

**FOR
AGENDA**

SM/08/17
Supplement 1
Correction 1

February 5, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Canada—Staff Report for the 2008 Article IV Consultation—
Informational Annex**

The attached corrections to SM/08/17, Supplement 1 (1/16/08) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 4, para. 1, lines 3 and 4: for “best practice. In particular, it highlighted the use of private sector economic forecasts, prudence factors, and a contingency reserve for fiscal forecasting in Canada. Fiscal management was also commended for its statistical integrity, impartial tax” read “best practice. In particular, it highlighted the use of private sector economic forecasts. Fiscal management was also commended for its statistical integrity, impartial tax”

para. 3, line 3: for “Financial Management System basis), and (ii) the publication of comprehensive” read “Financial Management System basis), (ii) the publication of comprehensive”

para. 3, line 8: for “and process in Budget and Update documents.” read “and process in Budget and Update documents; and (iii) publication of reconciled national and public accounts forecasting.”

Questions may be referred to Mr. Bayoumi, WHD (ext. 36333).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This correction is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

Other Distribution:
Department Heads

X. **Last Article IV Consultation:** The Staff Report for the 2007 consultation with Canada was considered by the Executive Board on January 12, 2007 (EBM/07/03). Canada is on a 12-month consultation cycle.

XI. The 2008 Article IV discussions were conducted in Ottawa and Toronto from December 3-11 by T. Bayoumi (head), T. Helbling, R. Balakrishnan, V. Klyuev, and H. Tong (all WHD). An advance mission team visited British Columbia. Mr. Perrault (Senior Advisor) attended the meetings. Mr. Singh and Ms. Atkinson (both WHD) and Mr. Fried (Executive Director) participated in the concluding meeting with Minister of Finance Flaherty and Bank of Canada Senior Deputy Governor Jenkins in Ottawa on December 17. A press conference was held on December 19. Outreach included discussions with the private sector, labor unions, academics, and think tanks.

XII. **FSSA Participation and ROSC Assessments**

*Canada–Financial System Stability Assessment–
Volume II: Report on Observance of Standards
in the Financial System*

FO/Dis/00/2, Sup. 1,
04/01/00

Summary: The FSSA report concluded that Canada has a stable and highly advanced financial system, which is among the soundest in the world. Moreover, it is supported by a well-developed regulatory system that shows a high degree of compliance with major international standards. Nevertheless, the FSSA report made a few recommendations to further strengthen the regulatory framework and financial system's resilience, most of which have already been addressed, including:

- Introducing capital requirements for the guarantees in life insurance segregated fund (completed by end-2001);
- Tabling legislation granting the Office of the Superintendent of Financial Institutions (OSFI) powers to remove a financial institution's director or senior officer if the person is deemed not suitable to hold that office based on a number of criteria. The latter legislation brought Canada into broad compliance with the Basel Core Principles;

Making significant progress in harmonizing securities regulation and improving coordination among provincial securities regulators, including through a newly created association of securities regulators, the Canadian Securities Administrators. Although there remain multiple regulators at the provincial level, a Senate commission was created to develop specific recommendations on further harmonization and streamlining of securities regulation.

***Canada: Report on the Observance of Standards
and Codes—Fiscal Transparency Module***

IMF Country Report
No. 02/51, 03/12/02

Summary: The report found that fiscal management in Canada meets the requirements of the fiscal transparency code, and in a number of instances represents best practice. In particular, it highlighted the use of private sector economic forecasts. Fiscal management was also commended for its statistical integrity, impartial tax administration, open procurement, and a transparent regulatory process.

The report found several areas where further improvements would be desirable, including: (i) the preparation of timely, current year estimates of federal and provincial budgets on a comparable basis, (ii) a comprehensive account of the procedures for the budget cycle and expenditure management system, (iii) systematic reporting of the use of reserves for non-economic contingencies, (iv) resumption of publication of reconciled national and public accounts forecasts of major aggregates over the forecast horizon, and (v) publication by all governments of quasi-fiscal activities.

Many of these issues have been addressed, including: (i) the release by Statistics Canada of consolidated data for federal and provincial budgets for 2001–02 (on a Financial Management System basis); (ii) the publication of comprehensive descriptions of budget and expenditure management procedures, including a joint document entitled “Budgeting in Canada” by the Government and the OECD, detailed accounts of policies and procedures on expenditure management at the website of the Treasury Board Secretariat, and the explanation of the budget cycle and process in Budget and Update documents; and (iii) publication of reconciled national and public accounts forecasting.

***Canada: Report on the Observance of Standards
and Codes—Data Module***

IMF Country Report
No. 03/328, 10/23/03

Summary: Canada’s macroeconomic statistics are comprehensive, timely, and accurate and thus adequate to conduct effective surveillance of economic and financial policies. Official institutions responsible for the compilation and dissemination of the macroeconomic datasets are supported by adequate legal and institutional frameworks. These frameworks protect confidentiality and ensure that statistical work is conducted within a quality assurance program and with sufficient resources. Integrity is ensured by the professionalism of the staff, transparency in statistical policies and practices, and the provision of ethical guidelines for staff. Compilers generally follow internationally accepted guidelines in the production of the macroeconomic statistics, which is well-supported by excellent efforts to develop source data that facilitate a high degree of accuracy and reliability. Statistics are