OFFICE OF
THE PARLIAMENTARY BUDGET OFFICER

BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

CANADA

The Government Expenditure Plan and Main Estimates for 2015-16

Ottawa, Canada
17 March 2015
www.pbo-dpb.gc.ca

The mandate of the Parliamentary Budget Officer (PBO) is to provide independent analysis to Parliament on the state of the nation's finances, the government's estimates and trends in the Canadian economy; and upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

This note presents detailed analysis of the federal government's Expenditure Plan and Main Estimates for 2015-16, which supports the first two appropriation bills that will be considered by Parliament.

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The Bottom Line

- This spending plan is the first in seven years that the Government projects will coincide with a balanced budget.
- The Government Expenditure Plan for 2015-16 outlines $241.6 billion in spending (that is, “budgetary authorities”), as well as a $1.0 billion increase in federal loans, investments and advances (that is, “non-budgetary” authorities).
- “Budgetary” allocations have received most scrutiny from parliamentarians in the past, given the Government’s strategy to reduce spending growth to balance the federal budget. However, their growth has lagged the expansion of government loans, investments and advances. “Non-budgetary” amounts requiring authorization have increased by an average annual rate of 11% since 2000-01, almost 7 percentage points faster than the rate of growth of the overall economy.
- As has been the case for several years, the largest increase in spending is linked to the Government’s single largest program, the Canada Health Transfer (+$1.9 billion, +6.0%).
- Overall, when looking at Government spending through the Treasury Board Secretariat’s “Whole of Government” policy framework, the composition of federal spending is largely unchanged in 2015-16 compared to previous years. “Economic” priorities continue to receive over two-thirds of total spending, followed by “Social” spending at close to 20%, “Government” affairs 10% and “International” policy areas 3%.

1 No Public Money Can Be Spent Without Parliament’s Consent

Each year, Parliament endorses the Government’s fiscal and economic strategy outlined in the Budget. Typically, the Government then needs to obtain Parliament’s approval of the money required to implement its budget.[1] This legal consent is provided in one of two ways:

- **Ongoing statutory authority**, through standing legislation that allows federal departments and agencies to expend funds for specific purposes, when needed. Examples of this are the cost of Old Age Security benefits and Public Debt Interest expenses. The proportion of money that does not require annual approval by Parliament is growing and will reach almost two-thirds of total program expenditures in 2015-16.
- **Time-limited, voted, appropriations**, which Parliament approves each year for the separate operating, capital and transfer payment budgets of departments and agencies. With certain exceptions, the legal authority to spend this money expires at the end of the fiscal year (that is, March 31). In 2015-16, roughly one-third of the Government’s planned budgetary spending will be authorized through this mechanism.[2]

Over the past decade the amount of spending voted on by parliamentarians each year has declined (Figure 1-1).

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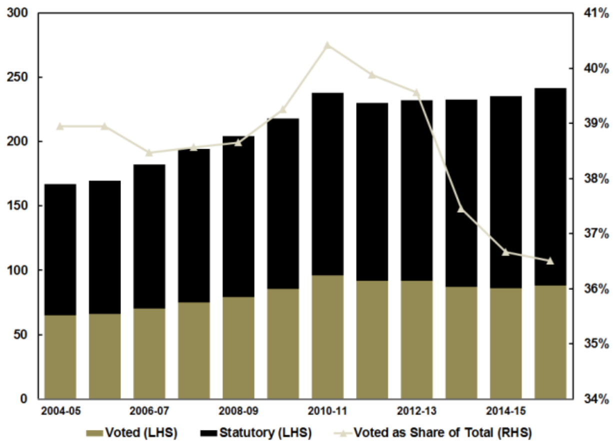
[1] Periodically, the Budget will be delayed and therefore follow the Main Estimates. Hence, Parliament will be asked to approve the Government’s Fiscal and Economic Strategy subsequent to approving the money to implement it.

[2] Any annual “voted” appropriations that remain unspent by the end of the fiscal year will offset the deficit (or augment the surplus) and automatically reduce public debt.

Figure 1-1: Parliamentarians Voting on Less and Less Budgetary Spending Each Year

$ billions



Source: Government of Canada.
Note: Figures in 2014-15 onward are projections presented in the Government of Canada's Estimates documents.

The Government typically presents five separate appropriation bills to Parliament each year to obtain annual spending authority. The first two are the largest and correspond to the Government's Main Estimates, which seek authority for roughly 95% of the total spending in a given year. The other three appropriation bills correspond to the Supplementary Estimates, through which the Government seeks Parliament's approval to spend money on initiatives that were "either not sufficiently developed…at the time of the Main Estimates…or…have been further refined…".[3]

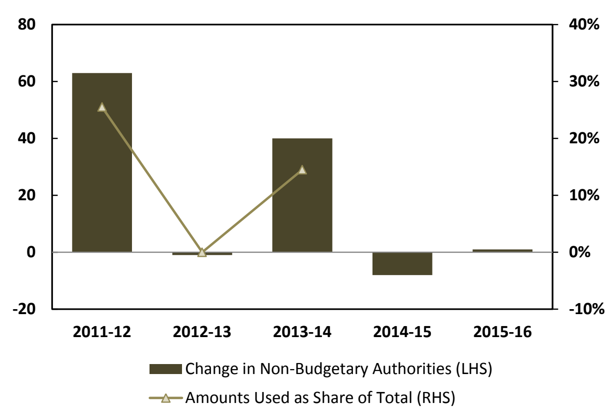
Parliament Also Approves Loans, Investments and Advances

Beyond approving the Government's spending plan, Parliament's approval is also required to increase the amount of loans, investments and advances made by the Government. This is also known as "**non-budgetary**" spending. Parliament typically provides ongoing statutory authority to transfer money to third-parties, including private firms, individuals and Crown Corporations. In the case of the latter, the money may then be recycled over time, as old loans are repaid and new loans issued.

As presented in Figure 1-2, over the past five year the level of loans, investments and advances has ebbed and flowed, from a high of over $63 billion in 2011-12 to an anticipated decrease in net lending of $10 billion in 2014-15.

Figure 1-2: Changes in Non-Budgetary Spending Authorities

$ billions Per cent



Sources: Parliamentary Budget Officer; Government of Canada.
Note: Figures in 2014-15 onward are projections presented in the Government of Canada's Estimates documents.

[3] Since the renewal of the Government's Expenditure Management System in 2007, Parliament has been presented with a Supplementary Estimates for each of the three parliamentary Supply periods ending June 23, December 10, and March 26. Supplementary Estimates (C) corresponds to the third and final Supply period. Supplementary Estimates (C) 2014-15. Accessed March 2015.

Further analysis of the principal factors driving the changes in non-budgetary spending authorities, as well as detailed analysis pertaining to other types of federal programs that do not require program spending are presented in Annex A and Annex B.

2 The Government's Spending Plan for a Balanced Budget

The Government's Expenditure Plan and Main Estimates for 2015-16 outline $241.6 billion in spending (that is, "budgetary authorities"), as well as a $1.0 billion increase in federal loans, investments and advances (that is, "non-budgetary" spending, Figure 2-1). These "budgetary" amounts are slightly higher than the previous year's Main Estimates (+2.6%) and effectively unchanged from the total Estimates-to-date in 2014-15 (that is, total "budgetary" authorities" approved through the Main and Supplementary Estimates).

Figure 2-1: The Government's Expenditure Plan

$ billions

	Budgetary	Non-Budgetary
Voted	$88.18	$0.07
Statutory	$153.39	$0.93
Total	**$241.57**	**$1.00**

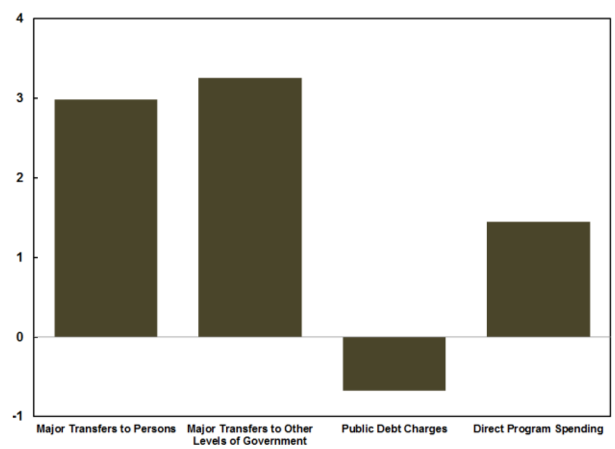
Source: Main Estimates 2015-16.

Overall, accounting for the historical level of adjustments made through the Supplementary Estimates, the composition of proposed spending is generally consistent with the Government's explicit fiscal strategy (Figure 2-2):

- **Major transfers to individuals** and **other levels of government** are forecast to increase, in-line with pre-established escalators.
- **Public debt interest charges** are expected to rise marginally, as the stock of federal debt stabilizes (due to a balanced budget) and the interest rates on federal bonds and treasury bills increase.
- **Direct Program Expenses** are forecast to grow marginally.

Figure 2-2: PBO Forecast of End-of-Year Change in Budgetary Authorities in 2015-16

$ billions

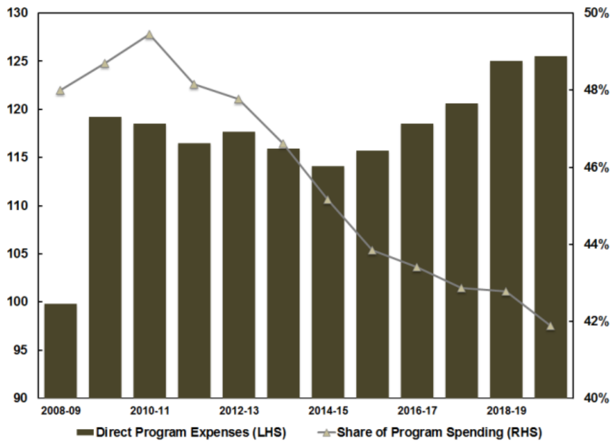


Sources: Parliamentary Budget Officer; Government of Canada.
Note: Figures reflect a three-year historical average of the adjustments made in Supplementary Estimates.

As depicted in Figure 2-3, the anticipated growth in DPE would be the first in six years. The Government also anticipates that the share of total spending on DPE will achieve a historic low of less than 42% by 2019-20.

Figure 2-3: Six Consecutive Years of Falling Direct Program Spending

$ billions

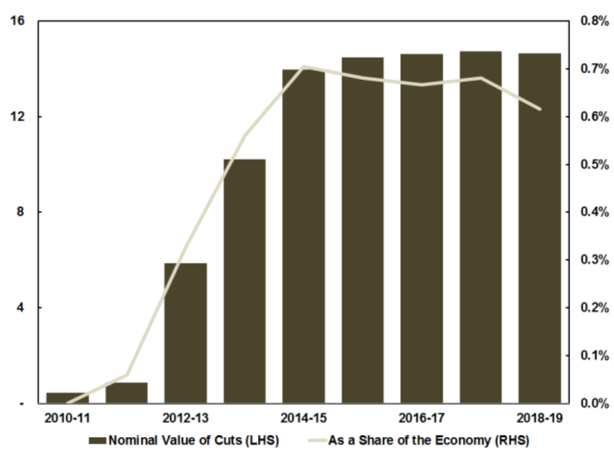


Sources: Fiscal Reference Tables; Economic and Fiscal Update 2014.
Note: Figures from 2014-15 onward are projections.

The rebound in DPE primarily reflects the full implementation of multiple rounds of cuts and restraint since 2010-11, which will reach $14.6 billion in 2015-16 (Figure 2-4).

Figure 2-4: Planned Spending Restraint Fully Implemented in Current Main Estimates

$ billions



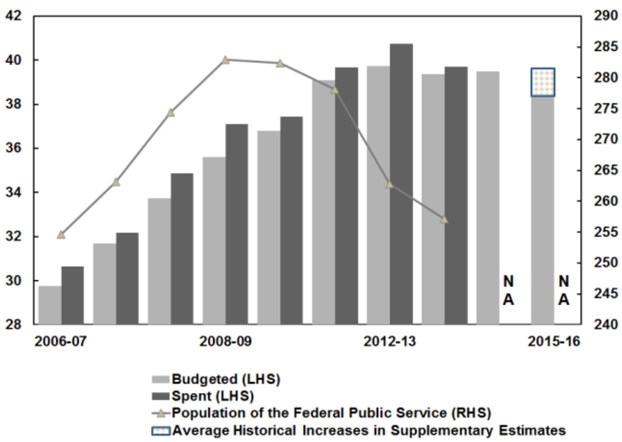
Source: Budget 2014.

Consistent with the lackluster growth in DPE, total personnel spending is expected to be flat for the fifth year in a row (Figure 2-5). Employee compensation represents roughly one-third of DPE and has been depressed by cuts to the number of positions in the Public Service (down almost 26 thousand between March 2010 and March 2014), as well as changes to the employee benefits regime to reduce the generosity of benefits (for example, increasing the contribution level that public servants must make toward their pension benefits).

Over the past six years, the Government has also constrained the growth in this area of spending by implementing an “Operating Budget Freeze”. Historically, departments and agencies were compensated by the Treasury Board Secretariat for any new employee compensation expenses negotiated through collective agreements. This practice was eliminated between 2010-11 to 2012-13, and 2014-15 to 2015-16, as part of the Operating Budget Freeze, meaning that any new benefits (including wage increases and movements along the salary grid) need to be borne by individual organizations. As such, this creates a financial disincentive to hire new staff – the only personnel cost factor directly under the control of departments and agencies – given that collective agreements are negotiated centrally by the Treasury Board Secretariat.

Figure 2-5: Total Authorities for Employee Compensation Flat for Five Years

$ billions 000s of Full-time equivalents



Sources: Parliamentary Budget Officer; Government of Canada.

3 Priorities in "Economic Affairs" to Receive Largest Increase in Proposed Funding[4]

To provide a "policy lens" into the Government's spending plan, the PBO relies on the Treasury Board Secretariat's "Whole of Government Framework", which classifies each of the approximately 400 distinct federal programs into fifteen policy areas (Box 3-1).

Box 3-1: Viewing Government Spending Through a Policy Lens

The Government's Whole of Government framework classifies all federal spending in four thematic areas:

- Economic Affairs
- Social Affairs
- International Affairs
- Government Affairs

Each of the four areas of spending are then linked to 15 "outcome areas", which identify the primary objective of the spending. For instance, "Social Affairs" has four outcome segments: *Healthy Canadians*; *A Safe and Secure Canada*; *A Diverse Society that Promotes Linguistic Duality and Social Inclusion;* and, *A Vibrant Canadian Culture and Heritage*.[5]

Analyzing departments' and agencies' spending by policy category provides greater clarity regarding the Government's priorities and what it expects to achieve.

As has been the case for several years, the Government's "Economic" priorities are set to receive the greatest funding increase in these Main Estimates, compared to those presented last year (+$5.6 billion, 4%, Figure 3-2 on next page).

[4] The following section compares total budgetary authorities outlined in the 2015-16 Main Estimates, compared to the Main Estimates presented to Parliament in 2014-15. As noted in earlier sections, the Government will seek to increase budgetary authorities throughout the year via the Supplementary Estimates. While these increases are primarily concentrated in Direct Program Spending, they are generally balanced across the thematic policy areas. Where this has not historically been the case, the PBO highlights any material variations that have occurred outside of the Main Estimates (that is, the first two appropriation bills).

[5] Treasury Board Secretariat's Whole of Government Framework. Accessed March 2015.

Figure 3-2: Largest Share of New Funding for the Government's Economic Priorities

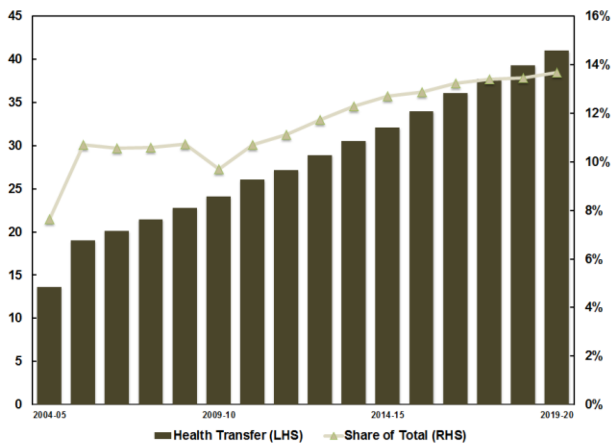
Thematic Spending Area		Planned Spending in Main Estimates 2015-16	% Share of Main Estimates 2015-16		Planned Spending in Main Estimates 2014-15	% Change
Economic Affairs	**$**	**164,768**	**68%**	**$**	**159,080**	**4%**
Strong Economic Growth	$	104,692	**43%**	$	101,793	**3%**
Income Security and Employment for Canadians	$	51,291	**21%**	$	48,712	**5%**
An Innovative and Knowledge-based Economy	$	6,084	**3%**	$	5,828	**4%**
A Clean and Healthy Environment	$	2,154	**1%**	$	2,224	**-3%**
A Fair and Secure Marketplace	$	547	**0%**	$	522	**5%**
Social Affairs	**$**	**47,245**	**20%**	**$**	**46,630**	**1%**
A Diverse Society that Promotes Linguistic Duality and Social Inclusio	$	10,970	**5%**	$	11,101	**-1%**
A Safe and Secure Canada	$	27,816	**12%**	$	27,125	**3%**
Healthy Canadians	$	6,596	**3%**	$	6,546	**1%**
A Vibrant Canadian Culture and Heritage	$	1,864	**1%**	$	1,858	**0%**
International Affairs	**$**	**6,901**	**3%**	**$**	**6,739**	**2%**
Global Poverty Reduction Through International Sustainable Developn	$	3,425	**1%**	$	3,209	**7%**
A Safe and Secure World Through International Engagement	$	3,201	**1%**	$	3,287	**-3%**
A Prosperous Canada Through Global Commerce	$	276	**0%**	$	242	**14%**
Government Affairs	**$**	**22,674**	**9%**	**$**	**22,885**	**-1%**
Well-Managed and Efficient Government Operations	$	20,485	**8%**	$	20,882	**-2%**
A Transparent, Accountable and Responsive Federal Government	$	1,077	**0%**	$	1,219	**-12%**
Strong and Independent Democratic Institutions	$	1,112	**0%**	$	784	**42%**

Note: Spending classifications exclude the Employment Insurance Account, which the Government excludes from the "Whole of Government Framework". Finance Canada's *Transfer and Taxation Payment* program is assumed to be classified under **Economic Affairs**: Strong Economic Growth. Total amounts and total percentage changes do not reflect transfers from Treasury Board Central Votes or inter-year transfers made to the budgetary authorities for the three federal organizations with multi-year appropriations, as this data is not disclosed by the Government on a program activity basis.

As presented in Figure 3-3, roughly one-third of this increase relates to the Government's single largest expenditure, the Canada Health Transfer (CHT, +$1.9 billion, 6%).[6] Total CHT spending is projected to reach $34.0 billion in 2015-16 and represent 12.9% of total federal program spending.

Figure 3-3: The Canada Health Transfer is the Largest Single Source of Spending Growth

$ billions Per cent



Sources: Parliamentary Budget Officer, Government of Canada.

The only component of "Economic" spending projected to decrease is the "Clean and Healthy Environment" outcome (-3%, -$70 million). This is principally attributable to Natural Resources Canada's (NRCan's) *Energy-Efficient Practices and Lower-Carbon Energy Sources* program (-45%,-$209 million).

According to NRCan's 2014-15 Report on Plans and Priorities, this program seeks to reduce barriers to implementing cleaner and more efficient energy technologies.[7] To this end, the Government announced a $1.5 billion federal biofuels strategy in 2007 to:

- "reduce the greenhouse gas (GHG) emissions resulting from fuel use;
- encourage greater production of biofuels;
- accelerate the commercialization of new biofuel technologies; and,
- provide new market opportunities for agricultural producers and rural communities."[8]

As presented in Figure 3-4, planned program spending in 2015-16 ($254 million) represents the lowest amount since the program's inception in 2012-13 ($342 million). Expenditures are further expected to decrease in 2016-17 to $189 million. Notwithstanding this, the Organisation for Economic Co-operation and Development (OECD) projects that biofuel production in Canada will continue to rise over the medium-term as a result of the Government's Renewable Fuels Regulations, which established a 5% renewable energy requirement for all gasoline.[9]

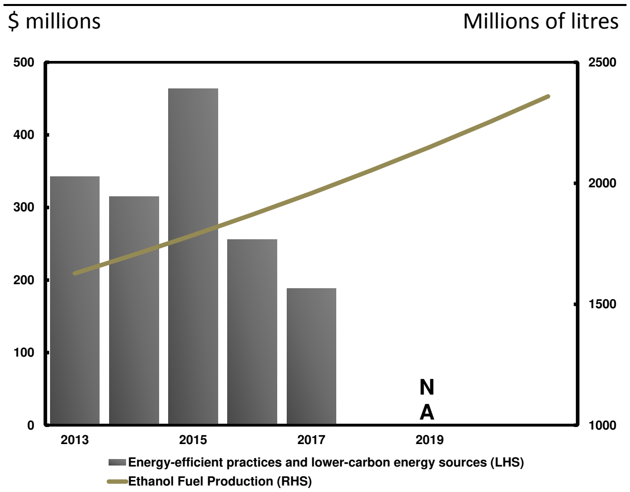
[6] As noted on the Finance Canada website, "total CHT cash levels are set in legislation to grow at 6 per cent until 2016-17. Starting in 2017-18, total CHT cash will grow in line with a three-year moving average of nominal Gross Domestic Product, with funding guaranteed to increase by at least 3 per cent per year." Accessed March 2015.

[7] 2014-15 Natural Resources Canada Report on Plans and Priorities. Accessed March 2015.

[8] Natural Resources Canada's Ecoenergy for Biofuels Program. Accessed March 2015.

[9] Renewable Fuels Regulations. Accessed March 2015.

Figure 3-4: Less Federal Support for Low-Carbon Energy Sources, But Rising Ethanol Fuel Production



Sources: Public Accounts of Canada; Organisation of Economic Development and Cooperation; Food and Agricultural Organization.

Note: Spending data is presented on a fiscal year basis; while ethanol fueld production data is presented on a calendar year basis.

"Social Affairs" Spending Stable

Spending on the Government's "Social Affairs" is forecast to rise modestly to $47.3 billion (+1%, +$616 million). While most of the social policy outcome areas will remain stable or marginally increase, the "Diverse Society that Promotes Linguistic Duality and Social Inclusion" outcome is anticipated to marginally decrease (-1%, -$131 million).

The decrease is primarily attributable to the resolution of the Residential Schools Settlement Agreement (-34%, $226 million), which is administered by Aboriginal Affairs and Northern Development Canada (AANDC).

The implementation of the Indian Residential Schools Settlement Agreement (Settlement Agreement) began in 2007. It is comprised of several measures to address the legacy of the Indian residential school system, including:

- Common Experience Payments, provided to all eligible former students who resided at a recognized Indian residential school; and,
- an Independent Assessment Process, for the resolution of claims of sexual abuse, serious physical abuse and other wrongful acts suffered at Indian residential schools.

Over the past eight years, approximately $4.2 billion has been provided to survivors of the residential school program as part of the Common Experience Payments and Independent Assessment Process (roughly 79,000 and 29,000, respectively, Figure 3-5).[10]

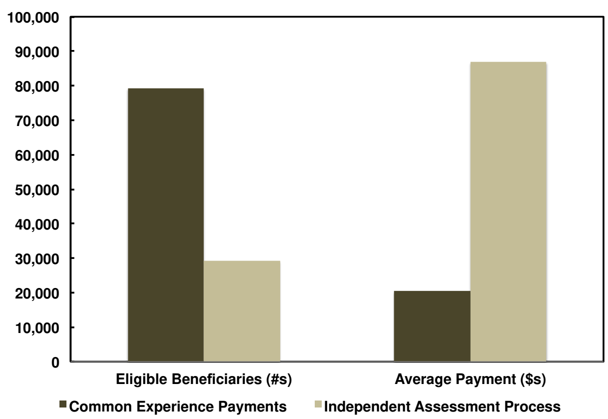
Shifting Composition of "International Affairs" Spending

"International Affairs" spending is estimated to rise slightly in 2015-16 compared to the previous year's Main Estimates (+2%, +$162 million). The overall temperate growth overshadows substantial shifts in the underlying three outcome components. These changes, in part, mirror a restructuring of the Department of Foreign Affairs, Trade and Development's program structure, particularly with respect to international aid.[11]

[10] Statistics on the Implementation of the Indian Residential Schools Settlement Agreement. Accessed March 2015.

[11] It is also important to note that over the past three years, a higher than average share of funding for the "International Affairs" theme is provided through the Supplementary Estimates process (up to 10% of total spending, compared to the overall average of 3%). As such, it is challenging to make meaningful inferences regarding how much funding the Government will actually budget (or spend) for this outcome area base on the figures presented in the Main Estimates.

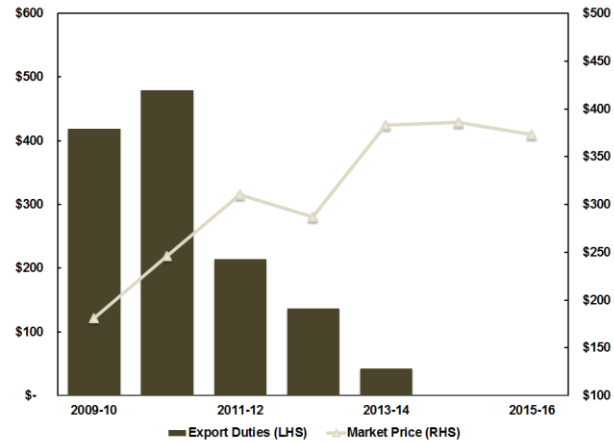
Figure 3-5: Cumulative Payments to Eligible Recipients of the Residential Schools Settlement Agreement



Sources: Parliamentary Budget Officer, Government of Canada.

Figure 3-6: Bouyant US Housing Sector Eliminates Need for Softwood Lumber Duties

$ millions $USD per Thousand Board Feet



Sources: Public Accounts of Canada; Canada Revenue Agency.
Note: Market price data collected on a calendar year basis. Figures for 2014-15 represent first two months of 2015 calendar year.

Decreasing Spending on "Government Affairs"

Spending on "Government Affairs" is forecast to decrease 1% (-$210 million). Most of this decline is attributable to the *Transparent, Accountable and Responsive Federal Government* outcome (-12%, -$142 million), and in particular the Canada Revenue Agency's (CRA) Taxpayer Benefits program.

The Taxpayer Benefits program is responsible for the collection and disbursement of softwood lumber export duties on behalf of the Government. The agreement established in 2006 requires provinces to pay export duties when softwood lumber prices fall below $355 per thousand board feet. The United States has contended duties are necessary to rectify Canada's softwood lumber "advantage".

The tightening supply of Canadian lumber coupled with an improved US housing sector helped push softwood lumber prices to $USD 386 per thousand board feet in 2014 (Figure 3-6).

As a result, the Government revised downward their original estimate of softwood lumber duties presented in the 2014-15 Main Estimates from $80 million to zero. Continued strength in the US housing sector means that the Government anticipates market prices to remain above the threshold limit and therefore Canadian exports will not be subject to duty in 2015-16.

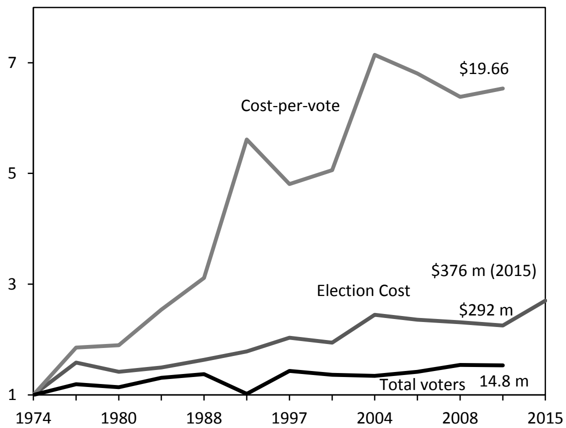
The decrease in collection of softwood Lumber Duties is more than offset by a substantial increase in the *Strong and Independent Democratic Institutions* (+42%, $328 million).

The bulk of the spending increase is related to the Chief Electoral Officer's preparations for the 2015 general election. *Electoral Operations* expenditures have risen nearly nine-fold, to $277 million in 2015-16 (Figure 3-7).

Elections Canada estimates that the 2015 general election will cost approximately $376 million dollars.

Figure 3-7: Election Costs Growing Faster than Voter Turnout

Growth index = 1 in 1974



Sources: Public Accounts of Canada; Elections Canada.
Note: Election cost and cost-per-vote figures are depicted in nominal dollars.
*The initial version of this report incorrectly stated that figures were presented in inflation-adjusted, rather than nominal amounts. The authors regret the error.

Accounting for inflation, this represents a 51 per cent increase since 1993 ($248 million) and a 20 per cent increase ($313 million) compared to 2011.[12] This year's increase is primarily attributed to the addition of 30 new electoral ridings and boundary changes for the majority of ridings. The growing cost of administering elections is also reflected in a higher cost-per-vote. Accounting for inflation, the cost-per-vote has grown from $14.38 per vote in 1974 to $21.14 per vote in 2011.[13]*

Notwithstanding the increasing in spending on each election, over the past 25 years Canadians have headed to the voting booth in declining numbers. Overall voter participation has been declining over the past two decades – from a peak of 72% in 1993 to a low of 58% in 2008, before rising modestly to 61% in 2011.

[12] In 2015 constant dollars.

[13] In 2015 constant dollars.

*The initial version of this report incorrectly reported the cost-per-vote in nominal amounts, as $3.01 and $19.66 respectively. The authors regret the error.

Annex A
Non-Budgetary Authorities

The Evolution of Non-Budgetary Authorities Over the Past Decade

"Budgetary" authorities have generally received the most scrutiny by parliamentarians as they are directly linked to the calculation of the surplus (or deficit) in a given year. However, their growth has lagged the expansion of authorities for government loans, investments and advances (that is, "non-budgetary" authorities).

Gross non-budgetary amounts requiring authorization have increased by an average annual rate of 11% since 2000-01, almost 7 percentage points faster than the rate of growth of the overall economy. In addition, gross non-budgetary authorities to be approved by Parliament have recently exceeded budgetary amounts.[14]

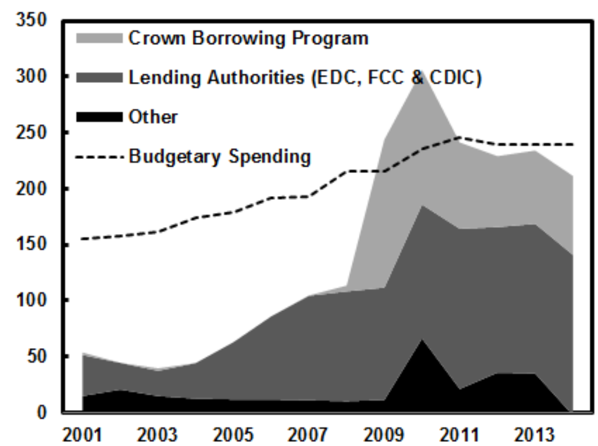
Recent growth in non-budgetary approvals results from two primary factors: (i) the start of the Crown Borrowing Program and (ii) lending authorities associated with increasing retained profits for federal Crown Corporations (Figure A-1).

The Crown Borrowing Program (CBP) accounts for about one-third of non-budgetary authorities 2013-14.[15]

The CBP was introduced in 2007 to centralize the borrowing of three federal Crown corporations.[16,17] Parliament is required to authorize the gross loans issued through the CBP as non-budgetary authorities.[18] These authorities do not affect the government's deficit or surplus position because they are designated as liabilities with an offsetting asset recorded on the issuing Crown corporation's financial statements.

Figure A-1: Cumulative Parliamentary Authorities for Loans, Investments and Advances

$ billions



Sources: Parliamentary Budget Officer; Government of Canada.

Lending authorities to three Crown corporations account for the remaining two-thirds of the $211 billion in non-budgetary authorities in 2013-14.[19] These amounts reflect amounts each corporation is authorized (but not required) to borrow from the government, as set out in each corporation's respective legislation. These authorities are rarely used in practice.

Lending authorities are determined in accordance with the formulas specified in Crown Corporations' respective legislation. The amounts are estimated

[14] Growth figures for non-budgetary amounts are unaffected by one-time surges in non-budgetary amounts associated with temporary programs following the 2009 recession.

[15] Unlike most other non-budgetary authorities, CBP authorities are fully used. Thus, the CBP accounts for almost all non-budgetary authorities used since 2008-09

[16] Farm Credit Canada (FCC), the Canada Mortgage and Housing Corporation (CMHC), and the Business Development Bank of Canada (BDC).

[17] The benefits of centralized borrowing are twofold: financial Crown corporations, which previously issued raised debt independently in the capital markets, can reduce borrowing costs by benefiting from the federal government credit rating and lower effective debt interest charges. Secondly, debt markets benefit from increased depth and liquidity for Government of Canada short- and long-term debt securities. See Finance Canada's *Evaluation of the Crown Borrowing Program* for a more in-depth discussion.

[18] Gross loans generally exceed net lending. To illustrate, a $1 million, 30-day debt security that is renewed monthly, will count as roughly $12 million in gross loans ($1 million x 12 months), but only $1 million in net lending.

[19] Export Development Canada ($101 billion), Farm Credit Canada ($27 billion) and the Canadian Deposit Insurance Corporation ($15 billion).

as a multiple of shareholder equity from the prior financial year.[20,21,22]

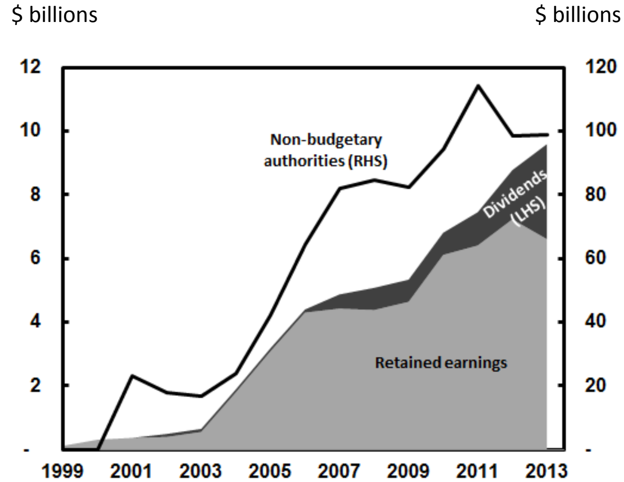
Shareholder equity has grown because both EDC and FCC have been highly profitable since 2000-01: net income has grown at an average annual rate of 15% and 25% respectively.

Profits have largely remained on the corporations' balance sheets rather than reconsolidated to central revenues. EDC has remitted about 31% of cumulative net profit back to the Consolidated Revenue Fund as a dividend since 2000-01 (Figure A-2). The FCC has remitted about 6%, retaining 94% (Figure A-3).

Retained profits thus increase the annual non-budgetary amounts authorized by Parliament, as set out in legislation.

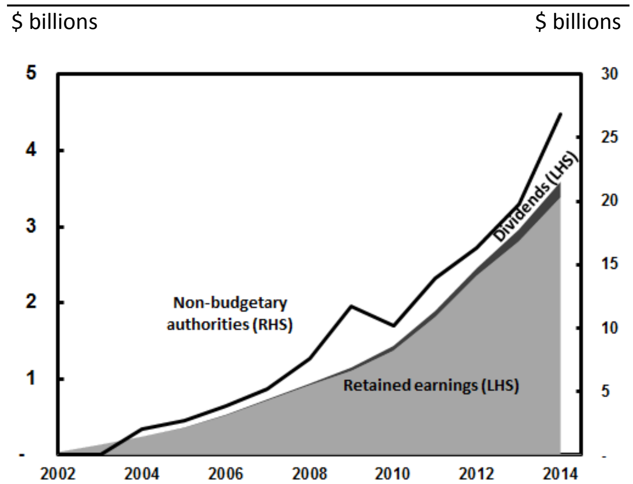
The non-budgetary authorities for Export Development Canada (EDC) and Farm Credit Canada (FCC) account for much of the growth not associated with the CBP, growing from $31 billion in 2000-01 to $128 billion in 2013-14. Put differently, these amounts have increased at an average annual rate of 12 per cent (EDC) and 10 per cent (FCC) since 2000-01.

Figure A-2: Export Development Canada: Non-Budgetary Authorities



Sources: Parliamentary Budget Officer; Farm Credit Canada.
Note: Retained earnings and dividends presented as cumulative ince 2001-02.

Figure A-3: Farm Credit Canada: Non-Budgetary Authorities



Sources: Parliamentary Budget Officer; Farm Credit Canada.
Note: Retained earnings and dividends presented as cumulative ince 2001-02.

[20] Shareholder equity is calculated as paid in capital plus retained profit.

[21] Export Development Act, s. 14.

[22] Farm Credit Canada Act, s. 12.

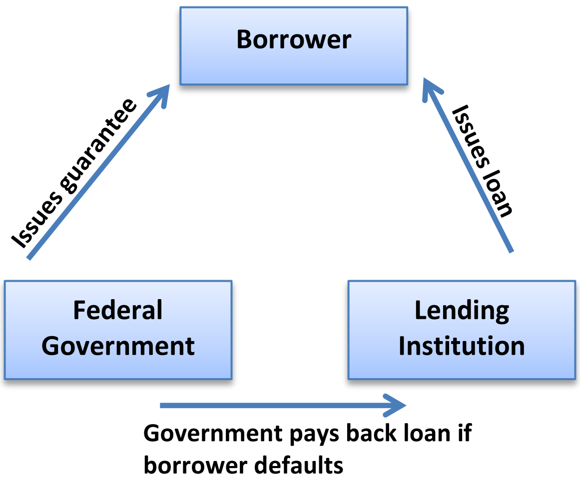
Annex B
Federal Loan Guarantees

Prepared by: Negash Haile

What Are Loan Guarantees?

The Government of Canada, as authorized by Parliament, can guarantee the repayment of private loans made to individuals, firms and Crown Corporations. As noted by the International Monetary Fund (IMF), federal loan guarantees offer distinct benefits to each participant in the transaction (Figure B-1).

Figure B-1: Federal loan guarantee transaction process



Source: Parliamentary Budget Officer.

Borrowers benefit in securing preferential terms and conditions, generally through lower interest rates and longer repayment periods, which reduce their cost of borrowing. Guarantees facilitate lending to borrowers lacking a proven track record or security, which would otherwise expose lenders to greater risk.

Lenders prefer guarantees for two main reasons: repayment is assured given the federal government's sovereign guarantee; and, banks are able to expand their lending base to those who, under normal conditions, would not qualify as creditworthy.

Such guarantees are therefore attractive as they reduce the lending institution's risk exposure. By assuring repayment, government guarantees reduce banks' capital reserve obligations.[23]

From the **Government's** perspective, as guarantees do not require the immediate outlay of funding, they are not subject to the same legislative scrutiny given to other budgetary activities. Moreover, they can also facilitate regional development and economic support to specific industries that lack credit access. As a policy tool, guarantees allow the Government to assist in the financing of domestic and international commercial development programs.[24]

As guarantees may or may not materialize, a risk-adjusted potential loss is recognized on the Government's balance sheet as a contingent liability.[25] If a borrower default arises, the outstanding amount is added to total government liabilities and taxpayer resources are used to cover the debt.[26]

The IMF has concluded that as a non-conventional funding instrument, guarantees are conducted with less scrutiny than traditional budgetary support such as direct loans or tax subsidies.[27] In bypassing conventional budgetary scrutiny to provide "stealth" support to beneficiaries, there are also concerns of "*hidden deficits*" that may render a country's fiscal outlook vulnerable.[28]

[23] Capital Adequacy Requirements http://www.osfi-bsif.gc.ca/eng/docs/car_chpt6.pdf. Accessed February 2015.

[24] For more information on government directives on loans see: https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=17062&section=text. Accessed December 2014.

[25] An explicit contingent liability is legal obligation that must be paid if materialized while an implicit contingent liability is a non-legal obligation based on moral guidelines and/or public pressure.

[26] The *Financial Administration Act* authorizes the Minister of Finance to guarantee any loans deemed necessary to maintain financial stability. http://laws-lois.justice.gc.ca/PDF/F-11.pdf Section 60.2 Accessed February 2015

[27] Government Guarantees and Fiscal Risk https://www.imf.org/external/np/pp/eng/2005/040105c.pdf Accessed March 2015.

[28] Contingent Liabilities: Issues and Practice http://www.imf.org/external/pubs/ft/wp/2008/wp08245.pdf. Accessed December 2014.

How Big are Federal Guarantees?

The Public Accounts of Canada identifies four separate categories of guarantees (Table B-2).

Table B-2: 2013-14 Federal Loan Guarantees

$ billions

Crown Corporations	246.7
Government Managed Insurance Programs	155.9
Guaranteed Loans	4.5
Explicit Guarantees	0.3
Total	407.4

Source: Public Accounts of Canada

Borrowings by Agent and Non-Agent Crown Corporations are guaranteed by the Government. Crown Corporations borrowings make up the majority of government guarantees ($246.3 billion, Table B-3).

The *Financial Administration Act* authorizes Agent Crown Corporations to borrow from private lenders on behalf of the Government. In the case of Crown Corporations defaulting, total borrowed amounts and associated interest payments become obligations of the Government and are required to be paid out of the Consolidated Revenue Fund.[29] Non-agent Crown Corporations are permitted to seek guaranteed loans with explicit parliamentary authority. Agent Crown Corporations are able to borrow larger amounts on debt markets on better terms than Non-Agent due to the unconditional guarantee of the Government.[30]

Guarantees are provided to a number of government operated insurance programs through **Government Managed Insurance Programs** ($155.9 billion). These programs, funded by premiums, are intended to be self-sustaining. However, in the event they lack adequate capital, the Government is obligated to cover the cost of current and future claims.

A smaller component of the Government's loan guarantee portfolio is secured loans given to individuals and firms in the private sector through its Guaranteed Loans programs. Many of the loans have a national scope and direct impact on the Canadian economy. The Advance Payments Program, for instance, provides private sector credit advances to Canadian farmers for their agricultural products.[31]

Table B-3: Borrowings by Agent and Non-Agent Crown Corporations

$ billions

Year	Crown Borrowings	Total Guarantees
2003	53	56
2004	49	54
2005	49	53
2006	124	129
2007	145	151
2008	175	181
2009	203	210
2010	213	221
2011	230	236
2012	245	250
2013	246	392
2014	247	407

Source: Public Accounts of Canada

[29] Financial Administration Act, Section 54 http://laws-lois.justice.gc.ca/PDF/F-11.pdf. Accessed December 2014.

[30] Agent Crown Corporations as entities that possess constitutional immunities, special privileges and bonds the Crown by its actions. Moreover, its assets and liabilities are owned by the Government: that is Canada Mortgage and Housing Corporation (CMHC). While Non-Agent Crown Corporations are outside of government liability unless explicitly directed to work under the Crown: that is Canadian Wheat Board. See: http://www.tbs-sct.gc.ca/gov-gouv/agent-mandataire/agent-mandataire-eng.asp

[31] Advance Payments Program http://www.agr.gc.ca/eng/?id=1290176119212. December 2014.

Finally, the Government provides **Explicit Guarantees** through a number of smaller programs ($0.3 billion). Some assurances are conducted using letters of credit that obligate the Government to repay defaulted loans. In other cases, price guarantees are provided to agricultural marketers to compensate for price drops.[32]

Trends over the Past Decade

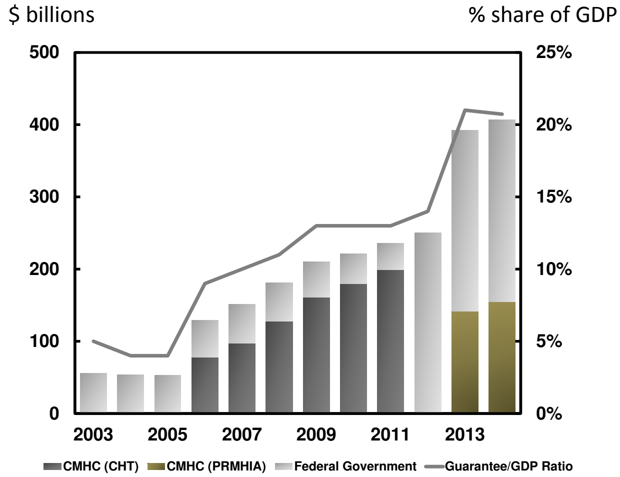
Over the past decade, the Government's use of loan guarantees has more than quadrupled to $407 billion. From 2003 to 2010, guarantees increased nearly four-fold from $56 to $210 billion (Figure 1-2). The upward trend continued in 2014 when guarantee levels reached just over $400 billion, a 600 per cent rise from 2003. Guarantees have grown annually 27 per cent on average, with occasional growth surges followed by lower but constant increases.[33]

The years 2006 and 2013 are particularly noteworthy, as guarantees grew 143 per cent and 57 per cent respectively. The 2006 increase is largely attributed to the disclosure of *Canada Housing Trust* (CHT) guarantees within the Public Accounts. Prior to 2006, CHT guarantees were not disclosed. The 2013 increase was mainly attributed to *Protection of Residential Mortgage or Hypothecary Insurance Act* (PRMHIA). In 2012-13, Mortgage or Hypothecary Protection alone made up $142 billion of government managed insurance programs $143 billion total.

Controlling for accounting changes in 2006 and 2013, average growth remains significant at 13 per cent per annum.

Comparisons against nominal gross domestic product (GDP), a key economic indicator (Figure B-4), over the same period highlights the significant escalation of the federal government's exposure to guarantees.

Figure B-4: Rising levels of guarantees



Sources: Public Accounts of Canada; Office of the Parliamentary Budget Officer

Over the past decade guarantees grew much faster than GDP. As nominal GDP grew 4.3 per cent, guarantees rose 24.5 per cent (Table B-5). Exposure has increased even in times when the economy has struggled. In 2009 Canadian nominal GDP contracted 5 per cent; in contrast net exposure grew 16 per cent.

Exposure growth has overtaken program expense spending growth. Historically, the Government's total program expenses have increased on a year-over-year basis to account for raising program costs, fiscal transfers to provinces and other priorities. Direct Program Expenses (DPE), adjusted for the stimulus, have risen on average 5 per cent over the past decade. During certain periods, such as 2011-13, total program spending growth has been either negative (2011) or negligible (2013). Nonetheless, debt exposure has outpaced program spending by 20 per cent on average.

Table B-5: Guarantee Growth Outpacing Key Indicators

Per cent

	2011	2012	2013	10 year avg.
Guarantees	6.8	5.9	56.8	24.5
GDP	5.8	3.4	3.4	4.3
DPE	-2.0	0.4	0.9	5.5

Sources: Public Accounts of Canada; Haver Analytics; Fiscal Reference Table; World Bank

[32] Price Pooling Program http://www.agr.gc.ca/eng/?id=1289934791790

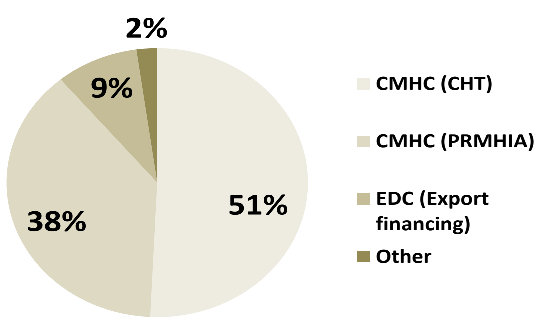
[33] A detailed comparison of 2003 and 2014 guarantee amounts is provided in Figure 1-B in Annex B.

Key Growth Drivers

Over the past decade the growth of guarantees has been driven by two Crown Corporations the Canada Mortgage and Housing Corporation and the Export Development Canada (Figure B-6).

Figure B-6

Three programs account for virtually all guarantees



Source: Public Accounts of Canada

Total guarantees to CMHC have risen from $11 billion (2003) to $206 billion (2014).[34] The consolidation of CHT in the Public Accounts was the main reason for the steep, one-time increase. From 2006 to 2011, when CHT was first disclosed independently, its guarantees rose from $77.8 to $199.0 billion (Table B-7).

Figure B-7: Rising CMHC guarantees after CHT fusion

$ billions

	2003	2006	2011	2012*	2014
CHT	N/A	77.8	199.0	N/A	N/A
CMHC	11.1	8.9	3.0	215.5	206.0

Sources: Public Accounts of Canada
*Annual CHT and CMHC figures were merged and disclosed together in the Public Accounts of Canada. From 2012 onwards CHT is no longer disclosed independently.

The introduction of the *Protection of Residential Mortgage or Hypothecary Insurance Act* (PRMHIA) increased overall guarantees by over $142 billion in 2013. PRMHIA's introduction replaced an earlier agreement between the federal government and private mortgage insurers Genworth Financial Mortgage and Canada Guaranty Mortgage Insurance Company. PRMHIA increased private insured mortgage amounts and eliminated a premium-based reserve fund.[35]

Export Development Canada (EDC) guarantees have increased from $20 billion (2003) to $36 billion (2014), an 80 per cent increase. Operating as a trade facilitator, EDC principally links Canadian manufacturers with foreign customers. As a Crown Corporation, EDC benefits from its low-borrowing rate to provide financing options, risk management

[34] In 2013, the volumes of guarantees provided to CMHC were noted in an IMF assessment of Canada. The report stated that although Canada's housing market was healthy, given an economic downturn CMHC exposes the Government to financial system risks. See http://www.imf.org/external/np/ms/2013/112613.htm. Accessed December 2014.

The Government has taken measures to reduce its role in the housing market, in the absence of privatizing CMHC, by eliminating coverage in certain areas and apply risk fees to the Receiver General. See Budget 2014.

[35] See http://laws-lois.justice.gc.ca/eng/acts/p-25.7/page-1.html. Accessed December 2014.

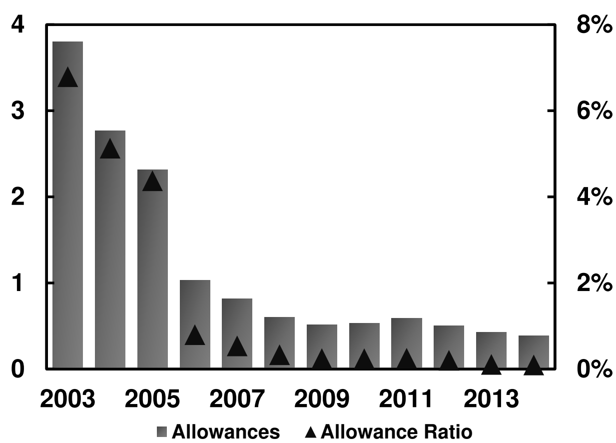
and insurance to both exporters and their overseas clients.[36]

Allowances for Guarantee Losses Declining

As exposure to guarantees has grown over the past ten years, the Government has steadily reduced allowances (Figure B-8). Allowances reflect the likelihood total guarantees will materialize, thus acting as a reserve fund.

Figure B-8: Shrinking federal allowances

$ billions



Sources: Public Accounts; Haver Analytics

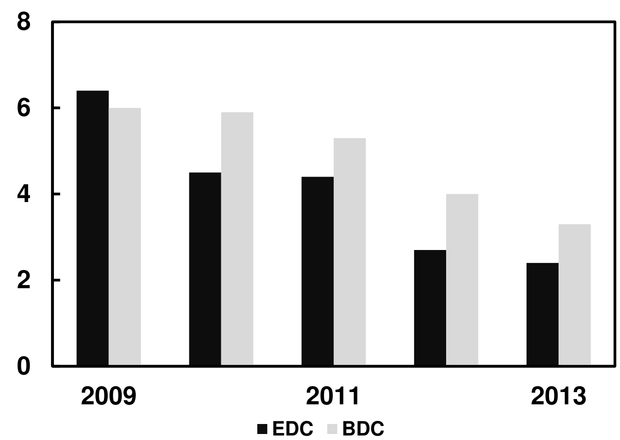
At least once each fiscal year the Government evaluates outstanding guarantees and adjusts its allowances accordingly. At their peak, allowances accounted for nearly 7.0 per cent of net exposures in 2003. After uninterrupted declines, existing allowances totalled approximately 0.1 per cent in 2014.

In shrinking allowances by $3.4 billion over the past decade, the Government has reduced its liabilities and improved its overall fiscal position while at the same time increasing its exposure to possible defaults by $350 billion. The Public Accounts of Canada do not provide explanatory information of allowance levels, thus it remains unclear if the level of fiscal risk has decreased proportionally with allowances.[37]

A possible explanation for the declining level of allowances may be found in Crown Corporations such as BDC and EDC, which exhibit similar trends of decreasing allowances (Figure B-9). As noted in the Crown corporations' annual reports, regular updating of EDC's credit risk rating methodologies since 2011 as well as improving financial conditions of BDC's clients has ultimately resulted in a less capital being set aside for exposure losses.

Figure B-9: Declining allowances of BDC & EDC

Per cent



Sources: Business Development Canada; Export Development Canada

How Does Canada Compare to Other Jurisdictions?

Provincial Governments

The four largest provincial governments; Alberta, British Columbia, Ontario and Quebec, reported loan guarantees totalling $13 billion in 2013-14. Quebec is responsible for 94% of total provincial guarantees. The province typically uses its guarantees for the borrowings of Hydro-Québec, the Quebec government's public utility company.

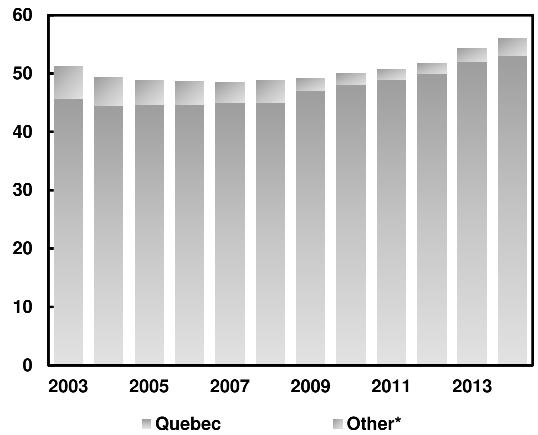
The aggregate level of provincial guarantees has remained stable over the past decade in contrast to the federal government's upward trend (Figure B-10).

[36] See
EDC Annual Report (2013)
http://www19.edc.ca/publications/2014/2013ar/en/1.shtml.
Accessed December 2014.

[37] Improved capitalization of loan guarantee recipients may explain, in part, declining allowances. Yet, a review of CMHC's leverage over the past decade shows capitalization has remained relatively unchanged.

Figure B-10: Quebec guarantees superior to other provinces

$ billions



Sources: Public Accounts of Ontario; Public Accounts of the Government of Quebec; Alberta Treasury Board and Finance; British Columbia Public Accounts

Overall, adding the data from the four largest provincial governments does not materially change the overall trends associated with federal loan guarantees.

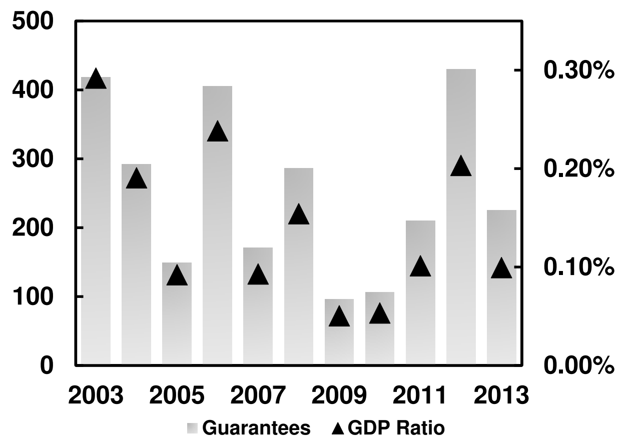
International Jurisdictions

Assessing Canadian use of loan guarantees against that of other Westminster jurisdictions is instructive in determining what is "common" practice.

Over the past decade, New Zealand's use of guarantees ranged between $100 million and $400 million NZD (Figure B-11). The years 2006, 2008 and 2011 saw modest rises, in most cases followed by a decline in the subsequent year. Overall, the propensity to use loan guarantees is notably smaller as a share of the overall economy, reaching a high of 0.3% of GDP in 2012.

Figure B-11: New Zealand's cyclical use of guarantees

$ millions % of GDP

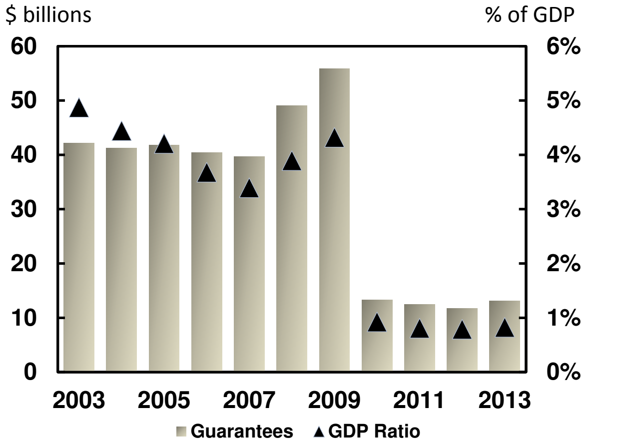


Sources: New Zealand Treasury; OECD
Note: Figures expressed in local currency

In the case of Australia, guarantees peaked to $56 billion AUD (2009) over the past decade, before falling to $13 billion (Figure B-12).[38] Similar to New Zealand, Australian government loan guarantees reached a high of approximately 4.9% of GDP in 2003, before subsequently declining to 0.82% of GDP.

[38] Note: Australian guarantees include National and State issued guarantees.

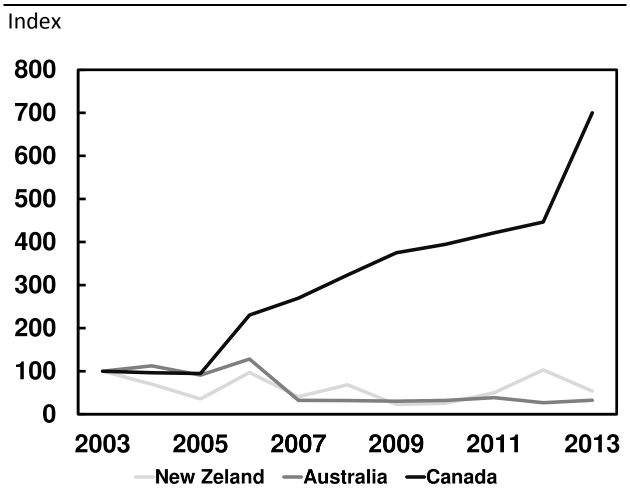
Figure B-12: Guarantee use is declining in Australia



Sources: Australian Department of Finance; OECD; Queensland Treasury; New South Wales Treasury
Note: Figures expressed in local currency

Beyond the much greater size of Canadian loan guarantees as a share of the economy, the secular growth of Canadian guarantees contrasts sharply with the more volatile fluctuations in Australia and New Zealand (Figure B-13).

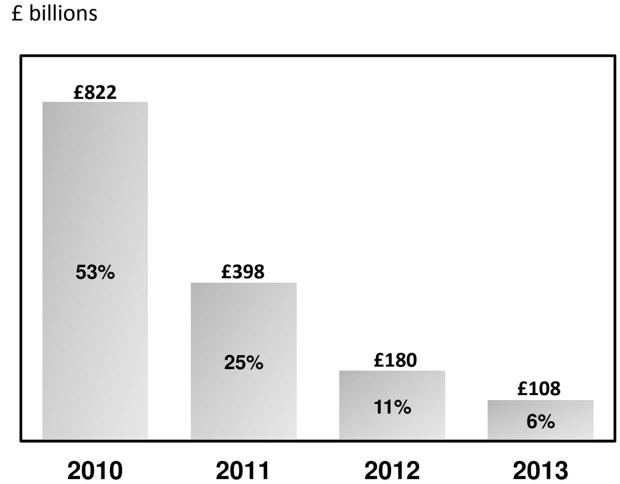
Figure B-13: Canada, Australia & New Zealand guarantee use



Sources: Australian Department of Finance; New Zealand Treasury; Public Accounts of Canada.

The United Kingdom has reduced its exposure to guarantees since the global financial crisis where levels reached more than £822 billion, more than half of national GDP (Figure B-14). Much of the decline was attributed to the elimination of intervention programs put in place during the recent financial crisis that is the Credit Guarantee Scheme. The UK government's reduction in financial guarantees led to a 6 per cent guarantee to GDP ratio in 2013, a significant drop of 47 per cent from 2010.[39]

Figure B-14: Declining UK exposure as a share of GDP



Sources: HM Treasury; Bloomberg; ONS.

Aligning Canada's Disclosure Methods with International Standards

It is evident from the international comparison that the Government of Canada uses loan guarantees in a different manner and more pervasively than other countries. The underlying factors motivating these differences are hard to discern. When disclosing guarantees, Public Sector Accounting Standards require the Government to include: authorized limits, principal outstanding amounts, loss provisions and general terms and conditions.[40] These guidelines are generally adhered to by other OECD members and complement International Public Sector Accounting Standards (IPSAS) (Figure B-15). None of the standards require including supplementary information on the nature and risk of guarantees.

[39] The UK consolidated public sector financial statements to provide a more comprehensive view of the nation's finances in 2010.

[40] The Financial Administration Act, Canadian Public Sector Accounting Standards (PSAS) and IFRS require guarantees accounted for on financial statements as an expense when it is likely that a government payment will be made and the amount can be realistically estimated. Otherwise, guarantees are disclosed in notes or schedules on financial statements.

The IMF and OECD provide a broader framework for disclosing guarantees in budgetary documents, fiscal risk reports and financial statements in addition to information required by current accounting standards. The *OECD's Best Practices for Budget Transparency* recommends member states disclose information on historical default probabilities of guarantee recipients. Sweden and South Africa apply this practice. Chile's disclosure practices extent to providing annual data on guarantees materializing as a share of its average loan portfolio.

The *IMF Code of Good Practices on Fiscal Transparency* suggests disclosure of primary information surrounding guarantees.[41] Canada adheres to many of the guidelines, such as the disclosure of gross exposure levels, allowance amounts and beneficiaries. Nonetheless, full compliance requires information on fiscal impact estimates, claims against defaulters (or waiver of claims), and guarantee fees received (or waived).

Both the IMF and the OECD are strong advocates of disclosing remote guarantees, an area not reported by the Government of Canada. Even in cases where risks are low, the additional transparency helps ensure guarantee programs are cost-effective and implicit state subsidies are identified. Chile, the United Kingdom and Australia publically disclose remote guarantees within their financial statements or independent risk assessments.[42]

As it stands today, entities seeking guarantees are evaluated on criteria which range from the borrower's fiscal position to consideration of the regional and local economic conditions of where they operate. The IMF's recommends that evaluation factors are weighted and quantified. Doing so requires recipients to meet or surpass a threshold to qualify. The IMF indicates that disclosing these results within financial statements offers greater insight into how allowances are decreasing as a share of overall guarantees.[43]

To the extent disclosure methods align to the international "good practices" recommended by the IMF, other jurisdictions (for example, Sweden and South Africa) have gradually consolidated their guarantees into an independent guarantee portfolio. In these cases, a stand-alone document presented to their Parliaments providing a detailed assessment on guarantees, beneficiaries and potential fiscal impact. This provides an additional instrument for parliamentarians to understand the nation's fiscal situation and potentially results in Parliament seeking a better understanding of guarantees.[44]

[41] The IMF believes it may be inappropriate for governments to disclose information on implicit liabilities if they present a moral hazard. Private sector actors may view disclosure in this regard as a commitment of future financial assistance from the government.

New Zealand's Public Finance Act prevents disclosure of information that harms the country's economic, security and legal interests. However, these exemptions are mostly applied to policy risks and less so contingent liabilities. Moreover, strong financial institutions have historically prevented abuse of exemptions. See Cebotari.

[42] See IMF: Fiscal Risks: Source, Disclosure and Management.

[43] A similar process is used in South Africa where a risk rating system is published ranking potential beneficiaries seeking guarantees on a 1 to 10 scale based on *qualitative* that is corporate management and *quantitative* that is debt-to-equity ratios criteria.

[44] France, Japan and Sweden require guarantee appropriations to be approved by Parliament separately from other expenditures.

Figure B-15: Disclosure techniques among OECD members

	Canada	Australia	United Kingdom	South Africa[45]	Chile[46]	Sweden[47]
Recipients	✓	✓	✓	✓	✓	✓
Authorized Limit	✓			✓		✓
Guarantee Amount	✓	✓	✓	✓	✓	✓
Remote Guarantee		✓	✓		✓	
Default Probability				✓	✓	✓
Loss Provisions	✓			✓	✓	✓
General Terms and Conditions	✓	✓	✓		✓	✓
Contingency Fund					✓	✓
Consolidated Guarantee Portfolio				✓	✓	✓
Efforts to Mitigate Risks		✓			✓	

Sources: Public Sector Accounting Standards; Australian Department of Finance; HM Treasury; South African Treasury; Direccion de Presupuestos Chile; European Union; IMF

[45] Debt Management Report. See http://www.treasury.gov.za/publications/other/Debt%20Report%202012-13.pdf

[46] Informe de Pasivos Contingentes. See http://www.dipres.gob.cl/572/articles-112950_doc_pdf.pdf

[47] Convergence Programme. See http://ec.europa.eu/europe2020/pdf/nd/cp2013_sweden_en.pdf

Figure B-16: Quebec guarantees eclipse other provinces

$ millions

Year	Alberta	British Columbia	Ontario	Quebec
2003	234	189	5,200	45,700
2004	190	167	4,400	44,500
2005	153	142	3,900	44,700
2006	129	129	3,800	44,700
2007	103	420	2,900	10,500
2008	97	417	2,400	10,200
2009	84	410	912	10,700
2010	77	405	826	10,600
2011	61	405	773	10,600
2012	53	398	882	10,200
2013	50	398	1,500	10,400
2014	58	398	2,000	11,000
Total	1,300	3,900	29,500	263,900

Sources: Alberta Treasury Board and Finance; British Columbia Public Accounts; Public Accounts of Ontario; Public Accounts of the Government of Quebec

Figure B-17: Evolution of federal loan guarantees: 2003 & 2014

Government Guarantees ($ Millions)	2014	2003	$ Change	Factor Change
Agent	**245,223**	**46,341**	**198,882**	**4.29**
Business Development Bank of Canada	506.9	6,263.0	-5,756	**-0.92**
Canada Mortgage and Housing Corporation	206,578.5	11,091.2	195,487	**17.63**
Canada Post Corporation	1,051.3	113.7	938	**8.25**
Export Development Canada	36,392.5	20,374.9	16,018	**0.79**
Farm Credit Canada	614.9	8,082.1	-7,467	**-0.92**
Canadian Wheat Board		378.0	-378	**-1.00**
Freshwater Fish Marketing Corporation	29.6	14.0	16	**1.12**
Royal Canadian Mint	49.6	24.4	25	**1.03**
Non Agent	**1,581**	**7,118**	**-5,538**	**-0.78**
Atlantic Pilotage Authority	4.9		5	**1.00**
Blue Water Bridge Authority	93.6	109.1	-15	**-0.14**
Canada Lands Company Limited	49.0		49	**1.00**
Canadian Wheat Board	1,114.2	6,815.4	-5,701	**-0.84**
Laurentian Pilotage Authority		2.6	-3	**-1.00**
Halifax Port Authority	49.1	6.4	43	**6.68**
Prince Rupert Port Authority	9.4		9	**1.00**
Quebec Port Authority	2.4	29.7	-27	**-0.92**
Pacific Pilotage Authority		1.0	-1	**-1.00**
Ridley Terminals Inc.	37.2	62.9	-26	**-0.41**
Toronto Port Authority	17.4		17	**1.00**
Vancouver Fraser Port Authority	103.4		103	**1.00**
Other Canada Port Authorities	99.9	91.1	9	**0.10**
Guaranteed Loans	**4,523**	**3,099**	**1,424**	**0.46**
Agriculture and Agri-Food				**1.00**
Advance Payments Program - *Agricultural Marketing Programs Act*	1,445.0	223.9	1,221	**5.45**
Farm Improvement Loans Act (FILA) & Canadian Agricultural Loans Act	105.0	264.2	-159	**-0.60**
Employment and Social Development				**1.00**
Canada Student Loans Act	11.0	681.4	-670	**-0.98**
Indian Affairs and Northern Development				**1.00**
Aboriginal Economic Development		9.9	-10	**-1.00**
Indian Economic Development Guarantee Program	1.0	1.4		**-0.29**
On-Reserve Housing Program	1,811.0	849.6	961	**1.13**
Industry				**1.00**
Regional Aircraft Credit Facility	117.0		117	**1.00**
Canada Small Business Financing Act	720.0	800.2	-80	**-0.10**
Obligations of Havilland Aircraft of Canada, DHC7 & 8 Purchases		264.2	-264	**-1.00**
Natural Resources				**1.00**
Lower Churchill Hydro Electric Projects	313.0		313	**1.00**
Atlantic Canada Opportunities Agency				**1.00**
Atlantic Enterprise Program		4.2	-4	**-1.00**
Government Managed Insurance Programs	**155,887**	**2,533**	**153,354**	**60.55**
Foreign Affairs and, International Trade and Development				**1.00**
Export Development Canada	195.0	1,948.8	-1,754	**-0.90**
Finance				**1.00**
Mortgage and Hypothecary Insurance Protection	155,185.0		155,185	**1.00**
Canadian Nuclear Safety Commission				**1.00**
Nuclear Liability Reinsurance Account	507.0	583.9	-77	**-0.13**
Other Explicit Loan Guarantees	**292**	**950**	**-658**	**-0.69**
Agriculture and Agri-Food				**1.00**
National Biomass Ethanol Program	25.0		25	**1.00**
Price Pooling Program - *Agricultural Marketing Act*	18.0		18	**1.00**
Prairie Grain Advance Payments Act		142.0	-142	**-1.00**
Agricultural Marketing Act		19.5	-20	**-1.00**
Finance				**1.00**
Canada Wheat Board	182.0		182	**1.00**
Private Mortgage Insurance Companies				**1.00**
Mortgage Insurance Company of Canada & GE Capital Mortgage Insurance		473.7	-474	**-1.00**
Loans				**1.00**
Hibernia Development Project Act		129.5	-129	**-1.00**
NewGrade Energy Inc.		52.0	-52	**-1.00**
Bank of America - Algoma Steel Inc				**1.00**
First Union Commerical Coporation - Air Canada Aircraft Purchase		59.6	-60	**-1.00**
Government of Bulgaria		11.0	-11	**-1.00**
Via Rail Letters of Credit	29.0			
Atomic Energy of Canada: Performance guarantees and liquidated damages	38.0			
Ridley Terminals Inc.		62.9	-63	**-1.00**
Gross Exposure ($ Billions)	**407**	**60**	**347**	**$ 5.79**
Allowance ($ Millions)	**386**	**3,802**	**-3,416**	**-$ 0.90**
Net Exposure ($ Billions)	**406**	**56**	**350**	**$ 6.25**

Source: Public Accounts of Canada

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