

General purpose transfers. The substantial rise in general purpose transfers was due largely to an increase of \$888 million (24.7%) in fiscal equalization payments. The percentage increases were: Newfoundland, 20.5%, Prince Edward Island, 24.1%, Nova Scotia, 22.1%, New Brunswick, 31.5%, Quebec, 29.8%, Manitoba, 0.2% and Saskatchewan, 41.4%. The main reason for the increase in equalization payments was a growth of prior period adjustments.

Table 22.3 provides an analysis of some of the more significant functions of expenditure for the years ended March 31, 1979-82.

22.1.3 Consolidated government finance

Data on each level of government — federal, provincial and local — constitute the basis of the intergovernment consolidation which is presented for the years 1977 to 1979 in Table 22.1. The consolidation process integrates the separate levels of government to reveal the fiscal framework of the public sector viewed as an economic unit. As a result, the numerous intergovernmental transactions either as revenue or as expenditure are eliminated in order to obtain a measure of the collective impact of all government transactions upon the rest of the economy, in terms of services provided and taxes collected.

22.1.4 General accounts

Tables 22.2 - 22.5 and 22.20 present financial statistics of the federal government prepared in accordance with the concepts published in *The Canadian system of government financial management statistics* (Statistics Canada 68-506). Financial statistics in Tables 22.7, 22.8 and 22.15 are extracted directly from the *Public accounts of Canada*.

Table 22.4 provides details of the assets and liabilities of the federal government as at March 31, 1979 to 1982. Table 22.5 analyzes gross bonded debt according to average interest rate, average term of issue and place of payment as at March 31, 1979 to 1982.

In addition to direct gross bonded debt, the federal government has assumed certain contingent liabilities. The major categories of this indirect or contingent debt are the guarantee of insured loans under the National Housing Act and the guaranteed bonds and debentures of Canadian National Railways. The remainder consists chiefly of guarantees of loans made by chartered banks to the Canadian Wheat Board, to farmers and to university students and of guarantees under the Export Development Act. Table 22.6 provides details of the contingent liabilities of the government as at March 31, 1979 and 1981.

Table 22.7 summarizes the public debt position during the period 1975-82 as to interest and amount outstanding. Details of unmatured debt and treasury bills outstanding and information on new security

issues of the federal government may be found in the *Public accounts of Canada*. They are summarized by standard classification in *Federal government finance* (Statistics Canada 68-211).

22.2 Federal financial operations and control

22.2.1 Financial administration

The financial affairs of the federal government are administered under the basic principle set out in the Constitution Act, 1867, that no tax shall be imposed and no money spent without the authority of Parliament and that expenditures shall be made only for the purposes authorized by Parliament. The government introduces all money bills and exercises financial control through a budgetary system based on the principle that all the financial needs of the government for each fiscal year ending March 31 should be considered at one time so that both the current and prospective conditions of the public treasury may be clearly evident.

Estimates and appropriations. Treasury Board, whose secretariat is a separate department of government under the president of the Treasury Board, co-ordinates the estimates process.

Under a policy and expenditure management system, total government outlays are divided into 10 functional categories or envelopes, and planned levels for spending are established over a five-year horizon. Envelopes consist of the estimated cost of existing programs (A-base projections), and either a positive "policy reserve", or a "negative reserve" if the envelope has been set at a level which requires net reductions in existing programs. Responsibility for program decisions and the allocation of funds within envelopes is delegated to policy committees of cabinet. As well as allocating funds from any policy reserve established when the envelope is initially set, policy committees may add to this reserve through reductions in existing programs. Hence, the system encourages policy committees and departments to review their programs in order to provide funds for new initiatives.

Each year in the spring, departments and agencies submit a multi-year operational plan (MYOP) to the Treasury Board. This document provides detailed information on proposed spending over the planning period for their currently authorized levels of activity (the A-base projections). Departments and agencies also provide the appropriate policy committee of cabinet with a strategic overview which outlines their proposals for change over the planning period.

Based on the multi-year operational plan, the Treasury Board secretariat prepares recommendations for the budgetary and non-budgetary allocations to each program for Treasury Board and cabinet review. Departments are advised of the allocations