border efficiency issues with the U.S., particularly through the trilateral Security and Prosperity Partnership of North America;
- Provide support to improve international trade and investment rules through ongoing negotiations;
- Support Canada's trade and investment interests through the negotiation of bilateral and regional agreements, particularly in key emerging markets in the Asia-Pacific, Japan, and India; and
- Manage Canada's import policy regime, tariffs, and trade remedies with a view to enhancing the overall competitiveness of Canadian manufacturers to compete in domestic and international markets.

Key commitments

- Pursue ongoing trade and investment agreements in partnership with other government departments;
- Develop and implement initiatives, in partnership with other government departments, to enhance access to U.S. markets (under the Security and Prosperity Partnership initiative); and
- Use Canada's tariff regime as a vehicle to improve competitiveness.

Priority 4: Effective international presence

Expected result

2. Policy positions and proposals that improve prospects for global economic and financial stability and better financial governance

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. Canada also has an interest in greater prosperity and economic and social progress in developing economies.

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

Ongoing activities

- Continue to support the participation of the Minister and G7 Deputy in the G7, G8, G20, and other international forums, as well as in the international financial institutions (IFI), by promoting Canadian policy positions and working to strengthen global economic and financial outcomes;
- Promote Canadian policy positions at the IMF, World Bank, and the EBRD to strengthen their effectiveness and ability to carry out their respective mandates; and

- Provide guidance on the funding demands of other government departments and agencies that are tasked primarily with an international mandate by providing policy analysis and advice consistent with the government's fiscal framework.

Key commitments

- Actively contribute to progress in the G7 and G20 finance ministers' forums on IMF reform issues (including quota reform);
- Organize, host, and promote an important G20 seminar to develop policy options for a G20 approach to natural resources issues of interest to G20 finance ministers and central banks;
- Maintain the network of finance counsellor positions abroad and expand it with a new finance counsellor position in Beijing; and
- Work toward more effective implementation of the International Assistance Envelope to ensure that resource allocation decisions reflect the government's priorities.

3. Effective international initiatives to strengthen developing economies

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 provide payments consistent with the Department's commitments.

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

Ongoing activities

- Continue to represent Canada at the Paris Club and implement multilateral debt rescheduling agreements; and
- Continue to support and provide timely advice to the Minister in respecting Canadian financial assistance in response to international emergency relief issues.

Key commitments

- Develop initiatives for more effective use of international assistance and debt relief; and
- Develop and promote positions that will lead to effective international disciplines on government support for trade finance.

Performance measurement

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

Expected Results/Performance Measurement	1. Stronger international trading system and more open markets	2. Policy positions and proposals that improve prospects for global economic and financial stability and better financial governance	3. Effective international initiatives to strengthen developing economies
Performance Indicators	Progress will be measured through the results of various regional, multilateral, and bilateral trade and investment negotiations and initiatives	Policies adopted at the IFIs and promoted by the Finance Ministers' forums	Progress will be measured through the results of various bilateral and multilateral negotiations and initiatives
Data Sources	Policies and communiqués in international initiatives and negotiations	Communiqués and reports of Finance Ministers' forums and IFIs	Policies and communiqués in international initiatives and negotiations
Frequency	Ongoing	Periodic	Ongoing
Target	International meetings and negotiations	Multiple, depending on forum and issue	International meetings and negotiations
Target Date	Ongoing	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.

In addition, the Canada Investment and Savings Agency, a special operating agency of the Department, seeks to deliver a vibrant, creative, and cost-effective retail debt program (RDP) that provides value to Canadians, contributes to a diversified investor base, and ensures Canadians are aware of and have easy access to Government of Canada securities.

Financial Resources: (\$ thousands)

2006-07	2007-08	2008-09
34,395,000	34,760,000	34,585,000

Human Resources: FTEs

2006-07	2007-08	2008-09
57	57	57

Priorities

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 2006-07 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 activities and key commitments.

Ongoing activities

- Plan and conduct, in collaboration with the Bank of Canada, debt and cash management operations to meet operational needs; and
- Periodically review funds management frameworks, targets, and programs to ensure the soundness of governance regimes and the effectiveness of the management of financial cost and risk.

Key commitment

- Adjust bond and bond buyback programs to continue progress toward the debt structure target of 60-per-cent fixed-rate debt announced in 2003.

Risks and mitigation plans

Changes to the government's fiscal needs pose strategic and operational challenges for debt and cash management, which are carried out through the maintenance of diversified, flexible borrowing programs. Operational risks are addressed through business continuity planning.

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 initiatives.

Ongoing activities

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

Risks and mitigation plans

Failure to maintain a well-functioning market can affect both the government and market participants. Risks are managed through the maintenance of strict auction participation rules, flexibility to adjust issuance, and active market surveillance.

3. A cost-effective retail debt program

The Canada Investment and Savings Agency plans to attain the expected result through the following ongoing activities and key commitment.

Ongoing activities

- Improve overall program efficiencies while reducing costs through careful investment and streamlined administration;
- Work to ensure that Canada Savings Bonds remain relevant to Canadians; and
- Balance efforts on sales and retention;

Key commitment

- In 2006–07, within the non-certificated payroll program, expand use of electronics, and leverage back-office system improvements.

Performance measurement

The Department plans to apply the following performance measurement approach in monitoring and measuring performance against the three 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	3. A cost-effective RDP
Performance Indicators	Measures of operational performance (e.g. interest costs, fixed-floating shares of debt, average term to maturity)	Measures of market performance (e.g. turnover, trading spreads)	RDP budget of \$105,045K
Data Sources	Fiscal Monitor, Debt Management Report	Debt Management Report	RDP Expenditures
Frequency	Monthly and annual	Annual	Annual
Target	Stable low-cost financing	Liquid markets for Government of Canada Securities	Manage the RDP within the budget of \$105,045K
Target Date	Ongoing	Ongoing	March 31, 2007

Program Activity 8: Domestic Coinage

Under this program activity, the Financial Sector Policy Branch is responsible for the payment of the production and distribution costs for domestic circulating coinage.

Financial Resources: (\$ thousands)

2006–07	2007–08	2008–09
83,100	80,700	49,000

Priorities

Priority 1: Sound fiscal management

The Department of Finance Canada buys coinage from the Royal Canadian Mint and resells it to financial institutions. The overriding objective is to ensure that the supply of circulating coinage meets the needs of the economy.

Expected result

1. A supply of coinage at a reasonable cost

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

Ongoing activity

- The payment of Mint production and distribution costs for domestic circulating coinage.

Key commitment

- Implement a new coin production agreement with the Mint containing terms and business arrangements that promote efficiency and reduce costs to the government.

Risk and mitigation plans

Market prices of metals used in coinage production are subject to considerable variation. A new agreement with the Mint will transfer most of the risk involved in coinage production to the Mint.

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. A supply of coinage at a reasonable cost
Performance Indicators	Regular audit of payments to the Mint for domestic coinage supply and distribution
Data Sources	Public accounts
Frequency	As required
Target	Efficient coinage system
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)

2006–07	2007–08	2008–09
38,631,828	40,095,000	41,940,000

Priorities

Priority 3: Sound social policy framework

Payments made under the various transfer programs are an important source of revenue for provincial and territorial governments. In 2006–07, an estimated \$38.8 billion in cash payments will be provided to the provinces and territories.

Transfer payments take the form of either cash transfers or tax transfers. Cash transfers are provided as either cash payments to provincial or territorial finance departments and treasuries or payments to trust funds on behalf of provinces and territories. As well, the value of the tax transfers provided to provinces and territories in lieu of cash payments in the 1960s and 1970s is measured annually since these transfers affect the allocation of cash transfers. Acts and regulations govern the programs, and the Office of the Auditor General of Canada audits the payments each year.

The Department administers the following programs: the Equalization program and the TFF, the CHT, the CST, Alternative Payments for Standing Programs, the Youth Allowances Recovery program, and statutory subsidies. In addition, prior-year payments or recoveries for the former Canada Health and Social Transfer (CHST) and the former Health Reform Transfer continue to be calculated. The February 2005 Arrangement between the Government of Canada and the Government of Newfoundland and Labrador on Offshore Revenues and the February 2005 Arrangement between the Government of Canada and the Government of Nova Scotia on Offshore Revenues are administered by the Department, while Natural Resources Canada continues to administer Offset Payments to Newfoundland and Labrador under the *Canada-Newfoundland Atlantic Accord Implementation Act*.

Expected result

1. Financial support for Canadian provinces and territories to assist them in providing public services, universally accessible health care services, post-secondary education, and social assistance

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

Ongoing activities

- Administration of the transfer programs, including calculation of entitlements, provision of payments, provision of information for Government of Canada reports, and provision of information to federal auditors—information concerning entitlements is provided to provincial and territorial officials, including auditors;
- Administration of 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 (pending: contingent on the surplus for 2005–06), 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; and
- Administration of 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 CHST), and deferral of the effect of the new residential net capital stock data (Equalization) on Quebec.

Key commitment

- Implementation of new formulas for Equalization and TFF will be required. These formulas will be developed following consultations with provinces and territories. The report of the Expert Panel on Equalization and TFF, tabled in June 2006, and other recent reports on fiscal federalism, including the report of the Council of the Federation Advisory Panel on Fiscal Imbalance, will be important inputs for these consultations.

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. Financial support for Canadian provinces and territories to assist them in providing public services, universally accessible health care services, post-secondary education, and social assistance
Performance Indicators	Timely and accurate administration of transfer payments
Data Sources	Public Accounts of Canada
Frequency	Annual
Target	Payments must be made according to levels and formulas set out in legislation
Target Date	Fiscal year-end

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 IMF, and the EBRD.

Financial Resources: (\$ thousands)

2006–07	2007–08	2008–09
733,340	417,005	511,967

Priorities

Priority 4: Effective international presence

Expected result

1. Payments to international organizations and Canadian creditors consistent with the Department's 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 provide payments consistent with the Department's commitments.

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

Ongoing activity

- Provide timely payments, as required, to a wide range of international financial organizations and Canadian creditors, consistent with the Department's commitments. Such payments play an important role in mobilizing resources for poverty reduction in low-income and least-developed countries.

Key commitment

- Ensure timely payments, as required, to a wide range of international financial organizations.

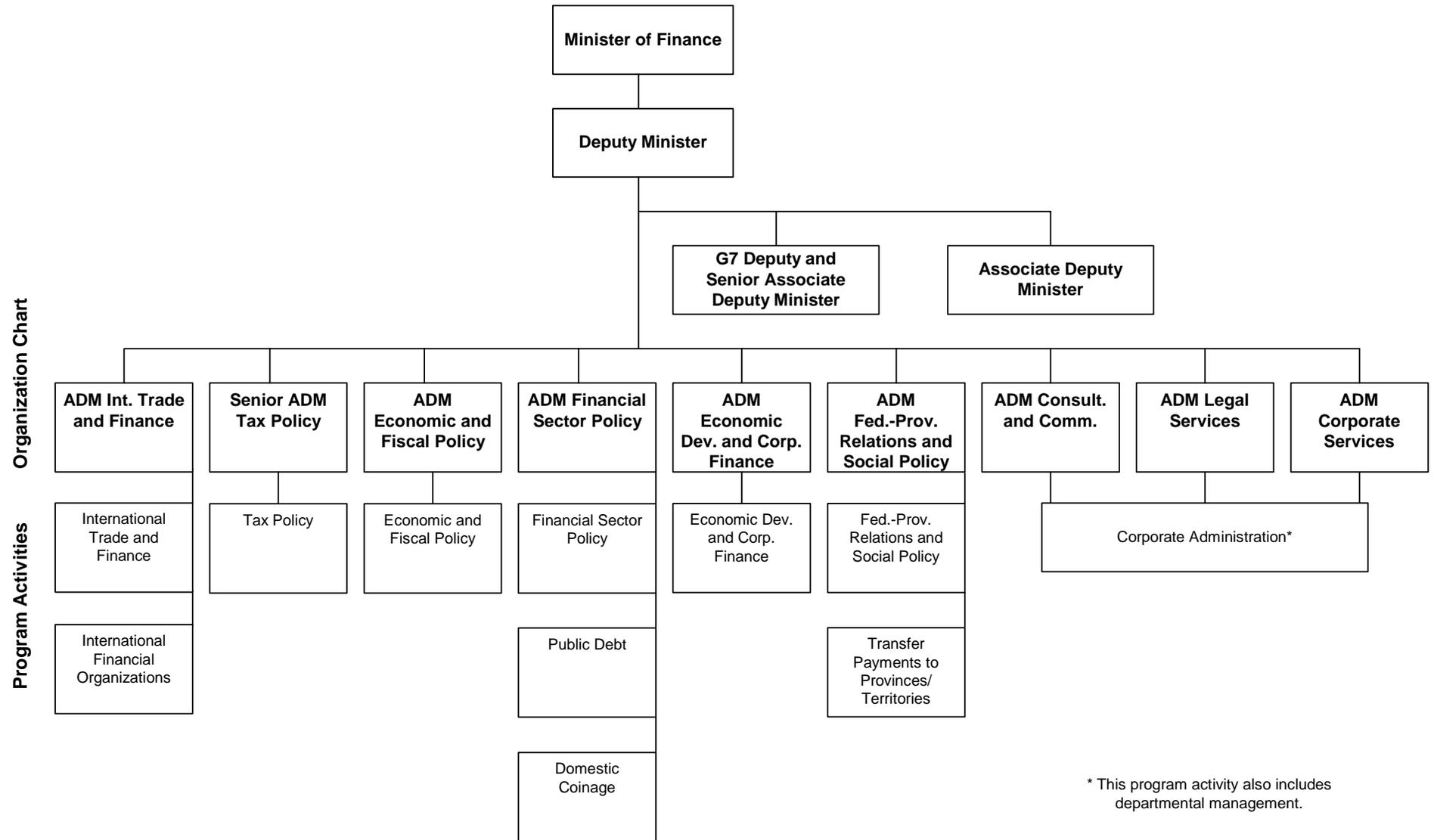
Performance measurement

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 the Department's commitments
Performance Indicators	Timely payments
Data Sources	Department's financial reporting system
Frequency	Periodic payments
Target	Payments made according to a predetermined schedule or within 30 days of the invoice being received
Target Date	Ongoing

Section III: Supplementary Information

Organization Chart and Program Activity Architecture



* This program activity also includes departmental management.

Table 1: Departmental Planned Spending and Full-time Equivalents

	Forecast Spending 2005-06	Planned Spending 2006-07	Planned Spending 2007-08	Planned Spending 2008-09
	(\$ thousands)			
Tax Policy	30,330	30,865	31,653	31,903
Economic and Fiscal Policy	14,674	14,559	14,933	15,052
Financial Sector Policy ¹	16,270	20,521	19,332	17,362
Economic Development and Corporate Finance	7,613	7,784	7,982	8,046
Federal-Provincial Relations and Social Policy ²	12,452	16,753	12,267	12,365
International Trade and Finance	15,567	15,555	15,959	16,085
Public Debt	35,887,000	34,395,000	34,760,000	34,585,000
Domestic Coinage ³	82,200	83,100	80,700	49,000
International Financial Organizations ⁴	1,188,540	725,869	411,469	508,469
Transfer Payments to Provinces and Territories	32,690,873	38,330,000	40,095,000	41,940,000
Budgetary Main Estimates (gross)	69,945,519	73,640,006	75,449,295	77,183,282
International Financial Organizations	108,923	7,471	5,536	3,498
Non-budgetary Main Estimates (gross)	108,923	7,471	5,536	3,498
Less: Respendable revenue	620	400	400	400
Total Main Estimates	70,053,822	73,647,077	75,454,431	77,186,380
<i>Adjustments:</i>				
Governor General Special Warrants:				
Expert Panel on Equalization and TFF	1,383			
Collective Bargaining	4,173			
Playlist Shortfalls	3,000			
Procurement Savings	(120)			
Department of Justice Canada Recovery	(504)			
Procurement Savings by Program Activity:				
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)		

	Forecast Spending 2005-06	Planned Spending 2006-07	Planned Spending 2007-08	Planned Spending 2008-09
(\$ thousands)				
Expenditure Review Committee (ERC)	(1,400)			
<i>Other Adjustments:</i>				
Employee Benefits Plan	33			
Transfer Payments to Provinces and Territories ⁵	3,993,627			
International Financial Organizations ⁶	41,500			
Cost of the new Ministry—				
Regional responsibilities		25	25	25
Advertising campaigns		4,100		
Equalization payments		255,428		
Territorial formula financing (Data revision)		46,400		
<i>Total Adjustments</i>	<i>4,041,691</i>	<i>305,243</i>	<i>25</i>	<i>25</i>
Total Planned Spending	74,095,514	73,952,320	75,454,456	77,186,405
Total Planned Spending	74,095,514	73,952,320	75,454,456	77,186,405
Less: Non-respendable revenue	221,543	185,148	152,679	169,409
Plus: Cost of services received without charge	11,693	13,205	13,339	13,415
Total Departmental Spending	73,885,665	73,780,377	75,315,115	77,030,411
Full-time Equivalents	813	901	901	894

Notes:

- 1) The increase of \$4.3 million in 2006-07 is due to \$1.7 million in funding for the Financial Action Task Force Presidency, \$1.2 million in redistribution of corporate administration costs, \$800 thousand in non-discretionary workload pressure funding, \$370 thousand for salary increases related to collective bargaining, and \$244 thousand for money laundering policy work.
- 2) The increase of \$4.3 million in 2006-07 is due to \$3 million transferred from 2005-06 to 2006-07 for the Expert Panel on Equalization and Territorial Formula Financing. The subsequent decrease of \$4.5 million in 2007-08 is due to the sunseting of the Expert Panel funding and a decrease of \$1.5 million in the redistribution of corporate administration costs.
- 3) The \$49 million for Domestic Coinage in fiscal year 2008-09 is based on the 2005-06 forecast and is subject to change.
- 4) The decrease in 2007-08 is due to a change in timing of debt relief. It is the result of an increase in uncertainty around Ivory Coast's ability to progress through the Heavily Indebted Poor Countries (HIPC) process on a timely basis and thereby receive the associated debt forgiveness.
- 5) The nearly \$4 billion in adjustments in fiscal year 2005-06 to the Federal-Provincial Relations and Social Policy program activity is the result of increased transfer payments to provinces and territories, including Fiscal Equalization, Territorial Formula Financing, and the Canada Health Transfer. These increased financial commitments were made following First Ministers' Meetings in September and October 2004.
- 6) The \$41.5 million adjustment fiscal year 2005-06 to the International Financial Organizations program activity includes the following:
 - \$17 million in grants for debt payments on behalf of poor countries to International Organizations, consistent with Canada's commitment to the G8-led Multilateral Debt Relief initiative;
 - \$25 million in a statutory payment to the Exogenous Shocks Facility of the International Monetary Fund (IMF). This item is pending confirmation of an annual surplus for 2005-06 of at least C\$2 billion after all initiatives funded pursuant to Bill C-48 are taken into account; and
 - \$0.5 million reduction to payments to IMF's Poverty Reduction and Growth Facility due to a change in the exchange rate.

Table 2: Resources by Program Activity

2006-07

Program Activity	Budgetary			Non-budgetary			Totals		
	Operating	Grants and Contributions	Gross	Revenue	Net	Loans, Investments, and Advances	Total Main Estimates	Adjustments (planned spending not in Main Estimates)	Total Planned Spending
(\$ thousands)									
Tax Policy	30,865		30,865	(117)	30,748		30,748	994	31,742
Economic and Fiscal Policy	14,559		14,559	(55)	14,504		14,504	469	14,973
Financial Sector Policy	20,521		20,521	(77)	20,444		20,444	661	21,105
Economic Development and Corporate Finance	7,784		7,784	(29)	7,755		7,755	251	8,006
Federal-Provincial Relations and Social Policy	16,753		16,753	(63)	16,690		16,690	539	17,229
International Trade and Finance	15,555		15,555	(59)	15,496		15,496	501	15,997
Public Debt	34,395,000		34,395,000		34,395,000		34,395,000		34,395,000
Domestic Coinage	83,100		83,100		83,100		83,100		83,100
International Financial Organizations		725,869	725,869		725,869	7,471	733,340		733,340
Transfer Payments to Provinces and Territories		38,330,000	38,330,000		38,330,000		38,330,000	301,828	38,631,828
Total	34,584,137	39,055,869	73,640,006	(400)	73,639,606	7,471	73,647,077	305,243	73,952,320

Table 3: Voted and Statutory Items Listed in the Main Estimates

2006–07

Vote or Statutory Item	Truncated Vote or Statutory Wording	Current Main Estimates	Previous Main Estimates
		(\$ thousands)	
1	Operating expenditures ¹	93,135	84,048
5	Grants and Contributions ²	404,200	944,000
10	Pursuant to section 29 of the <i>Financial Administration Act</i> , to authorize the Minister of Finance 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 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 \$200,000,000,000 at any time; and to repeal Vote 16b, <i>Appropriation Act No. 4, 2003-2004</i>	0	0
(S)	Minister of Finance—salary and motor car allowance	73	70
(S)	Territorial Formula Financing (Part I.1 – <i>Federal-Provincial Fiscal Arrangements Act</i>) ³	2,070,000	0
(S)	Payments to the International Development Association ⁴	318,269	239,740
(S)	Payments to the International Monetary Fund's Poverty Reduction and Growth Facility ⁵	3,400	4,800
(S)	Contributions to employee benefit plans	12,429	12,168
(S)	Purchase of Domestic Coinage ⁶	83,100	82,200
(S)	Public Debt—Interest and Other Costs ⁷	34,395,000	35,887,000
(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>) ⁸	11,282,000	9,510,000
(S)	Canada Health Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i>) ⁹	20,140,000	13,000,000
(S)	Canada Social Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i>) ¹⁰	8,500,000	8,225,000
(S)	Youth Allowances Recovery (<i>Federal-Provincial Fiscal Revision Act, 1964</i>) ¹¹	(699,000)	(611,000)
(S)	Alternative Payments for Standing Programs (Part VI, <i>Federal-Provincial Fiscal Arrangements Act</i>) ¹²	(2,995,000)	(2,765,127)
(L15)	Issuance and Payment of demand notes to the International Development Association	0	0

2006–07

Vote or Statutory Item	Truncated Vote or Statutory Wording	Current Main Estimates	Previous Main Estimates
(\$ thousands)			
(S)	Issuance of demand notes to the European Bank for Reconstruction and Development—Capital Subscriptions ¹³	0	9,346
(S)	Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital Subscriptions ¹³	7,471	15,577
(S)	Issuance of loans to the International Monetary Fund's Poverty Reduction and Growth Facility ¹³	0	84,000
Items not required:			
-	Transfer Payments to Territorial Governments	0	1,800,000
-	Health Reform Transfer (Part V.1, <i>Federal-Provincial Fiscal Arrangements Act</i>)	0	3,500,000
Total Department of Finance Canada		73,647,077	70,053,822

Notes:

- 1) The increase of \$9.1 million or 10.8% in the operating expenditures vote is due to \$3 million transferred from 2005–06 to 2006–07 for the Expert Panel on Equalization and Territorial Formula Financing, \$1.7 million funding for the presidency of the Financial Action Task Force on money laundering, and \$4.3 million for salary increases related to collective bargaining.
- 2) The decrease of almost \$540 million in grants is due to the debt forgiveness for Iraq, Serbia, and Montenegro delivered in fiscal year 2005–06.
- 3) The Transfer Payments to the Territorial Governments (Vote 10) in Main Estimates 2005–06 became Territorial Formula Financing, a statutory item, in Main Estimates 2006–07. The increase of \$270 million or 15% is a result of the October 26, 2004, New Framework for Equalization and the Territorial Formula Financing program.
- 4) The increase of \$78.5 million or 32.8% in statutory payment to the International Development Association (IDA) is due to higher levels of note encashments as per Canada's obligations under the new IDA agreement.
- 5) A decrease of \$1.4 million or 29.2% in payments to IMF's Poverty Reduction and Growth Facility (PRGF) is due to lower obligations to fund IMF's PRGF.
- 6) The increase of \$900,000 or 2.1% in Domestic Coinage reflects the increased funding required to cover the cost to produce and distribute domestic coinage.
- 7) Public debt charges decreased by \$1.49 billion or 4.2% due to a reduction in the stock of interest-bearing debt and a decrease in forecasted interest rates.
- 8) The increase of \$1.77 billion or 18.6% in transfer payments for Fiscal Equalization is a result of the October 26, 2004, New Framework for Equalization and the Territorial Formula Financing program.
- 9) The increase of \$3.6 billion or 22.1% 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. It should be noted that the Health Reform Transfer of \$3.5 billion in 2005–06 was transferred to the Canada Health Transfer in 2005–06.
- 10) The increase of \$275 million or 3.3% in the Canada Social Transfer represents legislated amount for this transfer.
- 11) The additional recovery of \$88 million or 14.4% in the Youth Allowances Recovery is due to an increase in the amount to be recovered from Quebec. This increase is related to an increase in the value of personal income tax compared with the data used in the 2005–06 Main Estimates.
- 12) The additional recovery of nearly \$230 million or 8.3% is attributable to an increase in the amount recovered from the Quebec. This increase is related to an increase in the value of personal income tax compared with the data used in the 2005–06 Main Estimates.
- 13) The decrease in the statutory non-budgetary items is consistent with the agreed upon schedule of Canada's payments, encashments, and obligations.

Table 4: Services Received Without Charge

(\$ thousands)	2006–07
Accommodation provided by Public Works and Government Services Canada	5,480
Contributions covering employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds)	4,906
Workers' compensation coverage provided by Social Development Canada	1
Salary and associated expenditures of legal services provided by the Department of Justice Canada	2,818
Total 2006–07 services received without charge	13,205

Table 5: Loans, Investments, and Advances (Non-budgetary)

	Forecast Spending 2005-06	Planned Spending 2006-07	Planned Spending 2007-08	Planned Spending 2008-09
(\$ thousands)				
International Financial Organizations				
Issuance and Payment of demand notes to the International Development Association	0	0	0	0
Issuance of demand notes to the European Bank for Reconstruction and Development—Capital Subscriptions	9,346	0	0	0
Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital Subscriptions	15,577	7,471	5,536	3,498
Issuance of loans to the International Monetary Fund's Poverty Reduction and Growth Facility	84,000	0	0	0
Total	108,923	7,471	5,536	3,498

Table 6: Sources of Respendable and Non-respendable Revenue

Respendable Revenue

	Forecast Revenue 2005–06	Planned Revenue 2006–07	Planned Revenue 2007–08	Planned Revenue 2008–09
(\$ thousands)				
Tax Policy				
Sale of departmental documents	194	117	124	127
Economic and Fiscal Policy				
Sale of departmental documents	94	55	58	60
Financial Sector Policy				
Sale of departmental documents	104	77	76	69
Economic Development and Corporate Finance				
Sale of departmental documents	49	29	31	32
Federal-Provincial Relations and Social Policy				
Sale of departmental documents	80	63	48	49
International Trade and Finance				
Sale of departmental documents	100	59	63	64
Total Respendable Revenue	620	400	400	400

Non-respendable Revenue

(\$, thousands)	Forecast Revenue 2005–06	Planned Revenue 2006–07	Planned Revenue 2007–08	Planned Revenue 2008–09
Domestic Coinage				
Domestic Coinage	221,543	185,148	152,679	169,409
Total Non-respendable Revenue	221,543	185,148	152,679	169,409
Total Respendable and Non-respendable Revenue	222,163	185,548	153,079	169,809

Table 7: Resource Requirement by Branch

2006-07

	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	International Financial Organizations	Transfer Payment to Provinces/Territories	Total Planned Spending
(\$ thousands)											
Tax Policy	31,742										31,742
Economic and Fiscal Policy		14,973									14,973
Financial Sector Policy			21,105				34,395,000	83,100			34,499,205
Economic Development and Corporate Finance				8,006							8,006
Federal-Provincial Relations and Social Policy					17,229					38,631,828	38,649,057
International Trade and Finance						15,997			733,340		749,337
Total	31,742	14,973	21,105	8,006	17,229	15,997	34,395,000	83,100	733,340	38,631,828	73,952,320

Table 8: Major Regulatory Initiatives

Regulations	Expected Results
<p>Legislation will be introduced to update the financial institutions statutes that sunset in April 2007, and associated regulations will be brought forward to bring the legislation into force.</p>	<p>Legislation/regulations will be developed.</p>
<p>Regulations will be introduced pursuant to the passage of Bill C-57, which updated the corporate governance provisions in the financial institutions statutes.</p>	<p>Regulations will be developed.</p>
<p>Amendments may be made to regulations under the <i>Excise Tax Act</i> (GST/HST and excise taxes), the <i>Air Travellers Security Charge Act</i>, the <i>Excise Act</i>, and the <i>Excise Act, 2001</i>—These acts contain a number of provisions that give regulatory powers to deal with GST/HST, excise tax, and excise duty issues.</p>	<p>Through the use of regulations, the government may propose changes to address some issues in the GST/HST, excise tax, and excise duty systems. Amendments to the regulations are required from time to time to respond to emerging policy and technical issues, including budget-related measures.</p>
<p>The <i>Customs Tariff</i>—The Tariff contains a number of provisions that allow the government to reduce import tariffs and implement Canada’s rights and obligations under international agreements and arrangements.</p>	<p>Through the use of orders and regulations, the government may lower tariff rates to improve the competitiveness of Canadian industry and implement international trade agreements and arrangements.</p>
<p>The <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>Amendments to the <i>Pension Benefits Standards Act, 1985</i> and related regulations.</p>	<p>Legislative and regulatory amendments will be brought forward to improve the security of pension plan benefits and ensure the viability of defined benefit pension plans.</p>

Regulations	Expected Results
Introduction of securities transfer legislation.	Legislation will be brought forward to modernize the securities transfer provisions currently contained in various federal statutes.
Other amendments to the <i>Canada Pension Plan</i> (CPP) and the <i>Canada Pension Plan Investment Board Regulations</i> may be identified during the federal-provincial triennial review of the CPP, which should be completed in 2006.	If changes are agreed to by the federal and provincial governments, regulations will be developed after the completion of the federal-provincial triennial review of the CPP in 2006.
Amendment to the <i>Federal-Provincial Fiscal Arrangements Act</i> .	An enactment to amend the <i>Federal-Provincial Fiscal Arrangements Act</i> to determine the amount of the fiscal equalization payments to eligible provinces and the formula financing payments to each of the territories for the fiscal year beginning on April 1, 2006.
Amendment to the <i>Federal-Provincial Fiscal Arrangements Act</i> .	An enactment to amend the <i>Federal-Provincial Fiscal Arrangements Act</i> to introduce formulas for fiscal equalization payments to eligible provinces and formula financing payments to each of the territories for the fiscal year beginning on April 1, 2007, and beyond.
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 or regulations will be introduced to repeal the requirement to purchase an annuity at age 80.
Amendments to the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> and related regulations.	Legislation or regulations will be introduced to respond to revisions of the recommendations of the Financial Action Task Force on Money Laundering following public consultation and to respond to the recommendations of the Office of the Auditor General of Canada and the evaluation mandated by the Treasury Board.

Table 9: Details of Transfer Payments Programs

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

2006–07 to 2008–09

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 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 Acts, 1867–1982* 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*)

Further information on the above mentioned transfer payments could be found at http://www.tbs-sct.gc.ca/est-pre/2006-07/p3a_e.asp.

Table 10: Horizontal Initiatives

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

2006-07 to 2008-09

1. National Initiative to Combat Money Laundering

Supplementary information on horizontal initiatives can be found at http://www.tbs-sct.gc.ca/est-pre/2006-07/p3a_e.asp.

Table 11: 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 first Department of Finance Canada SDS, which was tabled in the House of Commons in 1997, helped to show how the federal government’s fiscal and economic plans contributed to sustainable development in Canada, outlined the Department’s approach and contribution to international sustainable development issues, and showed how the Department would improve environmental performance in its operations.

The Department’s updated SDS for 2001–03 built on the 1997 strategy and the progress achieved by the Department and the government in promoting sustainable development. Like its first strategy, the Department’s 2001–03 strategy focussed on those areas where the Department can make unique and important contributions to sustainable development in Canada and around the world. The Department’s updated strategy for 2004–06 was completed in December 2003. It built upon the solid foundation provided by the previous two versions. The Department’s 1998–2000, 2001–03, and 2004–06 strategies can be found at <http://www.fin.gc.ca/purl/susdev-e.html>.

The Department of Finance Canada confirmed two key goals in its 2004–06 SDS: to promote intergenerational equity through effective fiscal management and to continually strive to more fully integrate economic, social, and environmental considerations and objectives into policy making. To help focus on these goals, the 2004–06 SDS identifies four themes or key issues on which to base departmental actions over the next three years: Building the Future, Integrating the Economy and the Environment, Integrating Sustainable Development into the Global Economy, and Greening Operations. The Department’s action plan for sustainable development sets out a number of objectives and targeted actions in each of these four areas over the planning period.

Over the coming year, the Department of Finance Canada will continue to improve its awareness-raising of the departmental process for fulfilling obligations under the *Cabinet Directive on Strategic Environmental Assessment* and will implement its other commitments as the 2004–06 SDS draws to a close.

A detailed outline of the Department’s objectives, actions, and planned results in its sustainable development strategy in 2006–07 is available at <http://www.fin.gc.ca/purl/susdev-e.html>.

Table 12: Internal Audits and Evaluations

The Internal Audit and Evaluation Committee of the Department of Finance of Canada approved the audits and projects mentioned below to be completed during the planning period.

Internal audits:

- Audit of Administrative Controls over International Obligations and Subscription Payments
- Audit of Administrative Controls over Financial Debt Instruments: Foreign Debt Portfolio and Foreign Currency Asset Reserves
- Audit of Accounts Payable
- Audit of Translation and Editing Services

Other Projects:

- Updating of the Internal Audit Risk Assessment and Three-year Audit Plan

Section IV: Other Items of Interest

Renewal of the Human Resources Plan

Over the reporting period, the Department of Finance Canada will work to implement its renewed Human Resources Plan. Through the Plan, the Department will strive to create a workplace that places the highest value on its most important resource—its employees. The objective is to attract and retain the most talented employees in the workforce and provide a challenging and stimulating work environment.

The Plan, updated in 2005–06 through extensive internal consultations and employee feedback, is based on three guiding principles:

- inclusiveness and development of policies that apply to all occupational groups in the Department;
- consistency across all branches, recognizing that different branches have different needs and priorities; and
- a shared responsibility among all employees and managers for making the Department a truly rewarding place to work.

The renewed Plan identifies actions in four priority areas: building a truly bilingual workplace, better supporting the career development of employees, fostering better communication and information and knowledge sharing, and continuing to support work-life balance.

1. Official languages

The objective is to develop a departmental strategy for building a bilingual workplace. Planned actions include the following:

- providing briefing sessions to employees on the Treasury Board Official Languages Policy Framework;
- establishing a departmental advisory committee on official languages;
- developing a departmental official languages policy; and
- developing a corporate action plan for official languages.

2. Employee development

The objective is to further enhance and communicate a corporate strategy for developing employees. Key planned actions include the following:

- establishing an employee development committee;
- developing a departmental continuous learning policy;
- developing, communicating, and implementing a corporate action plan, including competency guides, core curriculum, database of training courses, improved communication of developmental opportunities, follow-up on succession planning, Speakers Series and networking events, mentoring program expansion, and harassment and discrimination awareness.

3. Communication

The objective is to foster a culture of better communication and information and knowledge sharing. Key planned actions include the following:

- establishing branch management advisory groups;
- encouraging regular branch, division, and section meetings;
- encouraging managers to share access to their agendas where possible;
- communicating performance management agreement information;
- improving effectiveness of the Town Hall as a communication vehicle; and
- improving the ease of use of the InfoSite.

4. Work-life balance

The objective is to continue to encourage a supportive work environment in the Department. Key planned actions include the following:

- developing and communicating departmental overtime guiding principles (consistent with collective agreements);
- identifying and sharing best human resources practices;
- encouraging effective sign-off practices; and
- expanding health and well-being initiatives.

As part of its commitment to implementing these actions, the Department has established performance indicators for each of the four priority areas. The indicators are drawn from a number of sources, including administrative data collected regularly by the Human Resources Division and periodic employee surveys. Senior management will report back to employees regularly on progress under each of the four areas.

Modernizing the Staffing Process at the Department of Finance Canada

The Department of Finance Canada has developed an Operational Human Resources Plan to identify its current and future staffing needs. The Plan will establish a basis for the recruitment of new employees and the development and retention of existing employees.

The Operational Plan was prepared in response to recent legislative changes intended to modernize staffing, support collaborative labour relations, clarify managerial roles, strengthen accountability, and provide employees at all levels with access to continuous learning opportunities. In particular, the modernization of the staffing process, as implemented through the new *Public Service Employment Act*, allows for greater flexibility and accountability for staffing decisions by:

- clarifying responsibilities and eliminating inefficiencies in the staffing process while retaining the core values of merit, non-partisanship, excellence, representativeness, and the ability to serve the members of the public with integrity and in their official language of choice;
- implementing a merit-based staffing concept that allows managers to hire qualified and competent individuals more quickly; and
- delegating full responsibility for staffing to the deputy head of each Department.

The Operational Plan will help the Department meet its highly specialized workforce needs (e.g. experience relating to complex areas of law, economics, and finance) in a flexible and responsive manner. The Department will continue to use current recruitment practices for entry-level positions but seek to supplement those practices by recruiting qualified candidates, where required, from the private sector or other government departments or financial institutions.

In implementing the Plan, special consideration will be given to achieving equality in the workplace so that no person is denied employment opportunities or benefits for reasons unrelated to ability and to ensure that there is fair representation at all levels by women, Aboriginal peoples, persons with disabilities, and members of visible minority groups. Special measures will be taken to recruit, train, and promote persons belonging to these groups and to ensure that service is available in both official languages and that employees are free to work in the language of their choice in accordance with the current policies relating to official languages.

Integrated Planning and Resource Allocation Framework

The Department has developed an integrated business planning and resource allocation framework to allow managers to better integrate elements of priority setting, work planning, results measurement, and resource allocation.

The main objective of business planning is to ensure that each branch is properly resourced to undertake the priorities of the Department. The focus is on identifying what the Department needs for its own management purposes. In addition, the completion and approval of business plans will ensure a common understanding of what the Department is striving to accomplish and where it is heading during the three-year planning period.

The first step in the implementation of the framework is the setting of departmental priorities by senior management. These priorities establish the foundation for the business plans of each branch. In preparing the business plans, managers:

- identify the departmental priorities that they support;
- identify the results that they are striving to achieve;
- identify performance measurement information;
- develop plans for achieving their results; and
- indicate their financial and human resource requirements.

In addition to being a key internal planning document, the framework enables the Department to better report on and demonstrate accountability for results and resources to Parliament and Canadians.

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 (<http://www.csb.gc.ca>)
Canadian Federal Budget
Debt Management Report
Debt Management Strategy
Departmental Performance Report
Economic and Fiscal Update
Economy in Brief—Quarterly
Fiscal Monitor—Monthly
Government of Canada Securities—Quarterly
Tax Expenditures and Evaluations
Report on Operations under the *Bretton Woods and Related Agreements Act*
Report on Operations under the *European Bank for Reconstruction and Development Agreement Act*
Report on Plans and Priorities
Sustainable Development Strategy
Tax Expenditures and Evaluations

To obtain a print copy of any of these reports, contact the Distribution Centre:

Distribution Centre
300 Laurier Avenue West
Ottawa ON K1A 0G5
Tel.: 613-995-2855

These reports can also be accessed from the Department of Finance Canada's website:
<http://www.fin.gc.ca>.

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