2022
BUDGET

A Plan to Grow Our Economy and Make Life More Affordable

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Foreword

Taken individually, the events of the last two years have not been without precedent. Canada has endured previous recessions and even pandemics. We have been buffeted by European wars and fought in them, too. We have experienced crises big and small, and we have always prevailed.

But in this country's nearly 155 years, Canadians have never been through a time like the one we have been living through these past 25 months.

On that Thursday in March of 2020—when travel plans were hastily cancelled and lines suddenly formed at our grocery stores—we knew that this virus would disrupt our lives. But few imagined quite how much and for quite how long.

Yet here we are. We bent but we did not break.

Canadians have done everything that has been asked of them, and more.

And so, to all of them—to all of you—I want to say *thank you*!

I now have the honour of tabling my second federal Budget.

I tabled my first in April of 2021.

In the year preceding it, the Canadian economy had teetered on the brink.

Our economy contracted by 17 per cent—the deepest recession since the 1930s. Three million Canadians lost their jobs.

It was a shattering economic blow. The Great Depression scarred this country for a generation or more. It was entirely reasonable to fear that the COVID recession would likewise hamstring us for years; that millions of Canadians would still today be without jobs; and that the task of rebuilding our country would be the work of decades.

We knew we could not let that happen. And so we provided unprecedented emergency support to Canadian families and Canadian businesses. Our relentless focus was on jobs—on keeping Canadians employed, and on keeping their employers afloat.

It was an audacious plan. And it worked.

Our economy has recovered 112 per cent of the jobs that were lost during those awful first months, compared to just 90 per cent in the United States. Our unemployment rate is down to just 5.5 per cent—close to the 5.4 per cent low in 2019 that was Canada's best in five decades.

Our real GDP is a full 1.2 per cent above where it was before the pandemic. Just think about that: After a devastating recession—after wave after wave and lockdown after lockdown—our economy has not just recovered. It is booming.

Today, Canada has come roaring back.

But Canadians know that fighting COVID and the COVID recession came at a high price.

Snarled supply chains are driving prices higher at the checkout counter. Buying a house is out of reach for far too many Canadians.

Inflation—a global phenomenon—is making things more expensive in Canada, too.

The money that rescued Canadians and the Canadian economy—deployed chiefly and rightly by the federal government to the tune of eight of every ten dollars invested—has depleted our treasury.

Our COVID response came at a significant cost, and our ability to spend is not infinite. We will review and reduce government spending, because that is the responsible thing to do.

And on this next point, let me be very clear: We are absolutely determined that our debt-to-GDP ratio must *continue* to decline. Our pandemic deficits are and must continue to be reduced. The extraordinary debts we incurred to keep Canadians safe and solvent *must* be paid down.

This is our fiscal anchor—a line we shall not cross, and that will ensure that our finances remain sustainable so long as it remains unbreached.

Canada has a proud tradition of fiscal responsibility. It is my duty to maintain it—and I will.

So now is the time for us to focus—with smart investments and a clarity of purpose—on growing our economy.

That is what our government proposes to do. And this is how we propose to do it.

Pillar one of our plan is investing in the backbone of a strong and growing country: our people.

Let me start with housing.

Housing is a basic human need, but it is also an economic imperative. Our economy is built by people, and people need homes in which to live.

But Canada does not have enough homes. We need more of them, fast.

This Budget represents perhaps the most ambitious plan that Canada has ever had to solve that fundamental problem.

Over the next ten years, we will double the number of new homes we build. This must become a great national effort, and it will demand a new spirit of collaboration—provinces and territories; cities and towns; the private sector and non-profits all working together with us to build the homes that Canadians need.

We will invest in building more homes and in bringing down the barriers that keep them from being built. We will invest in the rental housing that so many count on. We will make it easier for our young people to get those first keys of their own.

And we will do everything we can to make the market fairer for Canadians. We will prevent foreign buyers from parking their money in Canada by buying up homes. We will make sure that houses are being used as homes, rather than as commodities to be traded.

But on housing, I would like to offer one caution: There is no silver bullet which will immediately, once and forever, make every Canadian a homeowner in the neighbourhood where they want to live.

As Canada grows—and as a growing Canada becomes more and more prosperous—we will need to continue to invest, year after year after year, in building more homes for a growing country.

A growing country and a growing economy also demand a growing workforce. A lack of workers—and of workers with the right skills—is constraining the industrialized economies around the world.

But there is good news.

In 2020, Canada had the fastest population growth in the G7. At a time when the world is starved for workers and talent, our country's unique enthusiasm for welcoming new Canadians is a powerful—and particularly Canadian—driver of economic prosperity.

This Budget will make it easier for the skilled immigrants that our economy needs to make Canada their home.

It will also invest in the determined and talented workers who are already here.

We will make it more affordable for our workers to move to where the jobs are. Programs like the Canada Worker's Benefit will make it more worthwhile for people to work.

We will invest in the skills that Canadian workers will need to fill the good-paying jobs of today and tomorrow, and we will break down barriers and ensure that *everyone* is able to roll up their sleeves and get to work if they want to.

And yes: One of those barriers is affordable childcare.

When we promised—less than a year ago—to make high quality, affordable childcare a reality for all Canadians, our plan was certainly welcomed. But the cheers were muted by justifiable skepticism. After all, similar promises had been made and broken for decades—five of them in fact!

That's why, as I stand here today, I am so proud to say *we have delivered*. We have signed agreements on early learning and child care with every single province and territory.

This is women's liberation. It will mean more women no longer need to choose between motherhood and a career. And it will make life more affordable for middle class Canadian families.

Fees are already being slashed across the country. By the end of this year, they will be reduced by an average of 50 per cent.

And by 2025-26, child care will average just $10-a-day, from coast-to-coast-to-coast.

This is feminist economic policy in action.

Housing and immigration and skills and child care. These are social policies, to be sure. But just as importantly, they are *economic* policies, too.

This strategy, which our government has been pursuing for the past seven years, is what the US Secretary of the Treasury, Janet Yellen, has recently dubbed "Modern Supply Side Economics."

And because these policies will create supply-led growth that helps satisfy the demand driving inflation, they are precisely what Canada needs right now.

Our second pillar for growing our economy is the green transition.

In Canada—and around the world—climate action is no longer a matter of political debate or personal conviction; it is an existential challenge. That means it is also an economic necessity.

In the largest economic transformation since the Industrial Revolution, the world economy is going green.

Canada can be in the vanguard, or we can be left behind.

That is, of course, no choice at all—which is why our government is investing urgently in this shift.

Our plan is driven by our national price on pollution—the smartest, most effective incentive for climate action—and a new Canada Growth Fund which will help attract the billions of dollars in private capital we need to transform our economy at speed and at scale.

For our children, that means cleaner air and cleaner water tomorrow. And it will mean good jobs for Canadians today.

Our third pillar for growth is a plan to tackle the Achilles heel of the Canadian economy: productivity and innovation.

We are among the most educated countries in the world. Our scientists win Nobel prizes, and our cities are outshining Silicon Valley in creating high-paying technology jobs.

But we are falling behind when it comes to economic productivity. Productivity matters because it is what guarantees the dream of every parent—that our children will be more prosperous than we are.

This is a well-known Canadian problem—and an insidious one. It is time for Canada to tackle it.

We propose to do so, in part, with a new innovation and investment agency—drawing on international best practices from around the world—that will give companies across the country and across our economy the tools and incentives they need to create and invent, and to produce more with less.

We will encourage small Canadian companies to get bigger.

We will help Canadians and Canadian companies develop new IP—and turn their new ideas into new businesses and new jobs.

These three pillars—investing in people, investing in the green transition, and investing in innovation and productivity—will create jobs and prosperity today, and build a stronger economic future for our children.

They will make life more affordable, and they will ensure Canada continues to be the best place in the world to live, work, and raise a family.

From the first day we started working on this Budget, this growth agenda was always going to be our focus.

And then, Vladimir Putin invaded Ukraine.

The world we woke up to on February 24 was different from the one that had existed when we turned off the lights the night before.

When Putin opened fire on the people of Ukraine, he also turned his guns on the unprecedented period of prosperity that the world's democracies have worked so diligently to build over more than 76 years.

Our rules-based international order—born from the ashes of the Second World War—today confronts the greatest threat since its inception.

And so our response was swift and strong. Canada and our allies imposed the toughest sanctions ever inflicted on a major economy. Russia has become an economic pariah.

But Putin's assault has been so vicious that we all now understand that the world's democracies—including our own—can be safe only if the Russian tyrant and his criminal armies are entirely vanquished.

And that is what we are counting on the brave people of Ukraine to do.

Because they are fighting our fight—a fight for democracy—it is in our urgent national interest to ensure they have the missiles and the money they need to win.

And that is what this Budget provides.

Putin's invasion of Ukraine has also reminded us that our own peaceful democracy—like all the democracies of the world—depends ultimately on the defence of hard power. The world's dictators should never mistake our civility for pacifism. We know that freedom does not come for free, and that peace is guaranteed only by our readiness to fight for it.

That is why this Budget makes an immediate, additional investment in our armed forces, and proposes a swift defence policy review to equip Canada for a world that has become more dangerous.

The images of Russian tanks rolling across Ukraine did not change the fundamental goal of this Budget.

But Putin's attack on Ukraine, and that country's remarkable and valiant resistance, has reinforced our government's deepest conviction—a line that runs through everything in this Budget, and in each of the Budgets that have preceded it: That the strength of a country does not come solely from the vastness of the reserves of its central bank, or from the size of the force in its garrisons.

Those do matter, to be sure. But they matter less than democracy itself.

They can be defeated—they are being defeated—by a people who are united and free.

And that is every country's true source of strength.

For a country to be strong, everyone must be included and empowered and united.

So let me explain what that stronger country looks like here at home:

It means we need housing that is affordable for everyone, and a system where an entire generation is not priced out of owning a home.

It means we need to do our part to fight climate change so that we can leave our children with clean air, clean water, and a livable planet.

It means we need to continue to face up to the sins of our past, and ensure that Indigenous peoples in this country are able to live dignified and prosperous lives.

It means we need a health care system that allows people to see a doctor or a dentist, and to receive mental health care, too.

It means we need to continue to build a society that is truly equal for everyone, because the colour of your skin, or who you love, or where you were born should not dictate whether you get to share in the opportunities that Canada provides.

And it means we need an economy that allows businesses to grow and create good middle class jobs, and where everyone can earn a decent living for an honest day's work.

The brave people of Ukraine have shaken the world's older democracies out of our 21st century malaise. They have reminded us that the strength and unity of a country comes from the strength and unity of its people.

And they have reminded us that there should be no greater priority than to build a country that we would be willing to fight for.

That is what we have tried to do these last seven years. And that is what we will continue to do today.

And so, I am proud to introduce *Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable*.

A plan that invests in people. And a plan that will help build a Canada where nobody gets left behind.

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance

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The Canadian economy has staged a strong recovery from the pandemic. Our workers and businesses have displayed remarkable resilience as the world endured multiple waves of COVID-19. Real GDP returned to pre-pandemic levels earlier than expected. Canada's jobs recovery has outperformed its G7 peers and surpassed even the most optimistic expectations. Economic scarring from the pandemic has largely been avoided.

The impacts of the pandemic are still being felt by workers and businesses, whether from the ongoing rebalancing of consumer demand and related supply chain issues, or new realities such as increased remote work and the accelerating digitalization of our economy. Federal emergency supports managed to stabilize household finances, support millions of jobs, and keep small businesses afloat. And now, unemployment is lower than it was when the pandemic started.

However, the global economy remains fragile and any potential setbacks could have a major impact on Canada. The illegal and barbaric Russian invasion of Ukraine has led to the loss of thousands of lives and the exodus of millions of Ukrainians. For those watching from afar, the invasion is a major new source of uncertainty. The ramifications are being felt worldwide.

The invasion of Ukraine and the resulting sanctions against Russia have weighed on markets and confidence; led to a surge in commodity prices; and resulted in a deterioration of the global economic outlook. Higher commodity prices and additional supply disruptions will exacerbate the inflationary pressures already seen across the world.

As an open economy and a trading nation, Canada has to confront, head-on, longstanding challenges and new global economic dynamics. The world is changing, and Canada cannot be left behind.

We need to invest in an economy that is innovative and growth-friendly. We need to navigate a global green transition that is accelerating every day. We need to ensure that all Canadian workers, Canadian businesses, and all regions of the country benefit from it. We need to build more affordable housing to meet the growing needs of a growing workforce. We need to invest in skills and immigration to ensure that the workforce is prepared for the economy of today, and tomorrow.

The government is focused on positioning Canada to thrive in an uncertain world. Budget 2022 takes needed steps to create an environment that spurs the investments we need to grow our economy, create new, good-paying jobs for Canadians, and grow the middle class.

1. A Strong Recovery Path

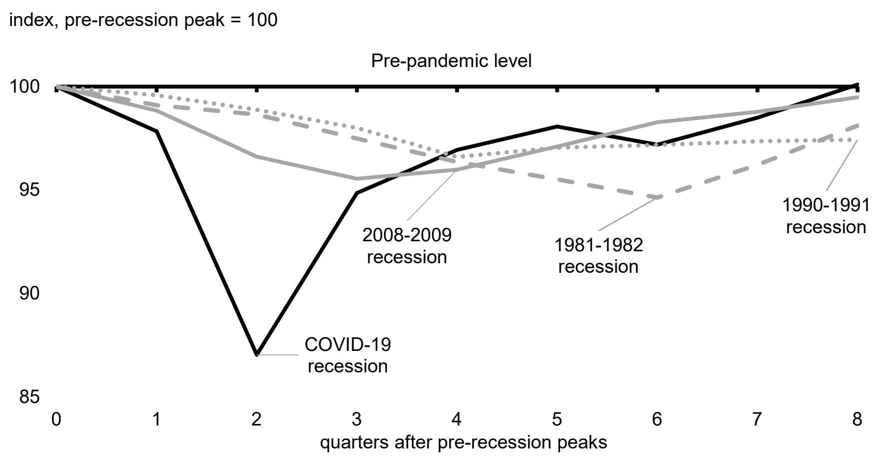
Canada's Performance Has Exceeded Expectations

The Canadian economy returned to its pre-pandemic level of activity in the fourth quarter of 2021, marking the fastest recovery of the last three recessions (Chart 1). Real GDP also grew 6.7 per cent at an annual rate in the last quarter of 2021—the second-strongest pace of growth in the G7.

The scale of the government's emergency economic support has fostered a strong recovery, and has helped Canadians and Canadian businesses weather the pandemic.

However, the effects of economic uncertainty are evident in measures of consumer and business confidence. The Conference Board of Canada's Index of Business Confidence was 10 per cent below its long-term average in the fourth quarter of 2021. Consumer confidence was also below its historical average as of March 2022, weighed down by concerns about inflation.

Chart 1
Real GDP Change During COVID-19 and Previous Recessions



Note: Three recessions are 1981-1982, 1990-1991 and 2008-2009. Last data point is 2021Q4.
Sources: Statistics Canada; Department of Finance Canada calculations.

Canada's Jobs Recovery Has Been Exceptionally Strong

Canada's labour market is emerging strongly from the fifth wave of the pandemic, with the economy adding nearly 340,000 new jobs in February—more than making up for January's loss (Chart 2). Canada has seen the fastest jobs recovery in the G7 (Chart 3)—recouping 112 per cent of the jobs lost at the outset of the pandemic, compared with 90 per cent in the U.S.

Chart 2
Employment in Canada

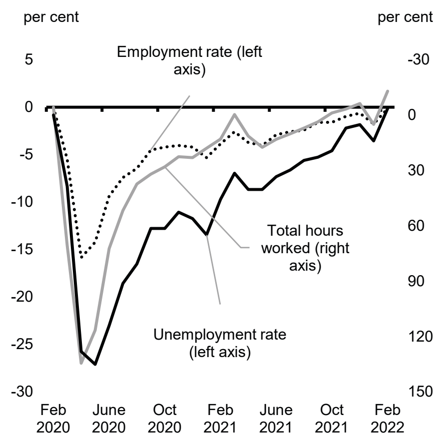
Note: Last data point is February 2022.
Source: Statistics Canada.

Chart 3
Change in Employment Across G7 Countries Relative to February 2020

Note: Last data point is February 2022 for Canada, Germany, Italy, Japan, and the United States; December 2021 for the United Kingdom; and 2021Q4 for France (which is compared to 2019Q4 for France).
Source: Haver Analytics.

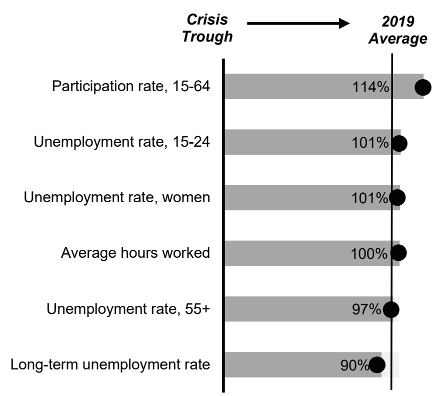
The February jobs report also means that all of Canada's fiscal guardrails—from the unemployment rate, to employment rate, to actual hours worked—have effectively recovered to their pre-pandemic levels (Chart 4). Significant progress along many other labour market dimensions has also been made (Chart 5).

Chart 4
Change in Fiscal Guardrails Relative to February 2020



Note: Last data point is February 2022.
Source: Statistics Canada.

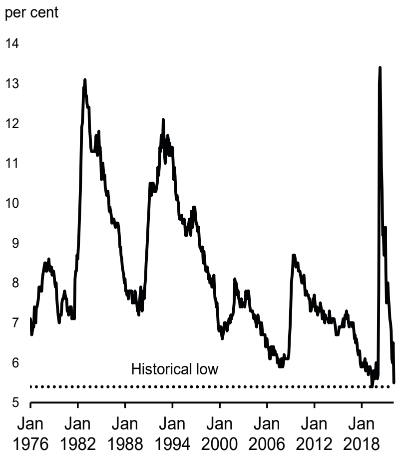
Chart 5
Progress in Other Key Labour Market Metrics Through February 2022



Note: Illustrates the extent to which labour market conditions have recovered. The recovery is shown through progress bars, where the current value (i.e., February 2022) of each measure is compared with both its trough during the pandemic and a pre-pandemic benchmark value (i.e., 2019 average). Long-term unemployed are those who have been unemployed for 27 weeks or more.
Source: Statistics Canada.

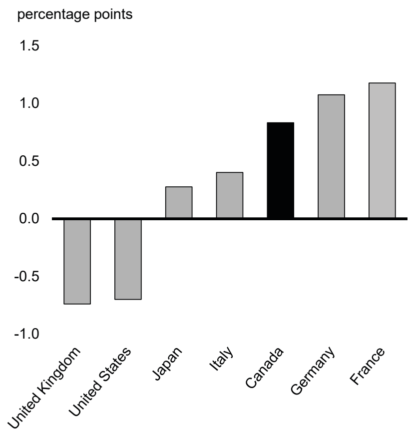
With February's job gains, Canada's unemployment rate dropped to 5.5 per cent, falling below its pre-pandemic level for the first time, and near the 50-year low of 5.4 per cent reached in May 2019 (Chart 6). While many advanced economies have seen significant declines in their unemployment rate, few have also experienced an increase in labour force participation to the extent Canada has (Chart 7).

Chart 6
Unemployment Rate



Note: Last data point is February 2022.
Source: Statistics Canada.

Chart 7
Change in the Labour Force Participation Rate Across G7 Countries Relative to 2019Q4



Note: For Ages 15-64. Shows the change from 2019Q4 to the latest quarter, which is 2021Q4 for all countries.
Sources: Statistics Canada; OECD.

While tight labour markets are leading to improved opportunities for workers, it also creates significant and pressing challenges for businesses looking to hire more workers. Employers were actively recruiting for more than 900,000 jobs in the fourth quarter of 2021, pointing to continued strong labour demand and the potential for wage growth to increase further.

2. From Pandemic to Conflict

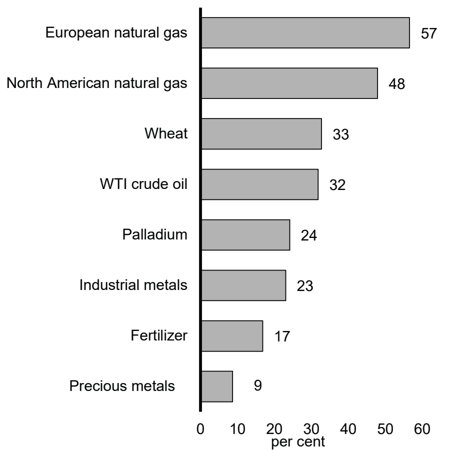
Russia's Invasion Is Dragging Down Global Growth

The unprovoked and unjustified Russian invasion of Ukraine is a significant headwind for the global economic outlook. The economic damage risks becoming increasingly severe and long-lasting, and the economic shockwaves from the war will be felt by consumers around the world through higher energy and food prices. These effects—along with disruptions to trade, tighter financial conditions, and fragile confidence—will contribute to a meaningful weakening of global economic growth if the conflict persists.

While Russia and Ukraine account for less than 2 per cent of global GDP, they are major suppliers of key commodities such as wheat, energy, potash, palladium, and nickel. As a result, the invasion of Ukraine—and the significant sanctions imposed on Russia's economy—have jolted commodity markets with a surge in prices (Chart 8). With sanctions likely to remain for some time and a longer-term strategic shift away from Russian resources in some parts of the world, certain commodity prices are poised to remain elevated and volatile.

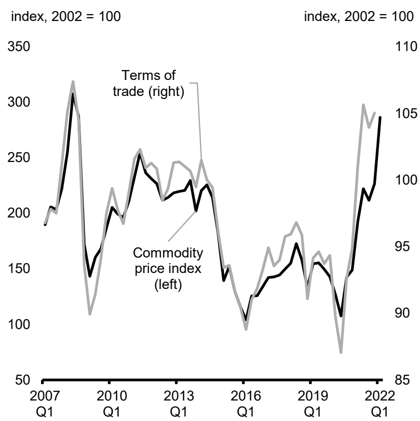
Though higher commodity prices are leading to a surge in Canada's terms of trade (the ratio of export prices to import prices), sharply higher prices risk causing hardship for many households and disrupting the production of goods and services worldwide (Chart 9). Europe in particular is highly dependent on Russian natural gas and crude oil.

Chart 8
Change in Select Commodity Prices Since January 3, 2022



Note: Unless otherwise noted, prices are based on North American prices and benchmarks; all priced in U.S. dollars. Last data point is March 31, 2022.
Source: Bloomberg.

Chart 9
Commodity Prices and Canada's Terms of Trade



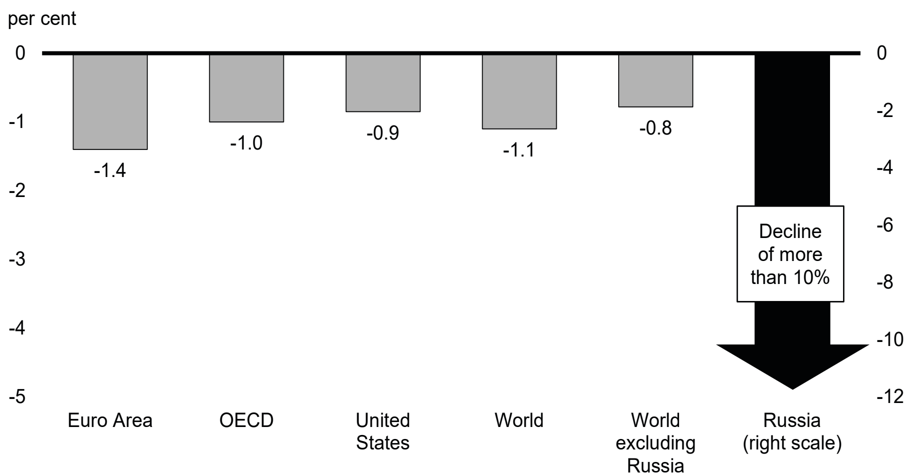
Note: The commodity price index is a production-weighted composite of U.S.-dollar benchmark commodity prices. Last data point for the commodity price index and terms of trade are 2022Q1 and 2021Q4, respectively.
Sources: Statistics Canada; Department of Finance Canada calculations.

The heightened level of uncertainty, along with deterioration of the global economic outlook, is also affecting investor and business confidence globally. This has translated into significant weakness in equity markets worldwide, with most major global stock market indices—especially those in Europe—still down from their peaks. The longer the Russia-Ukraine conflict lasts, the greater the downside will be.

If recent moves in commodity prices and financial markets were to persist for a year, the Organisation for Economic Co-operation and Development (OECD) estimates that it could reduce global growth by more than 1 percentage point in the first year (Chart 10), while global inflation could be at least 2.5 percentage points higher. The economic impact will vary heavily by region. In Russia, the conflict along with the direct blow from significant economic and financial sanctions, could lead the economy to suffer a severe recession. Given close trade ties and financial links to Russia and Ukraine, the euro area is likely to be one of the most affected regions, with its real GDP expected to be reduced by 1.4 per cent over the first full year after the start of the conflict.

As a commodity producer with limited economic ties to Russia, Canada is more insulated from the crisis than other countries. While weaker global growth and much higher commodity prices will reduce consumers' purchasing power and push up costs for businesses, Canada also stands to benefit from the positive impact on Canada's terms of trade and from being able to export commodities now in short supply. The impact of the conflict on economic activity in Canada cannot be definitively predicted, but deep uncertainty emanating from the conflict points to risks tilted to the downside.

Chart 10
Impact on Real GDP in a First Full Year of the Russian Invasion of Ukraine



Note: Simulated impact on real GDP over a one-year period beginning 24 February 2022.
Source: OECD.

High Global Inflation and the Outlook for Canada

While inflation is a global challenge, the impacts on Canadians are real. The majority of Canadians remain concerned about the cost of living. As a first line of defence, many of the direct income supports that financially vulnerable Canadians rely on are automatically adjusted to inflation. Further, the government is taking crucial steps to help make life more affordable for more Canadians, while investing to grow the economy and create jobs – the best sustainable route to rising living standards in the long-run.

Making Life More Affordable

Making life more affordable is one of the government's primary goals in Budget 2022. In the long run, this will require addressing long-standing, structural challenges to deliver meaningful improvements in living standards for more Canadians.

In the near term, Canadians can be confident that they have access to support when they need it most. Since 2015, the government has delivered real improvements to make Canadians' lives more affordable, including:

- Making an historic investment of $30 billion over five years to build a Canada-wide early learning and child care system in collaboration with provinces, territories, and Indigenous partners. By the end of 2022, child care fees will have been reduced by an average of 50 per cent, and by 2025-26, the average child care fee for all regulated child care spaces across Canada will be $10 a day;
- Introducing the Canada Child Benefit, which will provide up to $6,833 per child to Canadian families this year, and has helped 435,000 children out of poverty since 2015;
- Expanding the Canada Workers Benefit to support an estimated one million additional Canadians, which could mean $1,000 more per year for a full-time, minimum-wage worker;
- Increasing the federal minimum wage to $15.55 per hour;
- Implementing a ten per cent increase to the maximum GIS benefit for single seniors, and reversing the announced increase to the eligibility for OAS and GIS back to age 65 from 67;
- Providing ten days of paid sick leave for all federally regulated private sector employees;
- Increasing Climate Action Incentive payments, which puts more money in the pockets of eight out of every ten people in the provinces where the federal system applies, and means a family of four will receive, for 2022-2023, $745 in Ontario, $832 in Manitoba, $1,101 in Saskatchewan and $1,079 in Alberta; and

Making Life More Affordable

- Making post-secondary education more affordable by waiving interest on Canada Student Loans until March 2023 and enhancing repayment assistance to ensure that no person making $40,000 or less will need to make payments on their federal student loans going forward.

Budget 2022 also includes a range of measures that will help to bring down the cost of living, including:

- $5.3 billion to provide dental care for Canadians with family incomes of less than $90,000 annually, starting with under 12 years-olds in 2022, expanding to under 18 years-olds, seniors and persons living with a disability in 2023, with full implementation by 2025;
- Doubling support provided through the First Time Home Buyers' Tax Credit from $750 to $1,500;
- Introducing a Multigenerational Home Renovation Tax Credit, which provides up to $7,500 in support for constructing a secondary suite; and
- $475 million in 2022-23 to provide a one-time, $500 payment to those facing housing affordability challenges.

Budget 2022 also includes a comprehensive plan to make housing more affordable, focused on doubling the rate of new builds over the next decade, while introducing measures to help Canadians buy their first home, protect buyers and renters, and curb foreign investment and speculation.

Key government benefits are also adjusted for inflation over time, including, among others, Old Age Security (OAS), the Guaranteed Income Supplement (GIS), the Canada Child Benefit, and the GST Credit.

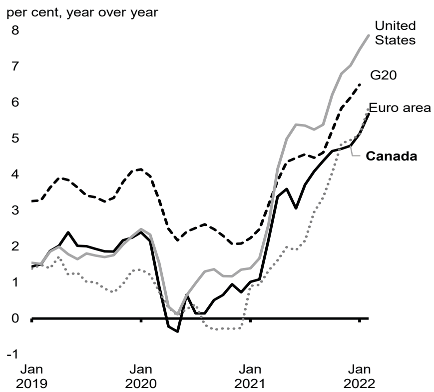
Looking ahead, Budget 2022 redoubles the government's focus on expanding Canada's economic capacity with investments to create jobs and boost growth through innovation and skills development; facilitate the transition to a low-carbon economy by encouraging private sector investments and targeting major sources of emissions; drive innovation and business growth; and make our cities more competitive by expanding the supply of housing. These investments will provide the foundation for boosting Canada's long-term growth and creating good-paying jobs— the best way to make life affordable for years to come.

Even before the invasion of Ukraine, elevated inflation was undermining consumer and business confidence around the world. Economists have had to repeatedly revise their forecasts as global inflation has proven to be stronger and more persistent than anticipated. In advanced economies, inflation has now reached levels not seen in decades. This is creating uncertainty about how quickly—and at what cost—central banks can rein in inflation.

The current global concern over inflation comes after decades during which inflation was very low. Several factors have driven inflation up, including higher food and energy prices, supply constraints associated with the pandemic, and unprecedented demand for goods. In many advanced economies, inflation pressures have started to broaden as wage pressures build in a context marked by tight labour markets.

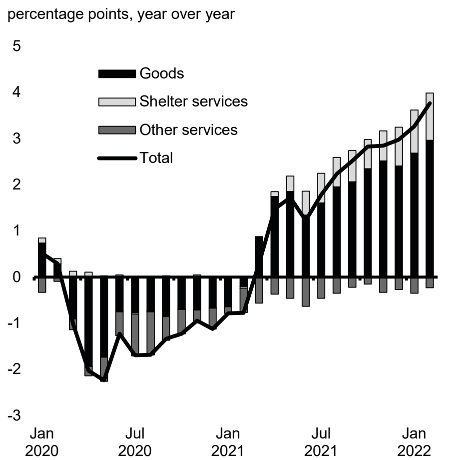
While inflation in Canada is more moderate than in some other countries, total consumer price inflation reached 5.7 per cent year over year in February—the highest level since August 1991 (Chart 11). In addition to global pressures on the prices of goods, strong demand for housing—combined with limited supply—has also led to surging house prices (Chart 12). Canadians are facing higher-than-expected costs of living which is putting the squeeze on household finances across the country—and could lead to lower economic activity and confidence over time.

Chart 11
Consumer Price Inflation in Select Economies



Note: Last data point is February 2022 for all regions but the G20, for which it is January 2022.
Sources: Haver Analytics; OECD.

Chart 12
Deviation of Consumer Price Inflation From Its Long-Term Average, Canada



Note: The long-term average is calculated over the period 1997-2019. Last data point is February 2022.
Source: Statistics Canada.

A rebalancing of global demand towards services—after pandemic-related public health measures saw people redirect their spending heavily towards goods—along with the easing of supply bottlenecks should help to reduce global inflationary pressures over the course of the year. However, the Russian invasion of Ukraine is causing higher prices for food, energy, and other key commodities. In addition, a resurgence of COVID-19 in China has led to lockdowns that are disrupting global manufacturing supply chains once again. As a result, uncertainty remains about the outlook for inflation.

In response to these pressures, central banks—including the Bank of Canada and the U.S. Federal Reserve—have begun to withdraw monetary stimulus. The Bank of Canada has been clear that it will use its monetary policy tools to return inflation to the 2 per cent target and keep inflation expectations well-anchored. Inflation is expected to be broadly in line with the Bank of Canada's 2 per cent inflation target in 2023.

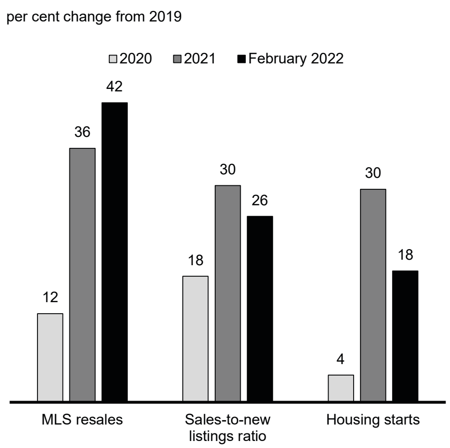
Housing Supply Challenges and Affordability

Housing demand has been very strong during the pandemic, which was the result of low borrowing costs combined with people's desire for more space as they worked from home. Though builders have responded with new residential construction rising well above pre-pandemic levels, housing supply has been unable to keep up with demand (Chart 13).

With inventories at record lows, house prices have rapidly increased across the country (Chart 14), making affordability a real concern. British Columbia and Ontario have endured longstanding supply constraints and prospective home buyers in those markets are facing the most acute affordability challenges; Toronto in particular has recently seen the largest increases in house prices since 2015. Rental markets are facing similar challenges with constrained supply putting pressure on rents.

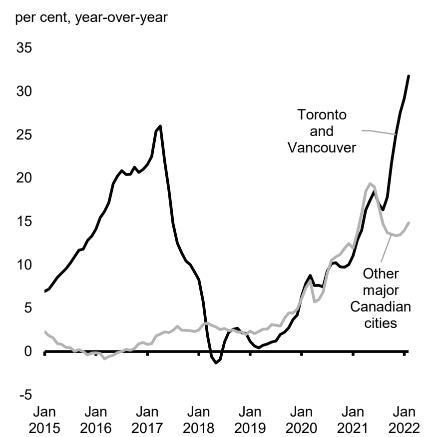
Looking ahead, housing demand is expected to ease as interest rates rise and the pandemic-related boost in demand fades. In combination with the increase in new construction, this will help to slow house price growth. However, it will take years of strong supply growth to address the very real affordability challenges Canadians in many regions are facing. The federal government is working with all orders of government to increase supply and address the issues of housing affordability. As outlined in Chapter 1, Budget 2022 makes a series of significant investments to help jump start the construction of more affordable homes.

Chart 13
Changes in Key Measures of Housing Activity



Note: February 2022 is a seasonally adjusted annualized figure.
Source: Canadian Real Estate Association.

Chart 14
House Price Growth



Note: Latest data point is February 2022. Other major Canadian cities include Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Ottawa, Montreal and Moncton.
Source: Canadian Real Estate Association.

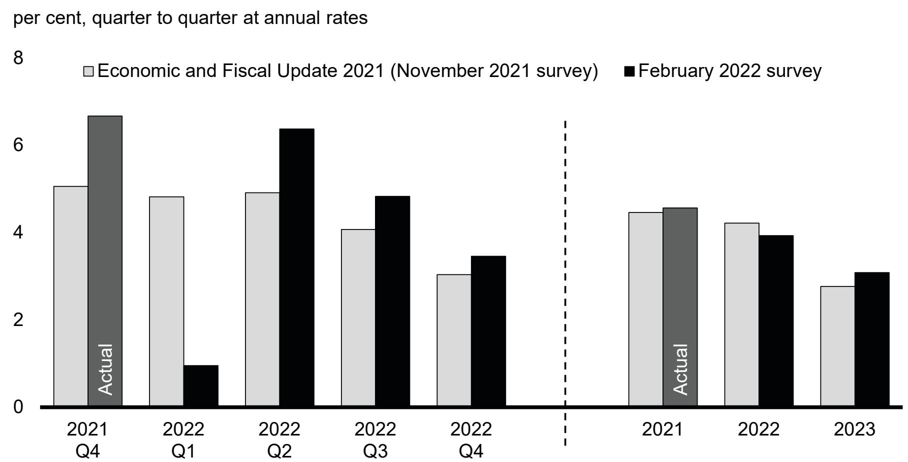
3. Budget 2022 Economic Environment

Survey of Private Sector Economists

The Department of Finance Canada surveyed the group of private sector economists in early February 2022. The average of private sector forecasts has been used as the basis for economic and fiscal planning since 1994, helping to ensure objectivity and transparency, and introducing an element of independence into the government's economic and fiscal forecast.

Following a strong rebound of 4.6 per cent in 2021, real GDP was expected to grow by a still solid 3.9 per cent in 2022 (down from 4.2 per cent in the 2021 *Economic and Fiscal Update*) and by 3.1 per cent in 2023 (up from 2.8 per cent in the 2021 *Economic and Fiscal Update*) (Charts 15 and 16).

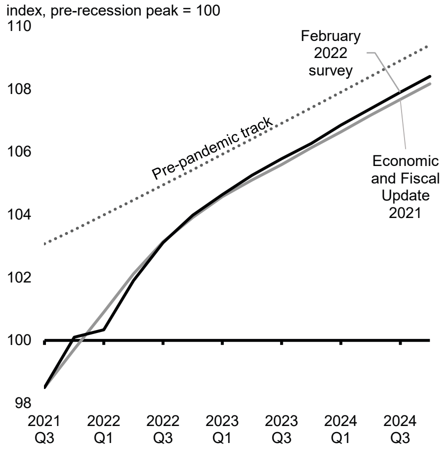
Chart 15
Real GDP Growth Projections



Sources: Statistics Canada; Department of Finance Canada November 2021 and February 2022 surveys of private sector economists; Department of Finance Canada calculations.

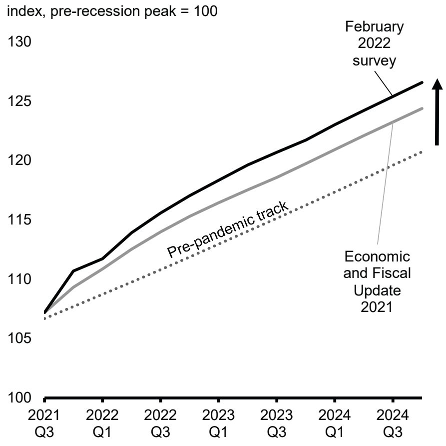
Significantly stronger-than-expected GDP inflation—driven by consumer price inflation and commodity prices—provided a material boost to the expected level of nominal GDP (the broadest measure of the tax base), which was up by an average of roughly $41 billion per year over the forecast horizon in the February 2022 survey compared to the 2021 *Economic and Fiscal Update* (Chart 17). Importantly, Canada's nominal GDP continues to outperform expectations, as it has over the course of the recovery from the pandemic.

Chart 16
Real GDP Projections



Sources: Statistics Canada; Department of Finance Canada December 2019, November 2021 and February 2022 surveys of private sector economists; Department of Finance Canada calculations.

Chart 17
Nominal GDP Projections



Sources: Statistics Canada; Department of Finance Canada December 2019, November 2021 and February 2022 surveys of private sector economists; Department of Finance Canada calculations.

Budget 2022 Economic Scenario Analysis

The macroeconomic inputs of the February 2022 survey continue to provide a reasonable basis for fiscal planning (see Annex 1 for details of the economic and fiscal planning framework). However, the outlook is clouded by a number of key uncertainties, including the impact of Russia’s illegal invasion of Ukraine; the impact on supply chains due to the COVID-19 resurgence in China; the effects of supply and labour shortages on inflation; and the impact of rising interest rates on the Canadian economy.

The Department of Finance actively engages with external economists to assess risks and uncertainties to the outlook. Throughout March, the Department closely tracked evolving external views and forecasts. This information was used to inform two alternative economic scenarios that illustrate the effects of unusually high uncertainty around the illegal Russian invasion of Ukraine and its spillovers:

- *Heightened Impact Scenario* – considers the economic repercussions of a drawn-out crisis in Ukraine with elevated commodity prices, prolonged supply-chain disruptions, and more rapid monetary policy tightening. A reduction in Russian energy exports leads to a spike in commodity prices, while pandemic-related lockdowns in parts of the world exacerbate supply-chain issues, leading to temporarily stronger inflation. In response to higher inflation, global interest rates rise higher and more quickly than expected, with Canada's three-month treasury bill rate up by almost 50 basis points on average per year compared to the February 2022 survey. Higher energy bills and weaker confidence substantially reduce consumption while supply shortages and trade disruptions hold back activity, leading to a sharp slowdown in global economic growth and a subsequent moderation in global crude oil prices.

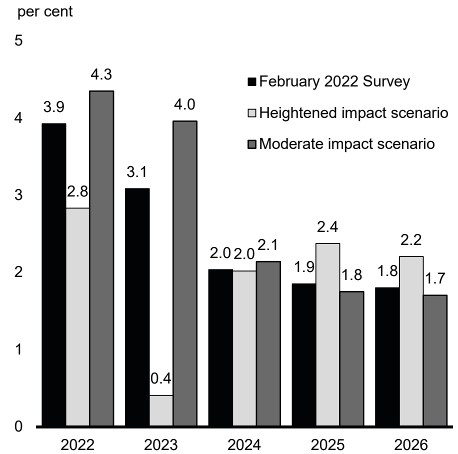
Overall, real GDP growth in Canada is 0.6 percentage point lower on average per year (Chart 18), and the unemployment rate is 0.5 percentage point higher on average as a result of adverse effects on confidence and sharply lower global demand.

Higher inflation pushes up nominal GDP in the near term before falling below the February survey in 2024 amid easing commodity prices and much weaker growth. Initially, nominal GDP is $126 billion higher than the February survey in 2022, but this improvement shrinks to $18 billion in 2023 and falls below the February survey level by $23 billion on average over the last three years of the forecast horizon as inflation falls (Chart 19).

- *Moderate Impact Scenario* – considers a de-escalation of tensions in Ukraine and a world in which supply disruptions from the war and pandemic are smaller than expected while global demand remains resilient along with an easing of geopolitical tensions. The global economy successfully adapts to COVID-19 risks and pivots to more secure commodity suppliers, reducing global inflationary pressures. At the same time, Canadian commodity producers make full use of current spare capacity and increase investment, albeit not commensurate to the rise in energy prices. This provides a boost to economic growth. Higher interest rates (up by 20 basis points on average per year compared to the February 2022 survey), combined with easing of supply-chain pressures, bring inflation closer to the 2 per cent target without derailing the economic expansion.

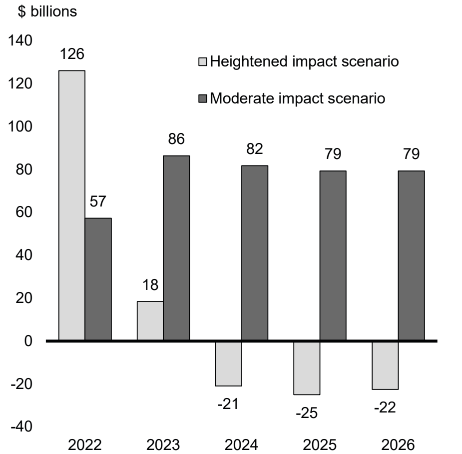
Altogether, the recovery is stronger than the February survey, supported by Canada's strong fundamentals. While commodity prices and inflation are below the downside scenario, they remain well above the February survey, especially in the near term. With higher commodity prices and better economic prospects, nominal GDP is $77 billion higher than the February survey on average per year over the forecast horizon.

Chart 18
Real GDP Growth



Sources: Department of Finance Canada February 2022 survey of private sector economists; Department of Finance Canada calculations.

Chart 19
Nominal GDP Level Difference With February 2022 Survey Outlook



Sources: Department of Finance Canada February 2022 survey of private sector economists; Department of Finance Canada calculations.

Details on these scenarios are outlined in Annex 1. Estimated fiscal impacts associated with these scenarios are illustrated below.

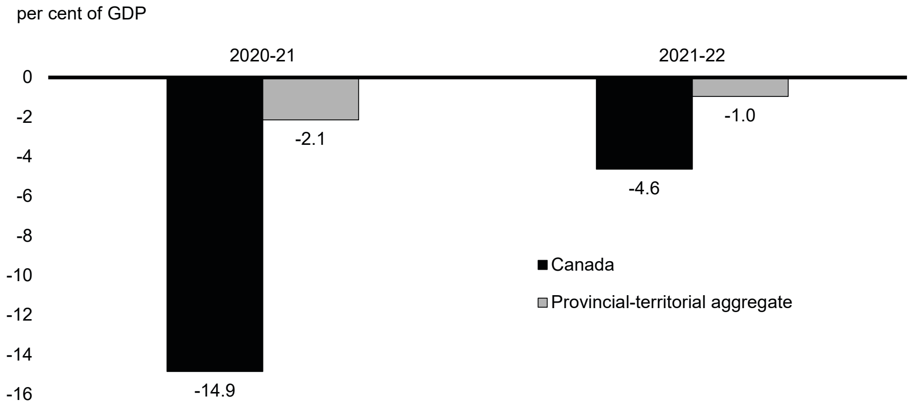
4. Budget 2022 Fiscal Framework

A Responsible Fiscal Plan

Over the course of the pandemic, the federal government deployed one of the most effective response plans in the world to protect Canadian workers and businesses. Approximately eight out of every ten dollars invested to support Canadians and fight COVID-19 has come from the federal government.

This response saved lives and kept Canada's economy afloat—while also limiting the debt and deficits of Canada's provinces and territories. Provincial and territorial governments continued to significantly outperform fiscal projections for 2021-22. Fiscal results to date show that the aggregate provincial-territorial deficit was less than one-third of what was expected at the time of 2021 budgets, a much larger improvement than at the federal level. As a result, the aggregate provincial-territorial balance is expected to have declined to just 1 per cent of GDP in 2021-22 (Chart 20).

Chart 20
Budgetary Balances, Canada and Provincial-Territorial Aggregate



Sources: Federal, provincial and territorial public accounts, budgets and fiscal updates; Department of Finance Canada calculations.

The significant investments the federal government made have worked. And the Canadian economy's recovery has been swift and strong. But these were, and must remain, emergency measures. Budget 2022 firmly pivots the government's focus from broad-based emergency COVID-19 expenditures—and towards targeted investments that will build Canada's economic capacity, prosperity, resilience, and security in two ways:

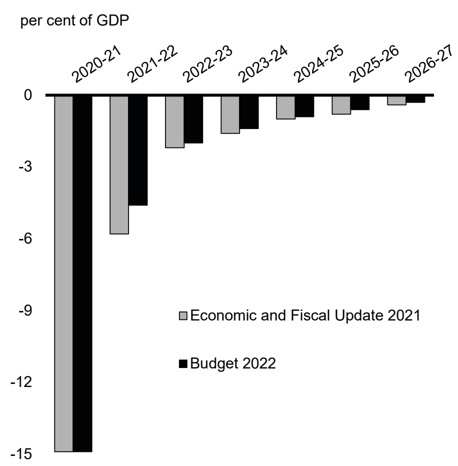
- First, it reinvests significantly in areas that will expand our economic capacity and productivity to drive long-term growth. These include housing, early learning and child care, skills, immigration, fighting climate change, supply chains, business innovation and research and development (R&D).
- Second, it takes responsible steps to review government spending, with the intention of finding opportunities for both savings and reallocation to other post-pandemic priorities that will support long-term growth and prosperity without creating inflationary pressures, as described in Chapter 9.

Table 1
Economic and Fiscal Developments and Policy Actions and Measures
billions of dollars

	Projection					
	2021–2022	**2022–2023**	**2023–2024**	**2024–2025**	**2025–2026**	**2026–2027**
Budgetary balance – EFU 2021	**-144.5**	**-58.4**	**-43.9**	**-29.1**	**-22.7**	**-13.1**
Economic and fiscal developments since EFU 2021	36.1	14.3	11.7	7.5	8.5	7.4
Budgetary balance before policy actions and measures	**-108.5**	**-44.1**	**-32.3**	**-21.6**	**-14.2**	**-5.8**
Policy actions since EFU 2021	-3.1	-1.3	-0.6	0.6	0.4	0.3
Budget 2022 measures (by chapter)						
1. Making Housing More Affordable	-0.7	-2.0	-2.2	-2.1	-2.2	-1.0
2. A Strong, Growing, and Resilient Economy	0.0	-0.3	-1.4	-1.2	-1.3	-1.3
reprofiling infrastructure investments	0.1	0.2	0.8	1.2	2.0	2.1
3. Clean Air and a Strong Economy	0.0	-1.3	-2.2	-3.0	-2.9	-3.0
4. Creating Good Middle Class Jobs	0.0	-0.8	-1.3	-1.4	-1.2	-1.2
5. Canada's Leadership in the World	0.0	-1.7	-1.5	-1.9	-2.0	-2.3
6. Strong Public Health Care	-1.3	-0.7	-0.8	-1.3	-1.4	-1.6
7. Moving Forward on Reconciliation	-0.2	-2.5	-2.0	-1.9	-1.9	-2.0
8. Safe and Inclusive Communities	0.0	-0.2	-0.4	-0.4	-0.3	-0.3
9.1 Tax Fairness	0.0	2.0	3.3	3.6	3.7	3.9
9.2 Effective Government	0.0	0.0	0.7	1.7	2.7	3.7
Total – Budget 2022 measures	-2.2	-7.4	-7.1	-6.7	-4.8	-3.0
Budgetary balance	**-113.8**	**-52.8**	**-39.9**	**-27.8**	**-18.6**	**-8.4**
Budgetary balance (% of GDP)	-4.6	-2.0	-1.4	-0.9	-0.6	-0.3
Federal debt (% of GDP)	46.5	45.1	44.5	43.8	42.8	41.5
Heightened Impact Scenario	**-113.8**	**-39.5**	**-43.7**	**-41.1**	**-32.2**	**-21.1**
Budgetary Balance (%GDP)	-4.6	-1.4	-1.5	-1.4	-1.1	-0.7
Federal debt (%GDP)	46.5	42.6	43.9	44.2	43.7	42.8
Moderate Impact Scenario	**-113.8**	**-48.2**	**-31.3**	**-21.6**	**-13.2**	**-2.7**
Budgetary Balance (%GDP)	-4.6	-1.8	-1.1	-0.7	-0.4	-0.1
Federal debt (%GDP)	46.5	44.0	42.7	41.9	40.9	39.5

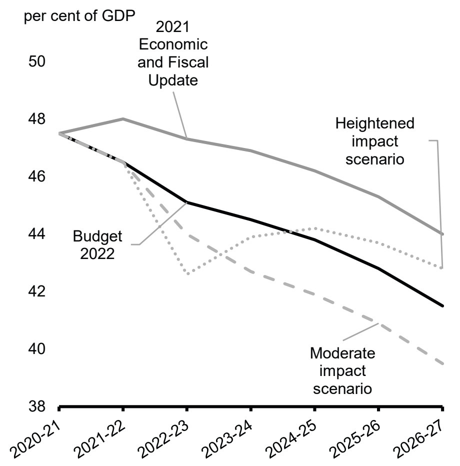
After accounting for Budget 2022 measures and incremental policy actions since the 2021 *Economic and Fiscal Update*, the budgetary balance is expected to remain below that projected in the 2021 *Economic and Fiscal Update*, with a $113.8 billion expected deficit in 2021-22, improving to a projected deficit of $8.4 billion in 2026-27, or about 0.3 per cent of GDP. The federal debt is expected to decline from 46.5 per cent of GDP in 2021-22 to 41.5 per cent of GDP in 2026-27. Looking out over the next five years, the federal deficit (Chart 21) and debt as a share of the economy (Chart 22) are both expected to decline each year.

Chart 21
Budgetary Balance



Source: Department of Finance Canada.

Chart 22
Federal Debt



Source: Department of Finance Canada.

The fiscal outlook presented in Budget 2022 respects a number of important fiscal sustainability metrics, including:

- The deficit is projected to fall to 0.9 per cent of GDP by 2024-25 before reaching 0.3 per cent of GDP by the end of the budget planning horizon (Chart 21), a level in 2026-27 that is lower than the 2013-14 deficit of 0.4 per cent of GDP which the government recorded six years from the onset of the 2008-09 financial crisis.
- The federal debt-to-GDP ratio is projected to be on a steeper downward track than originally anticipated several months ago—even under the heightened impact economic scenario presented in Section 3, the debt-to-GDP ratio remains below that of the 2021 *Economic and Fiscal Update* by 2026-27 (Chart 22).
- Public debt charges are forecast to remain at historically low levels, even after accounting for the expected rise in interest rates by private sector forecasters (see the box entitled "Projected Public Debt Charges").

Compared to our international peers, the federal fiscal outlook and the better-than-expected provincial-territorial fiscal results position Canada to continue to have the lowest net debt-to-GDP ratio in the G7 (Chart 23), and the second-lowest deficit as a per cent of GDP among these same countries (Chart 24).

Chart 23
General Government Net Debt Forecasts, G7 Countries

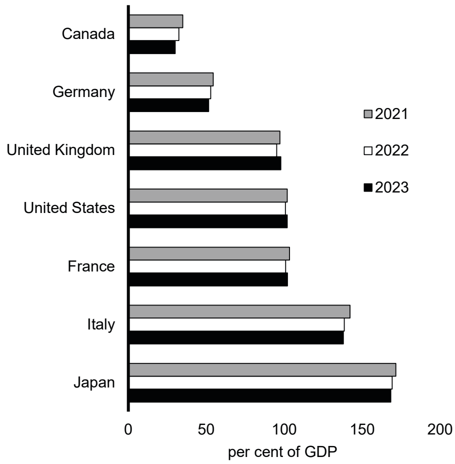
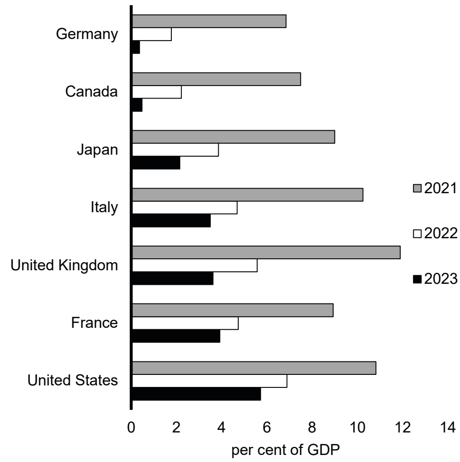


Chart 24
General Government Deficit Forecasts, G7 Countries



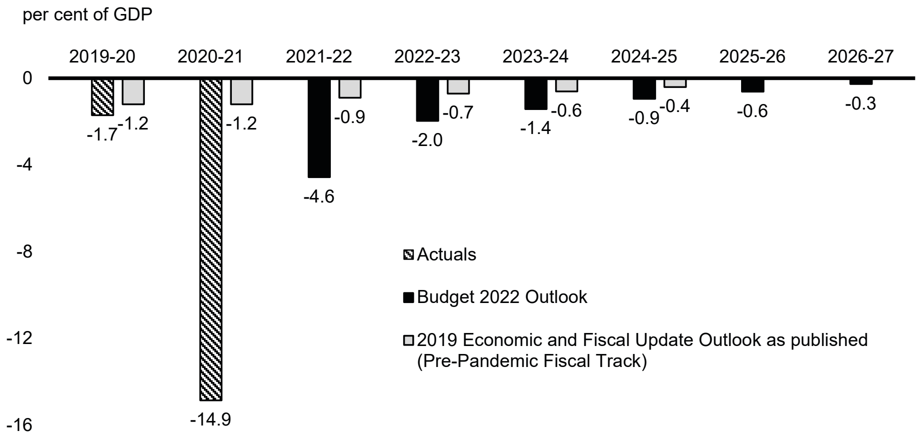
Notes: The internationally comparable definition of "general government" includes the central, state, and local levels of government, as well as social security funds. For Canada, this includes the federal, provincial/territorial, local and Indigenous government sectors, as well as the Canada Pension Plan and the Quebec Pension Plan.
Source: International Monetary Fund, October 2021 *Fiscal Monitor*.

Preserving Canada's Low Debt Advantage: The Fiscal Anchor

The government's fiscal anchor is unchanged: the federal government remains committed to unwinding COVID-19-related deficits and reducing the federal debt-to-GDP ratio over the medium term.

Budget 2022 once again meets this test. The government is winding down emergency COVID-19 expenditures and implementing a fiscal plan that ensures federal debt remains on a downward track as a share of the economy. This plan also effectively brings the deficit-to-GDP ratio back to its pre-pandemic track by the end of the budget forecast horizon (Chart 25).

Chart 25
Budgetary Balance



Note: The forecast horizon in the 2019 *Economic and Fiscal Update* ends in 2024-25.
Source: Department of Finance Canada.

The government's continued commitment to its fiscal anchor will help ensure Canada's low debt advantage and enviable credit ratings are preserved and that future generations are not burdened with COVID-19-related debt.

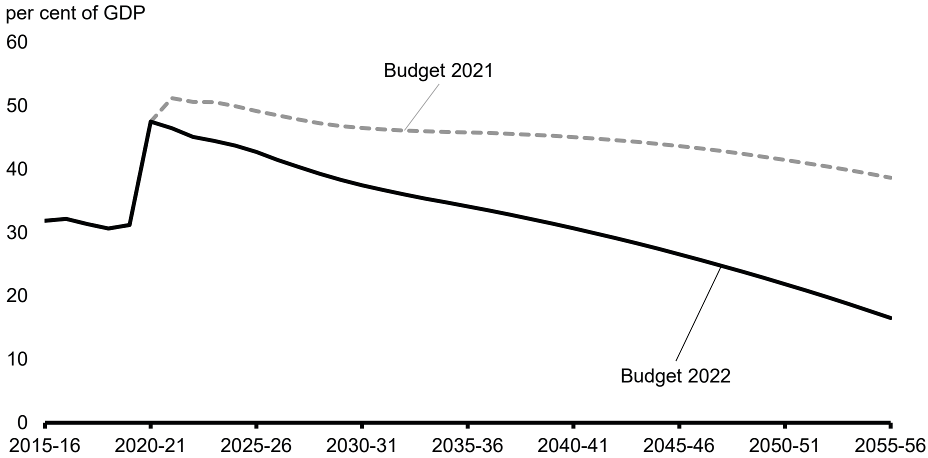
Budget 2022 is taking critical steps to advance the government's long-term objectives of (1) building a stronger and more resilient economy—one that generates shared prosperity, while (2) maintaining long-term fiscal sustainability. These objectives are mutually reinforcing, and the government will pursue them both as it works to build a more equitable future, for everyone.

Canada has a long history of prudent and sound fiscal management, along with several other strengths, such as economic resilience and diversity, effective policymaking and institutional frameworks, well-regulated financial markets, and monetary and fiscal policy flexibility. Together, these reinforce Canada's stable economic and fiscal position.

These strengths continue to shape Canada's excellent credit ratings from Moody's (Aaa), S&P (AAA), DBRS (AAA), and Fitch (AA+). All four rating agencies have reaffirmed Canada's strong credit ratings.

Considering the government's fiscal anchor and using Budget 2022 forecasts as a starting point, the government's plan is fiscally sustainable for current and future generations. Indeed, over the three next decades, the federal debt-to-GDP ratio is projected to continuously decline and be on a steeper downward track than projected in Budget 2021 (Chart 26). Details and sensitivity analysis around these long-term fiscal projections are presented in Annex 1.

Chart 26
Long-Term Projection of the Federal Debt



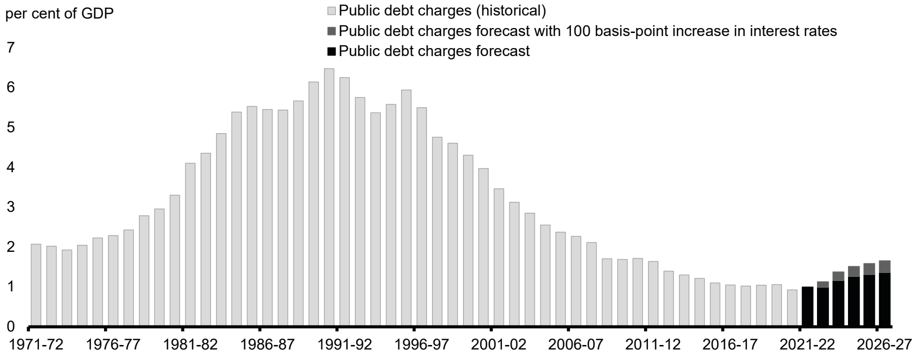
Notes: Rather than being viewed as a forecast, this long-term projection should be viewed as a modelling scenario based on a set of reasonable economic and demographic assumptions, assuming no future changes in policies. See Annex 1 for more detail.
Sources: Statistics Canada; Department of Finance Canada.

Projected Public Debt Charges

By 2026, private sector forecasters expect the three-month treasury bill rate to increase by 200 basis points and the ten-year government bond rate to increase by 160 basis points, consistent with a global increase in yields across all markets. As such, this is already built into the baseline forecast. Despite this forecast trend and the sharp increase in the federal debt since COVID-19, federal public debt charges are projected to remain historically low, at $42.9 billion or about 1.4 per cent of GDP. This is well below the pre-financial crisis level of 2.1 per cent in 2007-08 (Chart 27).

Federal public finances would remain resilient even under higher-than-projected interest rates. For example, in a scenario where interest rates were 100 basis points higher than forecast in all years in this budget, public debt charges would rise by an additional $9.3 billion (0.3 percentage points of GDP) by 2026, bringing them to 1.7 per cent of GDP, which is still lower than at the end of the 2000s.

Chart 27
Historical Public Debt Charges as a Proportion of GDP, and Projected Sensitivity to a 100 Basis-Point Increase in Interest Rates



Source: Department of Finance Canada.

With higher interest rates, the government would also realize some offsetting benefits, including:

- Higher revenues from the government's interest-bearing assets;
- Corresponding downward adjustments that reduce public sector pensions and employee benefit obligations; and
- Higher government tax revenues if interest rate increases were due to stronger economic growth.

5. Investing to Grow the Economy

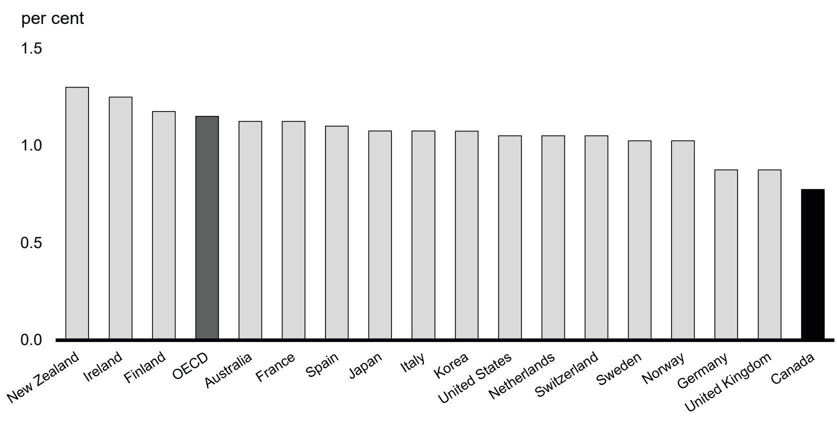
Budget 2022 Makes Essential Investments Now

Canada has many of the essential building blocks it needs to be one of the most competitive economies in the world today, and for the years and decades to come. We have: a strong base of commodities and critical minerals that are in high global demand; abundant sources of clean energy; one of the highest rates of inward foreign direct investment in the G7; a growing population; high levels of fundamental research occurring in world-class universities and colleges; and a talented workforce that is among the most highly educated in the world. Canada boasts one of the fastest-growing employment bases for high-tech jobs, and with the right investments, has the potential to become a world leader in technology and innovation.

In the face of uncertainty, business investment can be paralyzed by a "wait-and-see" approach. But to succeed in an uncertain world, Canada must invest in its future now, or risk falling behind. Over the medium term, investments that expand Canada's supply capacity will allow the economy to grow while mitigating future inflationary pressures.

Budget 2022's investments in housing, immigration, and skills will be key to growing and maintaining a strong, diverse, and talented workforce. Investments in growth—including clean growth—and innovation will be central to building Canada's industries and economy of tomorrow. And together, these investments will help build a resilient and sustainable economy that strengthens the middle class, and leaves no one behind.

Chart 28
Average Potential Annual Growth in Real GDP per capita, Selected OECD Countries, 2020-2060



Note: The 2020-2060 annual growth rate reflects the weighted average of growth for the 2020-30 and 2030-60 periods.
Sources: OECD (2021), "The Long Game: Fiscal Outlooks to 2060 Underline Need for Structural Reform"; Department of Finance Canada calculations.

The stakes are high. Most Canadian businesses have not invested at the same rate as their U.S. counterparts. Unless this changes, the OECD projects that Canada will have the lowest per-capita GDP growth among its member countries (Chart 28). By working to bring Canada's projected growth rate up to the OECD average, we could add more than $4,000 (in 2019 dollars) to the annual income of the median family with children by 2030.

Investing in Long-Term Economic Growth

The government is committed to investing in the health of the Canadian economy and making life more affordable for Canadians. This means investments in areas like the transition to a low-carbon economy and business innovation that will increase productivity and help to contain inflation going forward.

Boosting the supply side of the economy is one of the key ways to mitigate inflation. Expanding the supply capacity of the economy requires investments that grow the labour force, improve workers' skills and increase the stock of productive capital (buildings, machinery, equipment, software, intellectual property, etc.). Canada must prioritize such investments in order to surmount the fundamental economic challenges it faces over the longer-term.

It takes time before investment actually boosts economic supply. While investment may add to demand in the short-term, improved prospects for future supply will help to keep inflation expectations in check. This directly addresses the biggest threat to price stability today: the risk that elevated inflation becomes entrenched in expectations. When businesses expect that increases in their costs will be moderate, they do not feel the same need to raise prices to sustain profit margins.

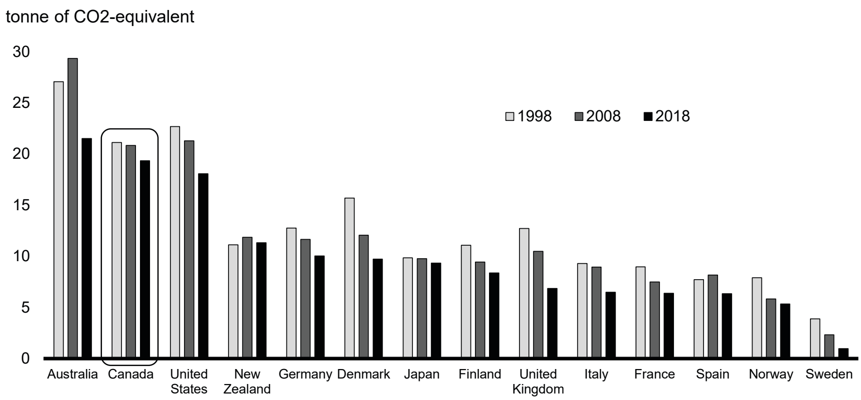
The government has already made important supply-side investments. The investment in Early Learning and Child Care, which is expected to yield a material increase in labour-force participation, is one important example. Budget 2022 redoubles the focus on expanding supply capacity with investments to grow and maintain our talented and diverse workforce through immigration and skills development; facilitate the transition to a low-carbon economy; drive innovation and business growth; and make our cities more competitive by expanding the supply of housing.

Investing in a Green Transition That Will Support Jobs and Growth

Canada has among the highest per-capita greenhouse gas (GHG) emissions in the world (Chart 29). In part, this reflects the role that the resource sector plays in Canada's economy, with the share of investment attributable to oil, gas, and mining being ten times the average of other G7 countries. Canada's vast geography and seasonality also contribute to energy-intensive housing and transportation needs.

Carbon pricing is an important part of driving Canada towards a cleaner economy. But to reduce Canada's emissions, and ensure our economy is competitive in an increasingly green world, significant investments are also needed, from both government and private capital. This includes investment in the development and usage of clean technologies that are needed to grow Canada's supply capacity while reducing emissions. Leading into the pandemic, growth in Canada's clean technology sector had been outpacing growth in the rest of the economy. Building on these strengths would allow Canada to prosper through the transition to net-zero and create good jobs. But uncertainty about how the global transition will unfold is hampering this investment. To address this, the government is taking action to help mobilize readily available private capital to invest in Canada's capacity to ensure that Canada's workers and businesses prosper in the green transition. The goals are both to achieve net-zero *and* to build the new low-carbon industries we will need as engines for future growth.

Chart 29
Greenhouse Gas Emissions per Capita



Source: Climate Watch, United Nations Framework Convention on Climate Change Annex I dataset.

Investing in Our Economic Capacity and Security

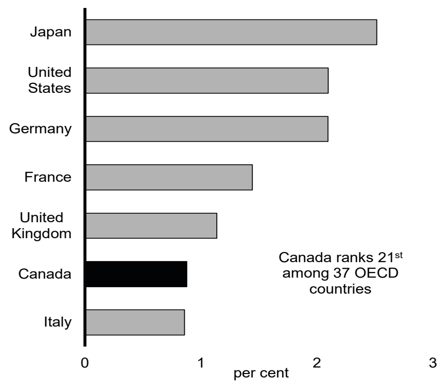
While Canada and Canadians have benefited from higher rates of labour force participation and employment compared to our international peers, we have not done as well in keeping up with the changes in technology and innovation that improve productivity.

Labour productivity growth in Canada has slowed from about 2.7 per cent in the 1960s and 1970s to less than 1 per cent today. Technology has been a key driver of productivity and supply-driven economic growth. However, Canada has lagged behind other advanced economies in investing in and adopting new and innovative technologies (Charts 30 and 31). The rates of investment in Information and Communications Technology (ICT) equipment and R&D in Canada are only about half the U.S. levels.

Importantly, Canada is highly exposed to global economic developments, with trade as a share of GDP second only to Germany among G7 countries. This means investment in Canada is often aimed at producing for the global market. In recent years, trade and geopolitical tensions have strained the rules-based global trading system. Ensuring stable trade relations will continue to be important for investment in Canada. At the same time, an uncertain world creates opportunities for a stable democracy like Canada to supply energy and other critical goods to the world.

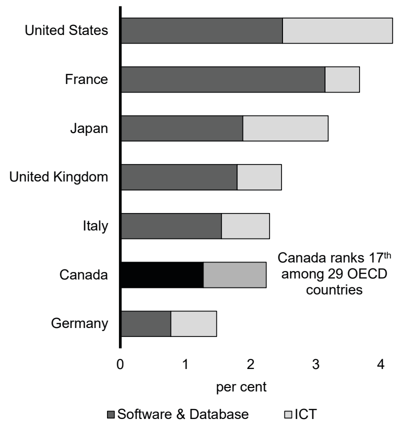
In response to recent developments and emerging opportunities in the global economy, the government will act to improve business investment in innovation and technology and help Canadian businesses to grow and strengthen Canada’s critical supply chains, and its ability to produce strategic commodities.

Chart 30
Business Expenditures on Research and Development as Share of GDP, G7 Countries, Average 2015-19



Sources: OECD Main Science and Technology Indicators; Department of Finance Canada calculations.

Chart 31
ICT Hardware, Software, and Database Investment as Share of GDP, G7 Countries, Average 2015-19



Notes: ICT is Information and Communications Technology. Average share between 2015 and 2019. Calculations based on constant dollar values of investment and GDP.
Sources: OECD Annual National Accounts; Department of Finance Canada calculations.

Investing in an Inclusive Workforce

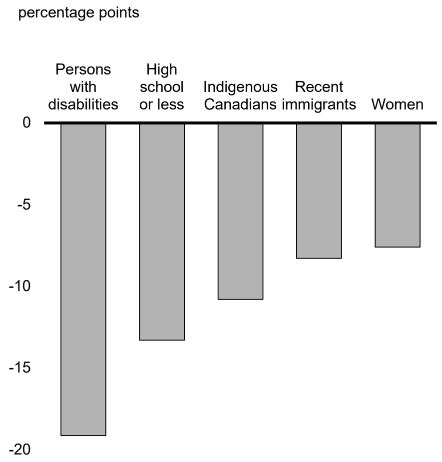
While the government's COVID-19 economic response plan has been successful in getting Canadians back to work, over the long term, population aging may weigh on labour force growth and the economy's capacity to supply goods and services. It will, therefore, become critical to improve labour market participation of under-represented segments of the population (Chart 32).

The government's significant investment in early learning and child care is a major step in this direction and it is expected to result in a marked improvement in labour market participation by women with children. The evidence from Quebec—which began building a universal early learning and child care network in 1997—is clear. In 1997, the women's labour force participation rate in Quebec was 4 percentage points lower than the rest of Canada. Today it is 4 points higher than the rest of Canada.

Immigration will be another key driver of workforce growth in Canada. Already, more than one in four workers are foreign-born. As the Canadian population ages, immigration is expected to account for an increasingly large share of the labour force (Chart 33).

Chart 32

Gap in Labour Force Participation Relative to Men, Selected Groups, 2021

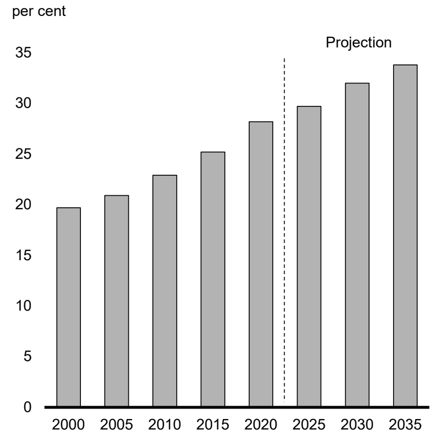


Note: Participation rates for 2021, except for Canadians with disabilities (2017). Recent immigrants are those who came to Canada in the last five years. Indigenous Canadians only includes those living off reserve and in the provinces. 25-54 years of age for all.

Sources: Statistics Canada; Department of Finance Canada calculations.

Chart 33

Foreign-Born Share of Labour Force, 2000-2035



Note: The projection is based on the medium-growth scenario.

Source: Martel, L. (2019), "The Labour Force in Canada and Its Regions: Projections to 2036," Statistics Canada; Department of Finance Canada calculations

Chapter 1
Making Housing More Affordable

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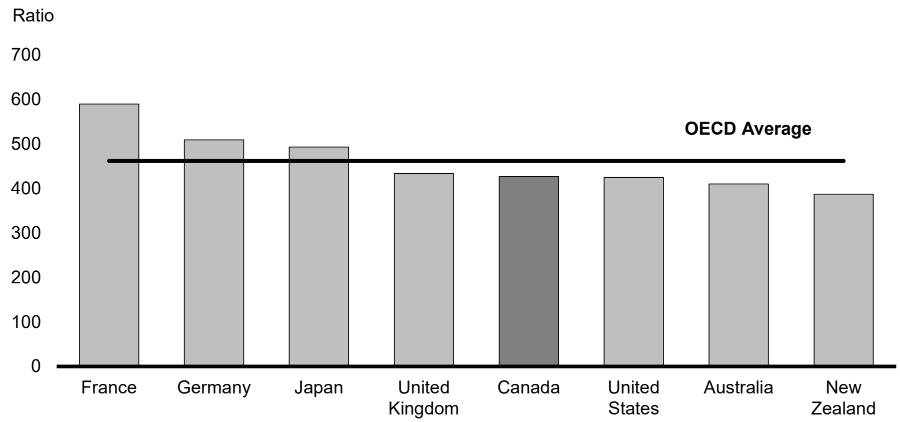
Everyone should have a safe and affordable place to call home.

But that goal—one that was taken as a given for previous generations—is increasingly out of reach for far too many Canadians. Young people cannot imagine being able to afford the house they grew up in. Foreign investors and speculators are buying up homes that should be for Canadians to own. Rents in our major cities continue to climb, pushing people further and further away from where they work.

All of this has an impact on our economy, too. In cities and communities across the country, a lack of affordable housing makes it more difficult to attract the workers that businesses need. Increasing our housing supply will make Canada more competitive in the global race for talent and investment. It will help make sure that our economy can continue to grow in the years to come.

Chart 1.1
Number of Homes per 1,000 Persons, Selected OECD Countries



Note: This chart is for illustrative purposes only, and does not reflect the approach used to calculate supply gaps. Organisation for Economic Co-operation and Development (OECD) average is 462 homes per 1,000 persons.
Source: OECD Questionnaire on Affordable and Social Housing (2021).

There are a number of factors that are making housing more expensive, but the biggest issue is supply. Put simply, Canada is facing a housing shortage—we have a lower number of homes per person than many OECD countries. Increasing our housing supply will be key to making housing more affordable for everyone.

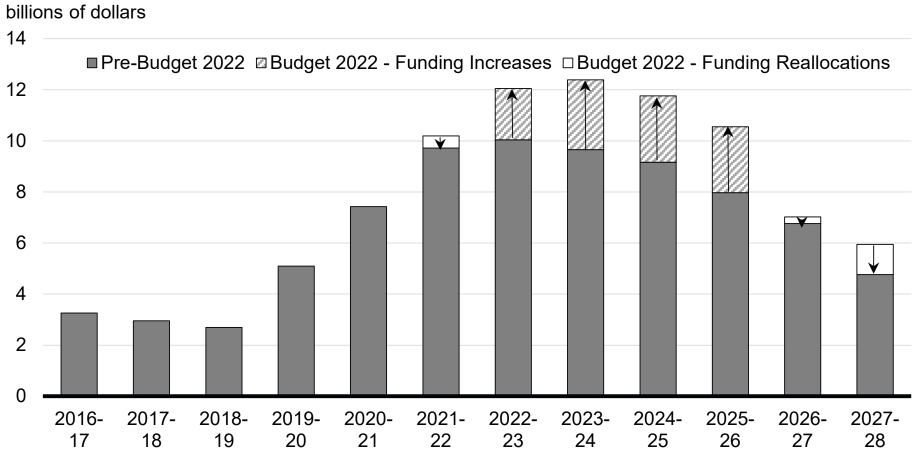
To fill the gap that already exists—and to keep up with our growing population over the next decade—Finance Canada and the Canada Mortgage and Housing Corporation estimate that Canada will need to build at least 3.5 million new homes by 2031. To reach that number, significant steps have to be taken today.

In a given year, Canada constructs about 200,000 new housing units—standalone houses, individual condos, and other types of homes alike. While annual construction has increased in recent years, it is not enough to address affordability challenges and keep up with the housing demands of a growing population. To meet these housing needs, Canada will need to double our current rate of new construction over the next decade.

Neither the federal government nor developers can solve this issue alone—provincial, territorial, and municipal governments also have a significant role to play.

Budget 2022 proposes measures that—in partnership with steps that must be taken by other orders of government—will put Canada on the path to double our construction of new housing and meet Canada's housing needs over the next decade.

Chart 1.2
Federal Housing Investments



Note: Amounts for 2016-17 until 2020-21 are actuals, as available. Amounts for 2021-22 onwards are estimates. Amounts are on a cash basis. Budget 2022 reflects the net impact of new funding, and reallocations of existing funding. Amounts include affordable housing and homelessness programming, including the National Housing Strategy, as well as energy efficiency programs delivered through Natural Resources Canada. Due to data limitations, energy efficiency programs may include support for non-residential buildings as well. Amounts do not include: tax measures; cost-matching provided by provinces and territories; or distinctions-based housing investments delivered by Indigenous Services Canada, Crown-Indigenous Relations and Northern Affairs Canada, or on reserve renovation and retrofit support provided through the Canada Mortgage and Housing Corporation.

Budget 2022 measures that will build more homes and make housing more affordable across the country include:

- Putting Canada on the path to double our housing construction over the next decade;
- Helping Canadians buy their first home;
- Protecting buyers and renters;
- Curbing unfair practices that drive up the price of housing; and
- Continuing to fight homelessness and support housing affordability, particularly for the most vulnerable.

In addition to these measures, Budget 2022 proposes additional funding to address housing needs of Indigenous peoples, as detailed in Chapter 7.

Key Ongoing Actions

The federal government is already on track by 2027-28 to deliver more than $72 billion in financial support through the National Housing Strategy, in addition to other measures that will make housing more affordable. Actions underway since 2015 include:

- ✓ More than $42 billion in federal support for the construction and repair of rental housing, affordable housing, and shelters;
- ✓ More than $15 billion in joint funding with provinces and territories, including for the Canada Housing Benefit to provide direct rent assistance;
- ✓ More than $11 billion in support for community and social housing;
- ✓ More than $2.7 billion in distinctions-based support for housing in Indigenous communities;
- ✓ More than $3 billion for *Reaching Home: Canada's Homelessness Strategy*, and a commitment to eliminate chronic homelessness by 2030; and
- ✓ Tabling legislation that would implement Canada's first national vacant housing tax on non-Canadian, non-resident owners.

Figure 1.1
National Housing Strategy Initiatives and Investments Committed

1.1 Building Affordable Homes

Every order of government has a role to play in building more homes and making housing more affordable for Canadians. Provinces and territories oversee the frameworks guiding land use, planning, and their targets for increasing the number of new homes. Municipalities implement policies in a manner best suited to their communities.

To help double our rate of construction over the next ten years, make our housing and building stock more environmentally friendly, and address homelessness, the federal government is proposing a range of measures that will:

- Incentivize cities to build more homes and create denser, more sustainable neighbourhoods to increase housing supply;
- Support those in need of affordable housing by building new affordable units faster;
- Create a new generation of co-op housing through the largest investment in new co-op housing in more than 30 years;
- Accelerate retrofits and build more net-zero homes in communities across Canada so that people can save on energy bills; and
- Support those experiencing or at risk of homelessness by continuing to provide doubled annual funding for *Reaching Home*; building new affordable units for the most vulnerable; continuing work to end chronic homelessness; and introducing a new program to combat veteran homelessness.

Launching a New Housing Accelerator Fund

To make housing more affordable, more housing needs to be built. Building more housing will require investments, but it will also require changes to the systems that are preventing more housing from being built.

The federal government's goal is to incentivize the cities and towns that are stepping up to get more housing built, while also ensuring that municipalities are able to get the support they need to modernize and build new homes.

- Budget 2022 proposes to provide $4 billion over five years, starting in 2022-23, to the Canada Mortgage and Housing Corporation to launch a new Housing Accelerator Fund. The fund will be designed to be flexible to the needs and realities of cities and communities, and could include support such as an annual per-door incentive for municipalities, or up-front funding for investments in municipal housing planning and delivery processes that will speed up housing development. Its focus will be on increasing supply, but government supports will be targeted to ensure a balanced supply that includes a needed increase to the supply of affordable housing.

This new fund will target the creation of 100,000 net new housing units over the next five years.

The Housing Accelerator Fund will have a flexible single application system, and will still allow municipalities to access other related programs. The federal government will ensure that the program also takes into account smaller and rural communities that are growing quickly, like those in Atlantic Canada and northern Ontario.

Using Infrastructure Funding to Encourage More Home Construction

Every year, the federal government provides significant amounts of funding to provinces, territories, and municipalities to help them deliver important public infrastructure projects. At the same time, there is not enough housing being built to keep up with the needs of Canadians.

A coordinated approach, involving all orders of government, is required to ensure public spending is working to build more of the homes Canadians need.

- To this end, Budget 2022 signals the government's intention to create flexibility within federal infrastructure programs to tie access to infrastructure funding to actions by provinces, territories, and municipalities to increase housing supply where it makes sense to do so. This flexibility would be included within the Canada Community-Building Fund, when its current administrative agreements with provinces and territories are renewed; and other future infrastructure programs.

Together with the new Housing Accelerator Fund, this represents nearly $43 billion in new and existing federal funding over the next ten years that will be leveraged to encourage the construction of more homes for Canadians across the country.

Leveraging Transit Funding to Build More Homes

The pandemic has had an extraordinary impact on public transit ridership and the revenues that municipalities count on. On March 25, 2022, the government tabled a bill to authorize up to $750 million in 2021-22 to support municipalities as they address their public transit shortfalls.

To increase the impact of this investment, the proposed funding will be conditional on provincial and territorial governments committing to match the federal contribution and to accelerate their work with their municipalities to build more homes for Canadians.

Rapidly Building New Affordable Housing

Additional affordable housing units are urgently needed, particularly for those experiencing or at risk of homelessness. To ensure that more affordable housing can be built quickly, the government is proposing to extend the Rapid Housing Initiative for a third round.

- Budget 2022 proposes to provide $1.5 billion over two years, starting in 2022-23, to the Canada Mortgage and Housing Corporation to extend the Rapid Housing Initiative. This new funding is expected to create at least 6,000 new affordable housing units, with at least 25 per cent of funding going towards women-focused housing projects.

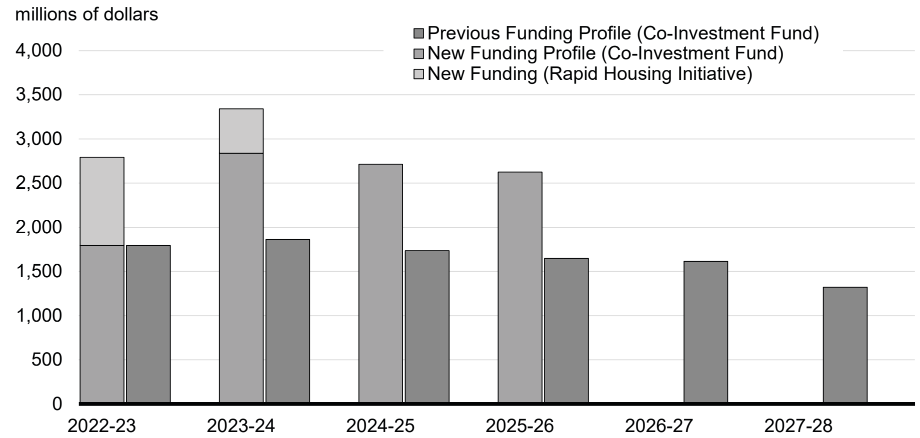
Speeding Up Housing Construction and Repairs for Vulnerable Canadians

Over the last five years, the National Housing Co-Investment Fund has supported the construction and repair of 108,000 housing units for the most vulnerable Canadians. Projects like shelters, homes for seniors and persons with disabilities, and supportive housing account for 75 per cent of units committed to so far, with demand for those units exceeding supply. To protect housing affordability tomorrow, the government is accelerating its investments today.

- Budget 2022 proposes to advance $2.9 billion in funding, on a cash basis, under the National Housing Co-Investment Fund, so that all remaining funds will be spent by 2025-26. This will accelerate the creation of up to 4,300 new units and the repair of up to 17,800 units for the Canadians who need them most.

Taking lessons from the Rapid Housing Initiative, the National Housing Co-Investment Fund will be made both more flexible and easier to access, including with more generous contributions and faster approvals.

Chart 1.3
New Rapid Housing Initiative Spending and National Housing Co-Investment Funding Profile



Note: The chart above is on a cash basis whereas the tables at the end of the chapter are presented on an accrual basis. The accrual figures assume that loans are repaid. Figures also include the $500 million that will be reallocated from the National Housing Co-Investment Fund to support a new Co-operative Housing Development Program.

Building More Affordable and Energy Efficient Rental Units

The Rental Construction Financing Initiative (RCFI) incentivizes the construction of new rental housing by offering low-interest loans and mortgage insurance to those building more rental housing in areas where it is needed most.

- Budget 2022 announces the government's intent to reform the Rental Construction Financing Initiative by strengthening its affordability and energy efficiency requirements. Developers who significantly exceed these requirements and build highly affordable and energy efficient units will be eligible to have a portion of their repayable loans converted to non-repayable loans.

Budget 2022 also announces that the RCFI will target a goal of having at least 40 per cent of the units it supports provide rent equal to or lower than 80 per cent of the average market rent in their local community. These new requirements and incentives under a more ambitious Rental Construction Financing Initiative will ensure that rental units built through this program are more affordable, that people can reduce pollution and save on energy bills, and that Canada continues to make progress towards meeting our climate projections.

Direct Support for those in Housing Need

The Canada Housing Benefit was co-developed with provinces and territories and launched in 2020 with joint funding of $4 billion over eight years. It provides direct financial support to Canadians who are experiencing housing need. However, as part of its broader efforts to make life more affordable for Canadians, the government recognizes that many are in need of additional assistance. To support those struggling with housing costs:

- Budget 2022 proposes to provide $475 million in 2022-23 to provide a one-time $500 payment to those facing housing affordability challenges. The specifics and delivery method will be announced at a later date.

A New Generation of Co-Operative Housing Development

For generations, co-ops have offered quality, affordable housing to Canadians, while empowering their members through inclusion, personal development, and security of tenure through their community-oriented model of housing. While co-ops are home to approximately a quarter of a million Canadians, not enough have been built in recent years.

- Budget 2022 proposes to reallocate $500 million of funding on a cash basis from the National Housing Co-Investment Fund to launch a new Co-operative Housing Development Program aimed at expanding co-op housing in Canada. This new program will be co-designed with the Co-operative Housing Federation of Canada and the co-operative housing sector.
- Budget 2022 also proposes an additional $1 billion in loans to be reallocated from the Rental Construction Financing Initiative to support co-op housing projects.

With the largest investment in building new co-op housing for more than 30 years, an estimated 6,000 units will be constructed.

Affordable Housing in the North

Canada's Northern communities face unique housing needs due to higher construction costs, shorter construction seasons, infrastructure gaps, and the effects of climate change that are increasing as the North has been warming at roughly three times the global warming rate. The federal government is continuing to work with partners across Yukon, the Northwest Territories, and Nunavut to address the issues of housing availability and quality that disproportionately affect Northerners.

- Budget 2022 proposes to provide $150 million over two years, starting in 2022-23, to support affordable housing and related infrastructure in the North. Of this amount, $60 million would be provided to the Government of Nunavut; $60 million to the Government of the Northwest Territories; and $30 million to the Government of Yukon.

Multigenerational Home Renovation Tax Credit

Many Canadians have traditions of living together in multigenerational homes, with grandparents, parents, and children under one roof. For some families across the country, having different generations living together—an elderly grandparent with their daughter's family or a son with a disability with their parents—can be an important way for them to care for each other.

- To support these families, Budget 2022 proposes to introduce a Multigenerational Home Renovation Tax Credit, which would provide up to $7,500 in support for constructing a secondary suite for a senior or an adult with a disability.

Starting in 2023, this refundable credit would allow families to claim 15 per cent of up to $50,000 in eligible renovation and construction costs incurred in order to construct a secondary suite.

Greener Buildings and Homes

Buildings and homes are the third-largest source of greenhouse gas emissions in Canada, accounting for approximately 12 per cent of Canada's emissions. Since 2016, the federal government has dedicated more than $10 billion towards decarbonizing homes and buildings, and incenting energy efficient retrofits. To achieve Canada's goal of net-zero emissions by 2050, the scale and pace of retrofitting buildings in Canada must increase. To this end, the federal government will develop a national net-zero by 2050 buildings strategy, working with provinces, territories, and other partners to accelerate both retrofits of existing buildings, and the construction of buildings to the highest zero carbon standards.

- Budget 2022 proposes to provide $150 million over five years, starting 2022-23, to Natural Resources Canada to develop the Canada Green Buildings Strategy. The strategy will include initiatives to further drive building code reform; to accelerate the adoption and implementation of performance-based national building codes; to promote the use of lower carbon construction materials; and to increase the climate resilience of existing buildings.
- Budget 2022 proposes to provide $200 million over five years, starting in 2022-23, to Natural Resources Canada to create the Deep Retrofit Accelerator Initiative, which will provide support for retrofit audits and project management for large projects to accelerate the pace of deep retrofits in Canada, including a focus on low-income affordable housing.

Establishing a Greener Neighbourhood Pilot Program

More than two thirds of buildings that will be standing in Canada in 2050 have already been built today, and many of them need to be retrofitted to make them more sustainable.

The *Energiesprong* model, adopted by Netherlands, the United Kingdom, France, Germany, and the United States, accelerates the pace and scale of retrofits by aggregating homes and buildings in an entire neighbourhood and retrofitting them all at the same time. This support for community-level home retrofits aligns with the Net-Zero Advisory Body's recommendation to seek out opportunities to decarbonize multiple buildings at once.

- Budget 2022 proposes to provide $33.2 million over five years, starting 2022-23, to Natural Resources Canada, including $6 million from the Green Infrastructure – Energy Efficient Buildings Program to implement a Greener Neighbourhoods Pilot Program in up to six community housing neighbourhoods to pilot "Energiesprong" model in Canada.

Greener Construction in Housing and Buildings

Guidance, standards, and research are all needed to support innovations like the development of lower-carbon building materials and more energy efficient processes for retrofitting homes.

- Budget 2022 proposes to provide $183.2 million over seven years, starting in 2022-23, with $8.5 million in remaining amortization, and $7.1 million ongoing to the National Research Council to conduct research and development on innovative construction materials and to revitalize national housing and building standards to encourage low-carbon construction solutions.

Greener Affordable Housing

Budget 2021 announced $4.4 billion on a cash basis to create the Canada Greener Homes Loan program, of which a portion will be used to make existing affordable housing more energy efficient, which will also help to lower energy bills.

- Budget 2022 proposes to provide an additional $458.5 million over the program duration, starting in 2022-23, to the Canada Mortgage and Housing Corporation to provide low-interest loans and grants to low-income housing providers as part of the low-income stream of the Canada Greener Homes Loan program.

Long-Term Supports to End Homelessness

Every Canadian should have a safe place to call home, but for too many, including Indigenous peoples, persons with disabilities, and veterans, that still isn't a reality. Thousands of Canadians do not have a warm place to sleep at the end of the day, and during the pandemic, have had to choose between the cold of the streets and the crowding of shelters.

Through *Reaching Home: Canada's Homelessness Strategy,* the federal government has committed more than $3 billion to address homelessness, including doubling annual funding for four years in response to the pandemic.

The government remains committed to ending chronic homelessness, and is proposing significant additional investments that will help make continued progress towards that goal.

- Budget 2022 proposes to provide $562.2 million over two years, beginning in 2024-25, for Infrastructure Canada to continue providing doubled annual funding for *Reaching Home.* This funding will provide longer term certainty for the organizations doing vitally important work across the country and ensure that our communities have the support they need to continue to prevent and address homelessness.

Improving Community Responses to Homelessness

Reaching Home provides vital support to community efforts to support those experiencing homelessness. However, no community or organization can prevent or end homelessness on its own. Making sure that everyone has a safe place to call home is a goal that different organizations and orders of governments share, and there is a need to ensure communities have access to all of the knowledge and tools they need to effect change.

- Budget 2022 proposes to provide $18.1 million over three years, starting in 2022-23, to Infrastructure Canada to conduct research about what further measures could contribute to eliminating chronic homelessness.

A New Veteran Homelessness Program

The government is also taking action to address the fact that thousands of veterans experience homelessness every year. They have served Canada with our flag on their shoulder, and they deserve a safe place to call home.

Budget 2021 announced $45 million for a pilot program aimed at reducing veteran homelessness. To ensure that long-term support is in place, the government now intends to move directly to the launch of a targeted program.

- Budget 2022 proposes to provide $62.2 million over three years, beginning in 2024-25, for Infrastructure Canada, with support from Veterans Affairs Canada, to launch a new Veteran Homelessness Program that will provide services and rent supplements to veterans experiencing homelessness in partnership with community organizations.

1.2 Helping Canadians Buy Their First Home

From big cities to small towns, the cost of owning a home continues to rise. Young people are finding it more and more difficult to imagine buying a one-bedroom condo—to say nothing of a three-bedroom house. Many of those who've been saving for years are being pushed further and further away from where they work in order to find something they can afford.

To help address this, Budget 2022 is proposing a series of new measures to support first-time home buyers and help make the path to ownership a reality for renters.

A Tax-Free First Home Savings Account

As home prices climb, so too does the cost of a down payment. This represents a major barrier for many looking to own a home—especially young people. To help Canadians save for their first home:

- Budget 2022 proposes to introduce the Tax-Free First Home Savings Account that would give prospective first-time home buyers the ability to save up to $40,000. Like an RRSP, contributions would be tax-deductible, and withdrawals to purchase a first home—including investment income—would be non-taxable, like a TFSA. Tax-free in, tax-free out.

The government intends to work with financial institutions to ensure that a Tax-Free First Home Savings Account could be opened and contributed to in 2023.

It is estimated that the Tax-Free First Home Savings Account would provide $725 million in support over five years.

Matthew and Taryn are aspiring homeowners living together. Starting in 2023, they each save $8,000 per year (the annual maximum) in their Tax-Free First Home Savings Account and are able to deduct this from their income. They both make between $50,000 and $100,000, and the Tax-Free First Home Savings Account allows them each to receive an annual federal tax refund of $1,640.

Matthew and Taryn have a combined $90,000 (including tax-free investment income) in their Tax-Free First Home Savings Account at the end of 2027, when they finally find their ideal first home.

By using the Tax-Free First Home Savings Account, Matthew and Taryn are finally able to afford a down payment to buy their first home. They can withdraw their down payment tax-free, saving thousands of dollars that can be put towards their new home. In addition, they will claim the doubled First-Time Home Buyers' Tax Credit, providing an additional $1,500 in tax relief.

Doubling the First-Time Home Buyers' Tax Credit

The government recognizes that the significant closing costs associated with purchasing a home can be a hurdle for first-time home buyers, and the First-Time Home Buyers' Tax Credit is intended to provide support to Canadians buying their first home whether it be in a rural, suburban, or urban community.

- Budget 2022 proposes to double the First-Time Home Buyers' Tax Credit amount to $10,000. The enhanced credit would provide up to $1,500 in direct support to home buyers.

This measure would apply to homes purchased on or after January 1, 2022.

An Extended and More Flexible First-Time Home Buyer Incentive

To make it more affordable for people to buy their first home, the federal government introduced the First-Time Home Buyer Incentive, which allows eligible first-time home buyers to lower their borrowing costs by sharing the cost of buying a home with the government.

- To help more Canadians purchase their first home, Budget 2022 announces an extension of the First-Time Home Buyer Incentive to March 31, 2025, and that the government is exploring options to make the program more flexible and responsive to the needs of first-time home buyers, including single-led households.

Supporting Rent-to-Own Projects

Many Canadians rent because they value the flexibility that comes with it. Others rent before they plan to buy their own home, but for those working towards ownership, rising home prices are pushing down payments further out of reach. Rent-to-own arrangements can help alleviate that barrier by providing more time and support to renters on the path to homeownership, and by allowing them to live and grow in their homes.

- To help develop and scale up rent-to-own projects across Canada, Budget 2022 proposes to provide $200 million in dedicated support under the existing Affordable Housing Innovation Fund. This will include $100 million to support non-profits, co-ops, developers, and rent-to-own companies building new rent-to-own units.

This investment will provide opportunities for Canadians to get on the path to homeownership earlier, while also encouraging new housing supply that supports affordability for renters and prospective homeowners.

Examples of eligible projects, which must include safeguards and robust consumer protections, could include the repair and renewal of housing for rent-to-own purposes, innovative financing models, and programming that assists rent-to-own participants in preparing for homeownership.

1.3 Protecting Buyers and Renters

Buying a home is often the most significant financial decision that someone will make in their life. However, some real estate practices are putting even more pressure on home buyers and leaving them questioning whether or not they paid too much for their home.

Moving Forward on a Home Buyers' Bill of Rights

Unfair practices like blind bidding or asking buyers to waive their right to a home inspection can make the process of buying a home even more stressful for too many Canadians. To help level the playing field for young and middle class Canadians, the government will take steps to make the process of buying a home more open, transparent, and fair.

- Budget 2022 announces that the Minister of Housing and Diversity and Inclusion will engage with provinces and territories over the next year to develop and implement a Home Buyers' Bill of Rights and bring forward a national plan to end blind bidding. Among other things, the Home Buyers Bill of Rights could also include ensuring a legal right to a home inspection and ensuring transparency on the history of sales prices on title searches.
- To support these efforts, Budget 2022 proposes to provide $5 million over two years, starting in 2022-23, to the Canada Mortgage and Housing Corporation.

Housing for Canadians, Not for Big Corporations

Housing should be for Canadians to use as homes.

However, in recent years, the significant increase in housing prices has led to large investors acquiring a larger portfolio of residential housing. There is a concern that this concentration of ownership in residential housing can drive up rents and house prices, and undercut the important role that small, independent landlords play. Many believe that this trend has also led to a rise in "renovictions", when a landlord pressures and persuades their tenants to leave, or is formally permitted to evict them to make extensive renovations in order to raise rents.

To address these concerns:

- Budget 2022 announces a federal review of housing as an asset class, in order to better understand the role of large corporate players in the market and the impact on Canadian renters and homeowners. This will include the examination of a number of options and tools, including potential changes to the tax treatment of large corporate players that invest in residential real estate. Further details on the review will be released later this year, with potential early actions to be announced before the end of the year.

1.4 Curbing Foreign Investment and Speculation

Increasing our housing supply will help make housing more affordable, but it isn't the only solution.

There is concern that foreign investment, property flipping and speculation, and illegal activity are driving up the cost of housing in Canada. The government has an important role to play in tackling these issues.

Budget 2022 proposes new measures that will ban foreign investment in residential real estate, crack down on illegal activity in our housing market, and make sure that property flippers and speculators are paying their fair share of tax.

A Ban on Foreign Investment in Canadian Housing

For years, foreign money has been coming into Canada to buy residential real estate. This has fueled concerns about the impact on costs in cities like Vancouver and Toronto and worries about Canadians being priced out of the housing market in cities and towns across the country.

- To make sure that housing is owned by Canadians instead of foreign investors, Budget 2022 announces the government's intention to propose restrictions that would prohibit foreign commercial enterprises and people who are not Canadian citizens or permanent residents from acquiring non-recreational, residential property in Canada for a period of two years.

Refugees and people who have been authorized to come to Canada under emergency travel while fleeing international crises would be exempted. International students on the path to permanent residency would also be exempt in certain circumstances, as would individuals on work permits who are residing in Canada.

The government will continue to monitor the impact that foreign money is having on housing costs across Canada and may come forward with additional measures to strengthen the enforcement of the proposed ban if necessary. Non-resident, non-Canadians who own homes that are being underused or left vacant would be subject to the Underused Housing Tax once it is in effect.

Making Property Flippers Pay Their Fair Share

Property flipping—buying a house and selling it for much more than what was paid for it just a short time prior—can unfairly lead to higher housing prices, and some people who engage in property flipping may be improperly reporting their profits to pay less tax.

- Budget 2022 proposes to introduce new rules to ensure profits from flipping properties are taxed fully and fairly. Specifically, any person who sells a property they have held for less than 12 months would be considered to be flipping properties and would be subject to full taxation on their profits as business income. Exemptions would apply for Canadians who sell their home due to certain life circumstances, such as a death, disability, the birth of a child, a new job, or a divorce. Exemptions will be set in forthcoming rules and Canadians will be consulted on the draft legislative proposals.

This new measure will ensure that investors who flip homes pay their fair share, while protecting the current, vitally important, principal residence exemption for Canadians who use their houses as homes.

The measure would apply to residential properties sold on or after January 1, 2023.

Taxing Assignment Sales

Homes should be for people to live in, not commodities to be traded and profited upon by housing speculators. Speculative trading in the Canadian housing market contributes to higher prices for Canadians. Speculative trading can include the resale of housing before it has even been constructed or lived in. This is called an “assignment sale.”

Currently, when a person makes a new home assignment sale, Goods and Services Tax/Harmonized Sales Tax (GST/HST) may or may not apply, depending on the reason for purchasing the home. For example, GST/HST does not apply if the buyer initially intended to live in the home.

This creates an opportunity for speculators to be dishonest about their original intentions, and uncertainty for everyone involved in an assignment sale as to whether GST/HST applies. The current rules also result in the uneven application of GST/HST to the full and final prices of new homes.

- To address these issues, Budget 2022 proposes to make all assignment sales of newly constructed or substantially renovated residential housing taxable for GST/HST purposes, effective May 7, 2022.

Protecting Canadians From Money Laundering in the Mortgage Lending Sector

In recent years, there has been a growth in mortgages issued by lending businesses not regulated under the national anti-money laundering and anti-terrorist financing rules that apply to other financial institutions, such as banks. This puts many middle class Canadians, and their most important investment, at financial risk.

- To help prevent financial crimes in the real estate sector, the federal government is announcing its intention to extend anti-money laundering and anti-terrorist financing requirements to all businesses conducting mortgage lending in Canada within the next year.

This will limit the exploitation of the real estate market by criminals, which can affect housing affordability across the country.

Chapter 1

Making Housing More Affordable
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
1.1. Building Affordable Homes	**750**	**1,813**	**2,030**	**1,789**	**1,864**	**637**	***8,883***
Launching a New Housing Accelerator Fund	0	150	925	925	1,000	1,000	*4,000*
Leveraging Transit Funding to Build More Homes[1]	750	0	0	0	0	0	*750*
Rapidly Building New Affordable Housing	0	1,000	500	0	0	0	*1,500*
Speeding Up Housing Construction and Repairs for Vulnerable Canadians[2]	0	801	1,059	978	893	0	*3,730*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-801*	*-675*	*-595*	*-510*	*-576*	*-3,157*
Building More Affordable and Energy Efficient Rental Units	0	216	244	251	223	194	*1,128*
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*-216*	*-244*	*-251*	*-223*	*-194*	*-1,128*
Direct Support for those in Housing Need	0	475	0	0	0	0	*475*
A New Generation of Co-Operative Housing Development	0	6	34	78	74	0	*191*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-6*	*-34*	*-78*	*-74*	*0*	*-191*
Affordable Housing in the North	0	75	75	0	0	0	*150*
Multigenerational Home Renovation Tax Credit	0	5	25	25	25	25	*105*
Greener Buildings and Homes[3]	0	70	70	70	70	70	*350*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Establishing a Greener Neighbourhood Pilot Program[3]	0	2	8	11	8	4	*33*
Less: Funds Sourced From Existing Departmental Resources	*0*	*0*	*0*	*-4*	*-2*	*0*	*-6*
Greener Construction in Housing and Buildings[3]	0	17	24	28	31	28	*127*
Greener Affordable Housing[3]	0	49	39	75	72	85	*319*
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*-27*	*-26*	*-31*	*-28*	*-24*	*-136*
Long-Term Supports to End Homelessness	0	0	0	281	281	0	*562*
Improving Community Responses to Homelessness	0	8	8	2	0	0	*18*
A New Veteran Homelessness Program	0	0	0	13	24	24	*62*
Less: Year-Over-Year Reallocation of Funding	*0*	*-11*	*0*	*11*	*0*	*0*	*0*
1.2. Helping Canadians Buy Their First Home	**-17**	**124**	**180**	**345**	**350**	**355**	***1,338***
A Tax-Free First Home Savings Account	0	0	55	215	225	230	*725*
Doubling the First-Time Home Buyers' Tax Credit	30	125	130	130	130	130	*675*
An Extended and More Flexible First-Time Home Buyer Incentive	9	38	43	51	52	50	*242*
Less: Funds Sourced From Existing Departmental Resources	-55	-38	-48	-51	-57	-56	*-305*
Supporting Rent-to-Own Projects	0	22	24	24	25	26	*121*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-22*	*-24*	*-24*	*-25*	*-26*	*-121*
1.3. Protecting Buyers and Renters	**0**	**3**	**3**	**0**	**0**	**0**	***5***

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Moving Forward on a Home Buyers' Bill of Rights	0	3	3	0	0	0	*5*
1.4. Curbing Foreign Investment and Speculation	**0**	**-14**	**-25**	**-25**	**-25**	**-25**	***-114***
Making Property Flippers Pay Their Fair Share	0	-4	-15	-15	-15	-15	*-64*
Taxing Assignment Sales	0	-10	-10	-10	-10	-10	*-50*
Additional Investments – Making Housing More Affordable	**0**	**26**	**0**	**0**	**0**	**0**	***26***
Assisting Homeowners Affected by Pyrrhotite	0	26	0	0	0	0	*26*
Additional funding proposed for the Canada Mortgage and Housing Corporation to support homeowners in Quebec whose homes require remediation from damages to foundations caused by the mineral pyrrhotite.							
Chapter 1 - Net Fiscal Impact	**733**	**1,951**	**2,188**	**2,109**	**2,189**	**966**	***10,137***

Note: Numbers may not add due to rounding.
[1]Announced on February 17, 2022.
[2]An additional $573 million in outer year existing departmental resources will be advanced to support this measure.
[3] Announced in the *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy*, released on March 29, 2022.

Chapter 2
A Strong, Growing, and Resilient Economy

Chapter 2
A Strong, Growing, and Resilient Economy

The global economy is changing. Technology, globalization, and an historic effort to fight climate change are creating new industries and new jobs.

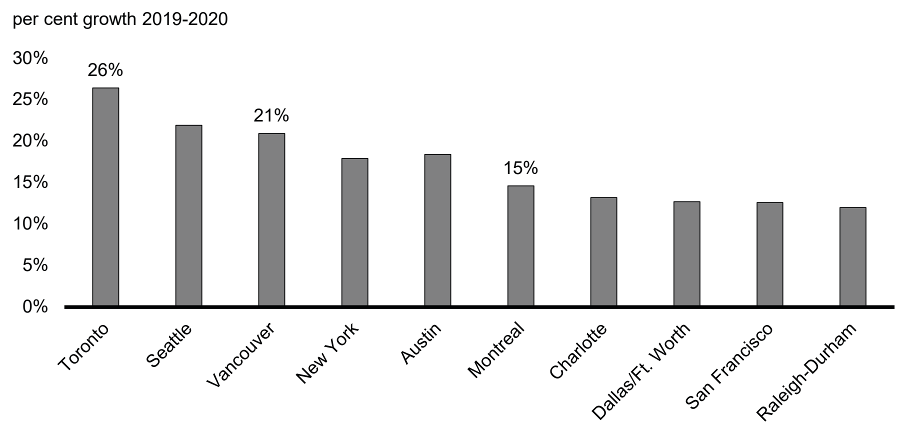
We can be leaders in the economy of today and tomorrow and Canadians can benefit from the good jobs and economic growth that will come with it. But to be leaders in tomorrow's economy, we need to make smart decisions today.

We need to attract more investment in the industries that are creating good middle class jobs for Canadians. We need to make our economy more resilient by strengthening our supply chains, ensuring our businesses can get their goods to market, and making sure Canadians are able to buy the products they need from around the world.

We need to make our economy more innovative and more productive and we need to make it easier for businesses, big and small, to invest, grow, and create jobs in Canada.

Canada is already home to some of the fastest growing markets for high-tech jobs in North America. Toronto—not Silicon Valley—led high-tech job growth from 2019 into 2020, and Vancouver outpaced New York City.

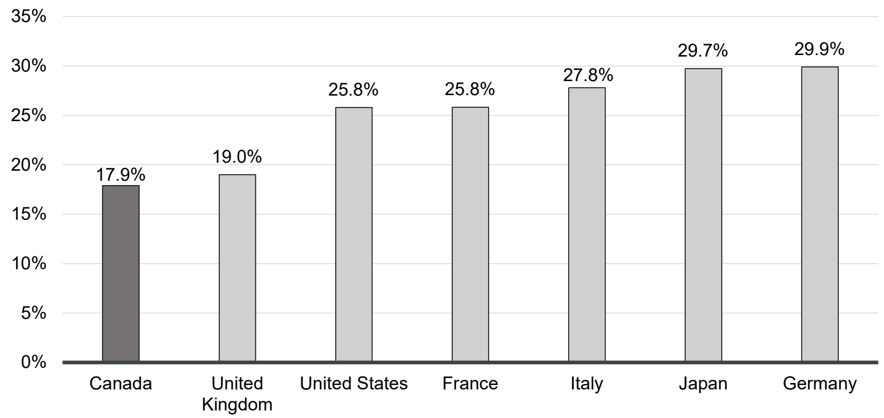
Chart 2.1
High Tech Job Growth



Source: CBRE Tech-30 2021

The corporate income tax rate reductions proposed in Budget 2021 for businesses that manufacture zero-emission technologies will give Canada the lowest combined federal-provincial-territorial average tax rate in the G7. This makes us an attractive destination for business investment in the clean technology sector—a sector that is getting larger and more valuable every day.

Chart 2.2
Statutory Corporate Income Tax Rates for Zero-Emission Technology Manufacturing and Processing, G7 Countries



Notes: Statutory rates are the weighted average or representative combined federal and provincial/state/regional rate, including surtaxes where applicable.
Tax rates are for 2022 and include measures announced as of January 1, 2022 (except for the United States where they are for 2021).

As the global economy changes, Canada has everything we need to thrive. Our workforce is one of the most educated in the world. We have world-class research institutions and abundant sources of clean energy. We are the only country in the world with free trade access to the entire G7 and European Union.

But other countries are moving fast in the international competition for investment and innovation. We need to do more to ensure Canadian businesses—of all sizes—are able to succeed.

Budget 2022 outlines the additional steps that need to be taken—the steps that will create new, good-paying jobs for Canadians; help more people join the middle class; and set Canada up to be an economic leader for decades to come.

Key Ongoing Actions

In Budget 2021, the federal government announced a range of important programs and initiatives that will help foster economic growth, including:

- ✓ $8 billion to transform and decarbonize industry and invest in clean technologies and batteries;
- ✓ $4 billion for the Canada Digital Adoption Program, which launched in March 2022 to help businesses move online, boost their e-commerce presence, and digitalize their businesses;
- ✓ $1.2 billion to support life sciences and bio-manufacturing in Canada, including investments in clinical trials, bio-medical research, and research infrastructure;
- ✓ $1 billion to the Strategic Innovation Fund to support life sciences and bio-manufacturing firms in Canada and develop more resilient supply chains. This builds on investments made throughout the pandemic with manufacturers of vaccines and therapeutics like Sanofi, Medicago, and Moderna;
- ✓ $1.9 billion for the National Trade Corridors Fund to make Canada's transportation infrastructure more efficient and more effective, like twinning parts of the Trans-Canada Highway in Nova Scotia and road and rail improvements at the Port of Vancouver;
- ✓ $1.5 billion for regional development agencies to support the country's economic recovery through programs like the Jobs and Growth Fund and the Canada Community Revitalization Fund;
- ✓ $1 billion for the Universal Broadband Fund (UBF), bringing the total available through the UBF to $2.75 billion, to improve high-speed Internet access and support economic development in rural and remote areas of Canada;
- ✓ Enhancing the Canada Small Business Financing Program, increasing annual financing to small businesses by an estimated $560 million;
- ✓ $1.2 billion to launch the National Quantum Strategy, Pan-Canadian Genomics Strategy, and the next phase of Canada's Pan-Canadian Artificial Intelligence Strategy to capitalize on emerging technologies of the future;
- ✓ $1 billion to revitalize the tourism sector;
- ✓ Helping small and medium-sized businesses to invest in new technologies and capital projects by allowing for the immediate expensing of up to $1.5 million of eligible investments beginning in 2021;
- ✓ Continuing to work with partners to support the revitalization of East Montreal, including projects that promote innovation, development, and a green and inclusive transition of the area; and
- ✓ Cutting tax rates in half for businesses that manufacture zero-emission technologies.

2.1 Leading Economic Growth and Innovation

Budget 2022 comes at a critical time for Canada. We need to take significant and transformative steps to put our economy on the path to reach net-zero by 2050. We need to make it easier for Canadian businesses to innovate and become global leaders in the industries that will grow our economy and create new jobs.

While Budget 2022 proposes dozens of measures that will help to do these things, there are two steps, in particular, that will have a significant impact in making Canada's economy stronger and more innovative: the launch of a world-leading Canada Growth Fund; and the creation of a new Canadian Innovation and Investment Agency.

Launching a World-Leading Canada Growth Fund

The value of economic growth is that it delivers higher and better standards of living for Canadians. Facing the challenges of climate change, technological change, and a changing global economy, Canada's economic success is not guaranteed. It requires focused and concerted action.

Governments cannot do this alone. To prosper in the face of challenges of such great scale, we must find new ways of pooling our capabilities across the public sector, the private sector, and across industries from coast-to-coast-to-coast.

On the fight against climate change alone—to build a net-zero economy by 2050—Canada will need between $125 billion and $140 billion of investment every year over that period. Today, annual investment in the climate transition is between $15 billion and $25 billion. No one government can close that gap.

Today, other countries are moving to positon themselves in the international competition for capital and investment. Canada's peers have begun to launch growth funds to attract the trillions of dollars in private capital that are waiting to be invested in the good jobs and new industries of today and tomorrow. Canada must keep pace.

- Budget 2022 proposes to establish the Canada Growth Fund to attract substantial private sector investment to help meet important national economic policy goals:
  1. To reduce emissions and contribute to achieving Canada's climate goals;
  2. To diversify our economy and bolster our exports by investing in the growth of low-carbon industries and new technologies across new and traditional sectors of Canada's industrial base; and
  3. To support the restructuring of critical supply chains in areas important to Canada's future prosperity—including our natural resources sector.

The Canada Growth Fund will be a new public investment vehicle that will operate at arms-length from the federal government. It will invest using a broad suite of financial instruments including all forms of debt, equity, guarantees, and specialized contracts. The fund will be initially capitalized at $15 billion over the next five years. It will invest on a concessionary basis, with the goal that for every dollar invested by the fund, it will aim to attract at least three dollars of private capital.

In standing up the Canada Growth Fund, the government intends to seek expert advice from within Canada and abroad. Following these consultations, details about the launch of the fund will be included in the 2022 fall economic and fiscal update. Funding for the Canada Growth Fund will be sourced from the existing fiscal framework.

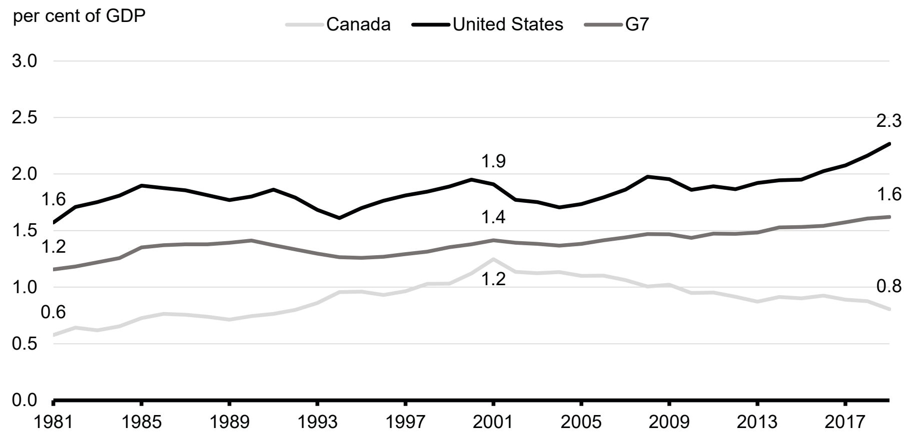
Creating a Canadian Innovation and Investment Agency

Canadians are a talented, creative, and inventive people. Our country has never been short on good ideas.

But to grow our economy, invention is not enough. Canadians and Canadian companies need to take their new ideas and new technologies and turn them into new products, services, and growing businesses.

However, Canada currently ranks last in the G7 in R&D spending by businesses. This trend has to change.

Chart 2.3
Business R&D Relative to Peers



Source: Organisation for Economic Co-operation and Development, Main Science and Technology Indicators.

Solving Canada's main innovation challenges—a low rate of private business investment in research, development, and the uptake of new technologies—is key to growing our economy and creating good jobs.

A market-oriented innovation and investment agency—one with private sector leadership and expertise—has helped countries like Finland and Israel transform themselves into global innovation leaders.

The Israel Innovation Authority has spurred the growth of R&D-intensive sectors, like the information and communications technology and autonomous vehicle sectors. The Finnish TEKES helped transform low-technology sectors like forestry and mining into high technology, prosperous, and globally competitive industries.

In Canada, a new innovation and investment agency will proactively work with new and established Canadian industries and businesses to help them make the investments they need to innovate, grow, create jobs, and be competitive in the changing global economy.

- Budget 2022 announces the government's intention to create an operationally independent federal innovation and investment agency, and proposes $1 billion over five years, starting in 2022-23, to support its initial operations. Final details on the agency's operating budget are to be determined following further consultation later this year.

At a time when other countries are making significant investments in this area, the government intends to invest in innovation, research, and development at the scale required to make Canada a global leader.

Support delivered through the innovation and investment agency will also enable innovation and growth within the Canadian defence sector and boost investments in Canadian defence manufacturing.

The government will consult further with both Canadian and global experts in finalizing the design and mandate of the new agency, with details to be announced in the 2022 fall economic and fiscal update.

An Innovation and Investment Agency to Help Canadian Businesses Succeed

Shannon runs a small life science firm in London, Ontario, and has learned that a Canadian university researcher has discovered—through preliminary experiments—a new class of potentially life-saving cancer therapeutics. Shannon's firm specializes in methods for quickly turning potential therapeutics into safe, market-ready pharmaceuticals through advanced drug development methods.

Her firm wants to partner with the researcher to initiate a new R&D program to develop these drugs, but does not have the capital it needs. Shannon sees a large global opportunity, but financial support is needed up front to help her company seize the opportunity.

Shannon's firm could approach the Agency to seek guidance and support, and the Agency would quickly determine the feasibility of the project, the market potential of the technology, and could provide the firm with needed funding to capitalize on an exciting opportunity. If project milestones are achieved, Shannon's firm could apply for additional funding as it works to sell its new product around the world and create jobs here in Canada.

Review of Tax Support to R&D and Intellectual Property

The Scientific Research and Experimental Development (SR&ED) program provides tax incentives to encourage Canadian businesses of all sizes and in all sectors to conduct R&D. The SR&ED program has been a cornerstone of Canada's innovation strategy. The government intends to undertake a review of the program, first to ensure that it is effective in encouraging R&D that benefits Canada, and second to explore opportunities to modernize and simplify it. Specifically, the review will examine whether changes to eligibility criteria would be warranted to ensure adequacy of support and improve overall program efficiency.

As part of this review, the government will also consider whether the tax system can play a role in encouraging the development and retention of intellectual property stemming from R&D conducted in Canada. In particular, the government will consider, and seek views on, the suitability of adopting a patent box regime in order to meet these objectives.

Cutting Taxes for Canada's Growing Small Businesses

The government provides a range of incentives to encourage investments in growing businesses.

Small businesses currently benefit from a reduced federal tax rate of 9 per cent on their first $500,000 of taxable income, compared to a general federal corporate tax rate of 15 per cent. A business no longer has access to this lower rate once its level of capital employed in Canada reaches $15 million. However, phasing out access to the lower tax rate too quickly—and then requiring a small business to pay more in tax—can discourage some businesses from continuing to grow and create jobs.

- Budget 2022 proposes to phase out access to the small business tax rate more gradually, with access to be fully phased out when taxable capital reaches $50 million, rather than at $15 million.

This would allow more medium-sized businesses to benefit from the reduced rate, increase the amount of income that can be eligible for the reduced rate, and deliver an estimated $660 million in tax savings over the 2022-2023 to 2026-2027 period that can be reinvested towards growing and creating jobs.

This measure would apply to taxation years that begin on or after Budget Day.

The government is also undertaking a review to assess whether the tax system is providing adequate support to investments in growing businesses. The review will include an examination of the rollover for small business investments. This measure allows investors in small businesses to defer tax on capital gains.

Cutting Taxes for Canada's Growing Small Businesses

MakerCo is a manufacturing business that currently has $10 million in taxable capital and earns $500,000 in income annually (corresponding to a 5 per cent rate of return on capital). Because the company's taxable capital does not exceed $10 million, all of its income is eligible for the small business tax rate of 9 per cent.

The company has identified a promising opportunity to expand its operations and is considering a $2 million capital investment, which would bring its taxable capital to $12 million and increase its income to $600,000.

Under the current rules, the company's income eligible for the small business tax rate would decrease to $300,000 and the remaining $300,000 would be taxed at the general corporate tax rate of 15 per cent.

With the more gradual phase-out proposed in this Budget, the company's income eligible for the small business tax rate would be $475,000 and the remaining $125,000 would be taxed at the general corporate tax rate. As a result, the company would save $10,500 in taxes compared to the current rules, making it more attractive for MakerCo to grow its business.

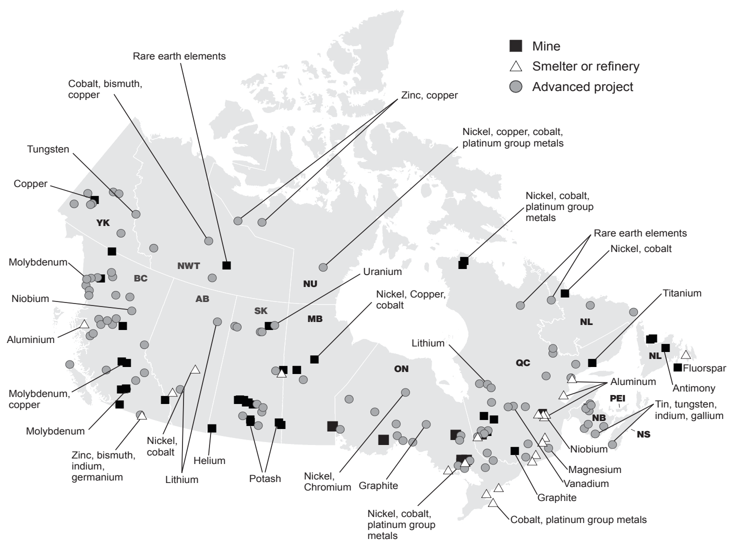
2.2 Supporting Economic Growth and Stable Supply Chains

With our abundant resources, Canada has a unique opportunity to lead the way in sectors where supply chain challenges have impacted the global economy. Smart investments in areas like agriculture, critical minerals, and semiconductors will help make Canada a leader in the clean and digital technologies that the world counts on, and create thousands of good jobs for Canadians—many of them in rural areas.

Complementary investments to allow goods to move more efficiently—both within Canada and with our trading partners around the world—will also make our economy more resilient in the face of an ever-changing world.

Canada's Critical Minerals and Clean Industrial Strategies

Figure 2.1
Critical Minerals Opportunities



Critical minerals are central to major global industries like clean technology, health care, aerospace, and computing. They are used in phones, computers, and in our cars. They are already essential to the global economy and will continue to be in even greater demand in the years to come.

Canada has an abundance of a number of valuable critical minerals, but we need to make significant investments to make the most of these resources.

In Budget 2022, the federal government intends to make significant investments that would focus on priority critical mineral deposits, while working closely with affected Indigenous groups and through established regulatory processes. These investments will contribute to the development of a domestic zero-emissions vehicle value chain, including batteries, permanent magnets, and other electric vehicle components. They will also secure Canada’s place in important supply chains with our allies and implement a just and sustainable Critical Minerals Strategy.

In total, Budget 2022 proposes to provide up to $3.8 billion in support over eight years, on a cash basis, starting in 2022-23, to implement Canada’s first Critical Minerals Strategy. This will create thousands of good jobs, grow our economy, and make Canada a vital part of the growing global critical minerals industry.

Supporting Critical Minerals Projects in Canada

Critical mineral mining projects are expensive and come with a unique set of challenges that can often include remote locations, changing prices, and lengthy regulatory processes. Making these projects a less risky undertaking for companies will help grow both Canada’s critical mineral industry and secure the good resource jobs of the future. Specific measures proposed in Budget 2022 to support critical mineral projects include:

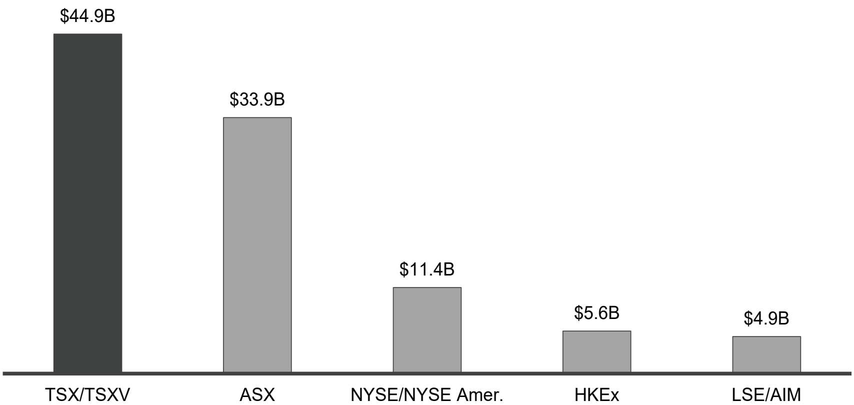
- Up to $1.5 billion over seven years, starting in 2023-24, for infrastructure investments that would support the development of the critical minerals supply chains, with a focus on priority deposits;
- $79.2 million over five years on a cash basis, starting in 2022-23, for Natural Resources Canada to provide public access to integrated data sets to inform critical mineral exploration and development; and
- The introduction of a new 30 per cent Critical Mineral Exploration Tax Credit for specified mineral exploration expenses incurred in Canada and renounced to flow-through share investors.

The tax credit would apply to certain exploration expenditures targeted at nickel, lithium, cobalt, graphite, copper, rare earths elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, or uranium, and renounced as part of a flow-through share agreement entered into after Budget Day and on or before March 31, 2027.

These measures will build upon Canada’s strong capital markets position for mining companies.

The Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV) are the world's primary listing venues for mining and mineral exploration companies, with more than 1,170 issuers in 2021. Between 2017 and 2021, almost $45 billion of the world's total equity capital for these mineral exploration and mining companies was raised by companies listed on the TSX or TSXV.

Chart 2.4
Global Mining Equity Capital Raised
(5-Year Total = 101 Billion CAD)



Source: TSX/TSXV Market Intelligence Group, S&P Capital IQ and S&P Global Market Intelligence.
As at December 31, 2021.

Attracting Global Critical Minerals Supply Chains

Budget 2022 proposes significant funding to make Canada a more attractive destination for critical minerals investment and to secure valuable agreements that would increase production of goods like electric vehicles and batteries.

- Budget 2022 proposes to provide up to $1 billion over six years on a cash basis, starting in 2024-25, to Innovation, Science and Economic Development Canada for the Strategic Innovation Fund. Combined with $500 million drawn from existing program funding, this will provide $1.5 billion in targeted support towards critical minerals projects, with prioritization given to manufacturing, processing, and recycling applications. Support for innovative projects through the Strategic Innovation Fund will complement other proposed investments in the sector, including a proposed $1.5 billion investment in infrastructure.

The government will also explore potential opportunities to support the growth of the solar panel industry through this envelope.

Promoting Sustainable Mining Extraction and Processing

With significant advantages like strong environmental protections, a well-educated workforce, experience in greening mining operations, and commitments to reconciliation and Indigenous participation, Canada has everything that leading companies look for when deciding where to invest in mining projects. These advantages will be vitally important as Canada seeks to develop the critical minerals supply chains.

Budget 2022 proposes new funding to build on those assets and continue to make Canada an attractive country for critical mining investment.

- Budget 2022 proposes to provide up to $144.4 million over five years, starting in 2022-23, to Natural Resources Canada and the National Research Council to support research, development, and the deployment of technologies and materials to support critical mineral value chains.
  - Additionally, as indicated in Chapter 7, Budget 2022 proposes to provide $103.4 million over five years, starting in 2022-23, to Natural Resources Canada for the development of a National Benefits-Sharing Framework for natural resources and the expansion of the Indigenous Partnership Office and the Indigenous Natural Resource Partnerships program. At least $25 million of this amount will be dedicated to early engagement and Indigenous communities' capacity building to support their participation in the critical minerals strategy. These investments will increase Indigenous capacity to benefit from all types of natural resources projects, including critical minerals, and are a key component of the Partnering with Indigenous Peoples in Natural Resource Projects proposal in Chapter 7.

Making the Critical Minerals Regulatory Processes Simpler

Companies seeking to invest look for a balanced and predictable regulatory environment and a collaborative approach between different orders of government. To help job-creating critical minerals projects move forward in Canada, Budget 2022 makes important investments in improving our regulatory processes.

- Budget 2022 proposes to provide $10.6 million over three years, starting in 2024-25, to Natural Resources Canada to renew the Centre of Excellence on Critical Minerals, which works with provincial, territorial, and other partners, and that will provide direct assistance to help developers of critical minerals navigate regulatory processes and existing support measures.

- Budget 2022 also proposes to provide up to $40 million over eight years, starting in 2022-23, to Crown-Indigenous Relations and Northern Affairs Canada to support northern regulatory processes.

To ensure an efficient and effective impact assessment regime, the federal government will consider the funding requirements for the Impact Assessment Agency of Canada and other relevant departments in the context of the fall 2022 economic and fiscal update. This will help support the assessment of major projects, such as critical mineral mines.

Working With Friends and Allies to Strengthen Global Supply Chains

Canada has the critical minerals the world needs and is uniquely positioned to be a trusted partner in the global critical minerals supply chain.

- Budget 2022 proposes to provide $70 million over eight years, starting in 2022-23, to Natural Resources Canada to advance Canada's global leadership on critical minerals, in particular to meet its responsibilities under the *Extractive Sector Transparency Measures Act*.

Better Supply Chain Infrastructure

The recent flooding in British Columbia—which cut off the flow of goods to and from the west coast—reinforced the importance of our highways, railways, and ports as the backbone of our transportation system. In January, the government hosted the National Supply Chain Summit to discuss the challenges facing Canada's supply chains and identify potential solutions. The recommendations of the Task Force will help inform the development of a National Supply Chain Strategy.

Continued investments in transportation infrastructure will help ensure Canada's supply chains can meet the needs of our economy and withstand disruptions caused by climate change and global events. Well-functioning supply chains support good jobs and keep goods moving.

- To help build more resilient and efficient supply chains, Budget 2022 proposes to provide $603.2 million over five years, starting in 2022-23, to Transport Canada, including:
    - $450 million over five years, starting in 2022-23, to support supply chain projects through the National Trade Corridors Fund, which will help ease the movement of goods across Canada's transportation networks. This is in addition to the $4.2 billion that has been allocated to the fund since 2017. The Minister of Transport will rename the fund to reflect the government's focus on supply chains;
    - $136.3 million over five years, starting in 2022-23, to develop industry-driven solutions to use data to make our supply chains more efficient, building on the success of initiatives like the West Coast Supply Chain Visibility Program. Of this amount, $19 million will be sourced from existing resources; and

- $16.9 million over five years, starting in 2022-23, to continue making Canada's supply chains more competitive by cutting needless red tape, including working to ensure that regulations across various modes of cargo transportation (e.g., ship, rail) work effectively together.

These investments will help lower prices for Canadians; make our supply chains stronger; improve the ability of Canadian businesses to export their goods abroad; and deliver essential goods to our communities.

These investments will also complement work the government is doing through the newly established National Supply Chain Task Force, which will work with industry, associations and experts to examine key pressures and make recommendations regarding short- and long-term actions to strengthen the efficiency, fluidity, and resiliency of transportation infrastructure and the reliability of Canada's supply chains.

Moving on Canada's Infrastructure Investments

The Investing in Canada Infrastructure Program is providing $33.5 billion over 11 years for public infrastructure across Canada. Under this program, provinces and territories prioritize and submit projects to Infrastructure Canada for review. To date, the program has approved more than $20 billion for over 4,500 projects in communities across the country, including the Montreal Blue Line, Calgary Green Line, and Vancouver Millennium Line extensions, and the public transit expansion in Ontario.

However, many of the funded projects are reporting construction delays due to the pandemic. Despite significant progress, there is also a need for provinces to more quickly commit their remaining funding to projects that will deliver the infrastructure that our communities need.

- Budget 2022 signals the government's intention to accelerate the deadline for provinces to fully commit their remaining funding under the Investing in Canada Infrastructure Program to priority projects to March 31, 2023. As a measure of fiscal prudence, any uncommitted funds after this date will be reallocated to other priorities. The federal government will work closely with provinces to support them in expediting project submissions. The existing deadline of March 31, 2025 will remain unchanged for the territories.

- Budget 2022 also proposes to extend the Investing in Canada Infrastructure Program's construction deadline from October 2027 to October 2033. To support this extension, Budget 2022 proposes to adjust the program's funding profile so that funding is available when needed. This extension recognizes delays caused by the pandemic, and will ensure that provinces and territories can fund priority projects.

These measures will help ensure that federal funding for infrastructure can continue to support transformative infrastructure projects in communities across Canada.

Table 2.1
Funding Remaining, by Province, in the Investing in Canada Infrastructure Program*

	Remaining Project Funding	
Province	**$ (millions)**	**Percentage of total project funding envelope**
Alberta	$60.3	2%
British Columbia	$1,312.6	34%
Manitoba	$13.6	1%
New Brunswick	$392.4	58%
Newfoundland and Labrador	$326.3	59%
Nova Scotia	$372.0	45%
Ontario	$1,056.8	10%
Prince Edward Island	$89.8	25%
Quebec	$3,299.0	44%
Saskatchewan	$375.2	42%

Source: Infrastructure Canada
*Data as of February 2, 2022 - Numbers do not include projects that provinces have signaled to the federal government.

Strengthening Canada’s Semiconductor Industry

Semiconductors—often called microchips—are used every day in smartphones, computers, and cars.

In February, the federal government announced $150 million to support investments in the development and supply of semiconductors. This investment built on the $90 million allocated in Budget 2021 to retool and modernize the National Research Council’s Canadian Photonics Fabrication Centre, which supplies photonics research, testing, prototyping, and pilot-scale manufacturing services to academics and businesses in Canada.

- In addition to these previous investments, Budget 2022 proposes to provide $45 million over four years, starting in 2022-23 on a cash basis, to Innovation, Science and Economic Development Canada to engage with stakeholders, conduct market analysis, and support projects that will strengthen Canada’s semiconductor industry.

Growing Canada’s Health-Focused Small and Medium-Sized Businesses

The Coordinated Accessible National Health Network (CAN Health Network) brings together hospital networks and health authorities in nine provinces to procure innovative health care solutions, including investing in made-in-Canada technologies. This model shows potential to help deliver better care to Canadians, help our health technology businesses grow and create good middle class jobs across the country.

- Budget 2022 proposes to provide $30 million over four years, starting in 2022-23, to build upon the success of the CAN Health Network, and expand it nationally to Quebec, the territories, and Indigenous communities.

Making Canada’s Economy More Competitive

A competitive economy is a fair, growing, and innovative economy. In this regard, the government will consult broadly on the role and functioning of the Competition Act and its enforcement regime. However, there are also shortcomings in the Act that can easily be addressed and move Canada in line with international best practices.

- Budget 2022 announces the government’s intention to introduce legislative amendments to the *Competition Act* as a preliminary phase in modernizing the competition regime. This will include fixing loopholes; tackling practices harmful to workers and consumers; modernizing access to justice and penalties; and adapting the law to today's digital reality.

Leadership on Internal Trade and Labour Mobility

Reducing barriers to interprovincial trade and labour mobility has been consistently identified by economists as among the top ways for Canada to increase our long-term economic prosperity. The International Monetary Fund recently found that Canada could increase our GDP per capita by four per cent through a complete liberalization of interprovincial trade in goods.

Since 2015, Canada has achieved meaningful progress, including signing the Canada Free Trade Agreement, the removal of federal restrictions on the interprovincial trade of liquor, and actions to harmonize regulations between jurisdictions.

The federal government is committed to providing continued leadership on reducing barriers to internal trade and labour mobility. Over the coming year the government will evaluate and, where appropriate, remove federal exemptions to the Canada Free Trade Agreement and take action to conclude outstanding internal trade negotiations.

Supporting Canada's Innovation Clusters

Since they were launched in 2017, Canada's innovation clusters have helped build successful and growing innovation ecosystems across the Canadian economy. These have included plant-based protein alternatives; ocean-based industries; advanced manufacturing; digital technologies; and artificial intelligence.

As of December 2021, Canada's innovation clusters have already approved more than 415 projects with 1,840 partners, worth over $1.9 billion. These projects have been supported through co-investment by government and industry across 11 provinces and territories. Together they have also generated more than 850 new intellectual property rights.

There is an opportunity now to build on the success of this model to strengthen networks between the private sector, academia, and governments in ways that will promote innovation, help firms grow in Canada, and grow our economy.

- Budget 2022 proposes to provide $750 million over six years, starting in 2022-23, to support the further growth and development of Canada's Global Innovation Clusters. Building on their success to date, these clusters will expand their national presence and will collaborate to deepen their impact, including through joint missions aligned with key government priorities, such as fighting climate change and addressing supply chain disruptions. To maximize the impact of this funding and to ensure it corresponds with industry and government needs, it will be allocated between the five clusters on a competitive basis.

Renewing the Canadian Agricultural Partnership

For generations, the agriculture and agri-food sector has been a cornerstone of the Canadian economy. Canada's farmers are counted upon to feed Canadians and the world—a task that is even more important today due to increasing food insecurity stemming from Russia's illegal invasion of Ukraine.

The *Canadian Agricultural Partnership* is a comprehensive suite of support offered by the federal, provincial, and territorial governments. Each year, these programs provide $600 million to support agricultural innovation, sustainability, competitiveness, and market development. The framework also includes a comprehensive suite of business risk management programs to help Canadian farmers cope with volatile markets and disaster situations, with average spending of approximately $2 billion per year.

Federal, provincial, and territorial governments will work together over the coming year to renew the programs under the next agricultural policy framework that begins in 2023.

2.3 Investing in Intellectual Property and Research

Investing in and protecting intellectual property and research are vitally important pieces of building an innovative economy.

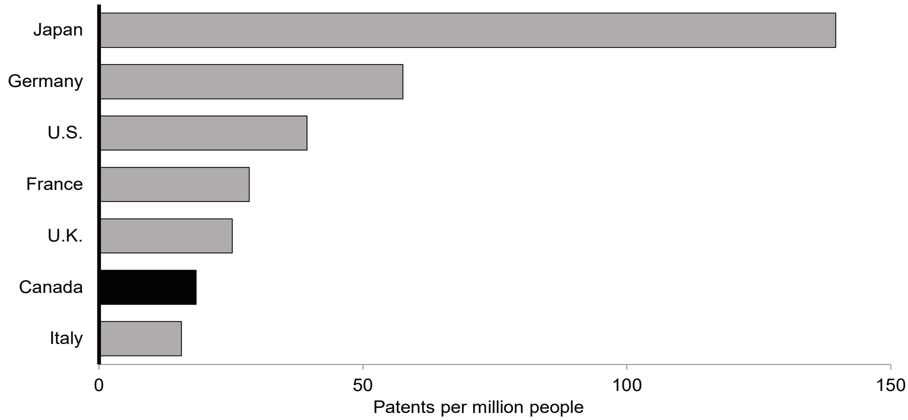
Answering the call from those looking to innovate, Budget 2022 helps to protect and expand intellectual property and research; attract leading researchers; advance critical research priorities; and strengthen the security of our research institutions.

Building a World-Class Intellectual Property Regime

Patent-owning businesses grow faster and pay higher wages. However, on the number of patents held, Canada lags behind other countries we are competing with to attract investment and grow our economy.

Since 2015, the federal government has taken important steps to improve Canada's intellectual property performance, including through the launch of the National Intellectual Property Strategy in 2018, and Elevate IP and IP Assist announced in Budget 2021.

Chart 2.5
Number of Patents per Capita, 2018



Source: Organisation for Economic Co-operation and Development, Main Science and Technology Indicators.

To build a world-class intellectual property regime, Budget 2022 proposes to build on previous investments and provide $96.6 million over five years, starting in 2022-23, and $22.9 million ongoing, as follows:

- $47.8 million over five years, starting in 2023-24, and $20.1 million ongoing to Innovation, Science and Economic Development Canada to launch a new national lab-to-market platform to help graduate students and researchers take their work to market;
- $35 million over five years, starting in 2022-23, to Global Affairs Canada for the CanExport program to help Canadian businesses secure their intellectual property in foreign markets;
- $10.6 million over five years, starting in 2022-23, and $2 million ongoing to Innovation, Science and Economic Development Canada to launch a survey to assess the government's previous investments in science and research, and how knowledge created at post-secondary institutions generates commercial outcomes;
- $2.4 million over five years, starting in 2022-23, and $0.6 million ongoing to Innovation, Science and Economic Development Canada to expand use of ExploreIP, Canada's intellectual property marketplace, so that more public sector intellectual property is put to use helping Canadian businesses; and
- $0.8 million over five years, starting in 2022-23, and $0.2 million ongoing to Innovation, Science and Economic Development Canada to expand the Intellectual Property Legal Clinics Program, which will make it easier to access basic intellectual property services.

The Strategic Intellectual Property Program Review announced in Budget 2021 is underway. Where appropriate the federal government intends to strengthen intellectual property conditions to promote the growth of intellectual property and maintain it in Canada.

The government will also undertake a review of further ways to build innovative companies that support Canada's competitiveness, keep intellectual property in Canada, and attract talent and investment from around the world. In particular, the government will consider and seek views on the suitability of adopting a patent box regime and other measures to promote the growth of intellectual property and maintain it in Canada.

Securing Canada's Research from Foreign Threats

Canadian research and intellectual property can be an attractive target for foreign intelligence agencies looking to advance their own economic, military, or strategic interests. The National Security Guidelines for Research Partnerships, developed in collaboration with the Government of Canada–Universities Working Group in July 2021, help to protect federally funded research.

› To implement these guidelines fully, Budget 2022 proposes to provide $159.6 million, starting in 2022-23, and $33.4 million ongoing, as follows:

- $125 million over five years, starting in 2022-23, and $25 million ongoing, for the Research Support Fund to build capacity within post-secondary institutions to identify, assess, and mitigate potential risks to research security; and
- $34.6 million over five years, starting in 2022-23, and $8.4 million ongoing, to enhance Canada's ability to protect our research, and to establish a Research Security Centre that will provide advice and guidance directly to research institutions.

Hiring More Leading Researchers

The federal government created the Canada Research Chairs Program (CRCP) in 2000 to grow the number of world-class researchers in Canada. Today, there are more than 2,200 Canada Research Chairs helping our universities lead cutting-edge research. An extensive evaluation of the CRCP is currently underway and is expected to be completed in fall 2022. Future investments and modernization to the CRCP will be examined following the review.

To complement the CRCP, the Canada Excellence Research Chairs program attracts and retains top-tier global research faculty in science and technology.

- Budget 2022 proposes to provide $38.3 million over four years, starting in 2023-24, and $12.7 million ongoing for the federal granting councils to add new, internationally recruited Canada Excellence Research Chairs in the fields of science, technology, engineering, and mathematics. This will support a further 12 to 25 new Canada Excellence Research Chairs—reinforcing Canada’s competitive advantage as a destination of choice for world-class researchers.

Expanding Canada’s Presence in Space

Budget 2019 announced an investment of $1.9 billion over 24 years to build and operate Canadarm3 for the NASA-led Lunar Gateway.

Canadarm3 is a smart robotic system that will use cutting-edge software and artificial intelligence to perform tasks on the Lunar Gateway station as it orbits the Moon.

A broad range of Canadian companies will also play a role in the Canadarm3 supply chain, which will create and maintain an estimated 630 high-quality jobs for Canadians over a 12-year period that began in 2019-20.

In December 2020, Canada signed a treaty with the United States that guaranteed Canada’s use of Lunar Gateway for scientific and innovation purposes and secured flights for Canadian astronauts to go to the Moon. This will include the participation of Canadian astronauts on Artemis II—the first crewed mission to the Moon’s vicinity since 1972—which will make Canada just the second country to send a human to deep space.

- Budget 2022 announces the government’s intention to introduce legislative amendments and new legislation necessary to enable Canada’s participation in Lunar Gateway, including the ratification of the Canada-US Lunar Gateway Treaty and the construction of Canadarm3.

Leveraging the National Research Council

The National Research Council (NRC) provides a network of research and technical facilities across Canada, supporting business, government, and university collaborations.

Budget 2022 announces that the government will explore new ways to better integrate leading university researchers and business partners and further modernize the NRC to better invent, innovate, and prosper.

Additional information will be forthcoming alongside further details on the establishment of the new innovation and investment agency.

Funding for Black Researchers

A diverse, inclusive, and equitable research community leads to better research and science. The scholarship and fellowship programs of the federal granting councils—the Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council, and Canadian Institutes of Health Research—provide student researchers with the support they need to pursue research and science and to secure good jobs. However, Black researchers are underrepresented in the awarding of these grants, scholarships, and fellowships. To help increase opportunities for Black Canadian researchers:

- Budget 2022 proposes to provide $40.9 million over five years, starting in 2022-23, and $9.7 million ongoing to the federal granting councils to support targeted scholarships and fellowships for promising Black student researchers.

Funding the Canadian High Arctic Research Station

As a hub for science and technology in Canada's North, the Canadian High Arctic Research Station is designed to be a world-class scientific facility in the remote Arctic that strengthens Canadian leadership on Arctic issues.

- Budget 2022 proposes to provide $14.5 million over five years, starting in 2022-23, with $8.4 million in remaining amortization and $2.5 million ongoing, to support the completion and operations of the Canadian High Arctic Research Station.

2.4 Driving Investment and Growth for Our Small Businesses

Canada's small and medium-sized businesses are at the heart of our economy and our communities. They define our main streets and neighbourhoods, in cities and towns, both urban and rural. Helping them innovate and grow is good for Canada—now and for decades to come.

Budget 2022 will address the barriers that are preventing small businesses from growing. This includes reducing payment card fees for merchants.

Budget 2022 will also help Canadian businesses make the most of global trade opportunities, while better protecting Canadian businesses against unfair competition.

Reducing Credit Card Transaction Fees

Payment card transaction fees can increase the cost of doing business for our small businesses. As announced in Budget 2021, the federal government is committed to lowering the cost of credit card fees in a way that benefits small businesses and protects existing reward points for consumers. To this end, the government will continue current consultations with stakeholders on solutions to lower the cost of fees for merchants.

Strengthening Canada's Trade Remedy and Revenue Systems

A strong and accessible trade remedy system protects Canadian workers and businesses, while effective revenue systems ensure that trade flows are effectively enforced.

- Budget 2022 announces the government's intention to introduce amendments to the *Special Import Measures Act* and the *Canadian International Trade Tribunal Act* to strengthen Canada's trade remedy system by better ensuring unfairly traded goods are subject to duties, and increasing the participation of workers.
- Budget 2022 proposes to provide $4.7 million over five years, starting in 2022-23, and $1.1 million ongoing, to the Canada Border Services Agency to create a Trade Remedy Counselling Unit that will assist companies, with a focus on small and medium-sized enterprises.
- The government also proposes to introduce amendments to the *Customs Act* to implement electronic payments and clarify importer responsibility for duties and taxes.

Employee Ownership Trusts

Employee ownership trusts encourage employee ownership of a business, and facilitate the transition of privately owned businesses to employees. Budget 2021 announced that the government would engage with stakeholders to examine what barriers exist to the creation of these trusts in Canada.

These consultations revealed that the main barrier to the creation of employee ownership trusts in Canada was the lack of a dedicated trust vehicle under current tax legislation tailored to the requirements of these structures.

- Budget 2022 proposes to create the Employee Ownership Trust—a new, dedicated type of trust under the *Income Tax Act* to support employee ownership.

The government will continue to engage with stakeholders to finalize the development of rules for the Employee Ownership Trust and to assess remaining barriers to the creation of these trusts.

Engaging the Cannabis Sector

As a relatively new sector of the Canada economy, it is important that the federal government and all stakeholders have a clear understanding of the challenges and opportunities that are facing Canada's legal cannabis sector.

- Budget 2022 proposes launching a new cannabis strategy table that will support an ongoing dialogue with businesses and stakeholders in the cannabis sector. This will be led by the Department of Innovation, Science and Economic Development, and will provide an opportunity for the government to hear from industry leaders and identify ways to work together to grow the legal cannabis sector in Canada.

This engagement is in addition to the proposed changes to the cannabis excise duty framework detailed in the Tax Supplementary Information.

2.5 Supporting Recovery and Growth in Affected Sectors

Changes in global trade, or other disruptions, can have significant consequences for Canadian businesses and the Canadian families that depend on them. This is particularly the case for sectors that depend on predictable market and border conditions, like agriculture and tourism.

The federal government has a role to play in minimizing the impacts of these challenges on businesses and industries when they arise, and to help them recover and grow afterwards.

Budget 2022 takes timely action to support the resiliency of important sectors, and to invest in their long-term success.

The Next Steps Towards High Frequency Rail

High frequency rail has the potential to offer climate-friendly transportation and faster, more regular, and more reliable passenger rail service between Toronto and Quebec City—Canada's busiest travel corridor. The federal government is making use of the expertise of private sector companies for the potential project's planning and design.

- Budget 2022 proposes to provide $396.8 million over two years, starting in 2022-23, to Transport Canada and Infrastructure Canada for planning and design steps in support of high frequency rail between Toronto and Quebec City.

Investing in VIA Rail Stations and Maintenance Centres

In 2019, 4.8 million passengers rode VIA Rail trains in the Windsor to Quebec City corridor. Demand for passenger rail was significantly affected by the pandemic, but ridership on VIA trains is now rebounding and is expected to continue to rise as we come through the pandemic. However, many of VIA Rail's maintenance centres and stations are decades-old and require significant investments to ensure they can provide the quality rail service that Canadians deserve.

- Budget 2022 proposes to provide $42.8 million over four years, starting in 2023-24, with $169.4 million in remaining amortization, to VIA Rail Canada to construct, maintain, and upgrade stations and maintenance centres in the Windsor to Quebec City corridor.

Supporting the Prince Edward Island Potato Industry

The detection of potato wart on Prince Edward Island (PEI) has disrupted sales of potatoes to the United States and threatened the livelihoods of Islanders who count on being able to export their world-class potatoes. The federal government is making progress in getting PEI potatoes back to market in the United States. With that work ongoing, the government will continue to support the PEI potato industry, and the Canadian Food Inspection Agency will continue its efforts to prevent the spread of potato wart on PEI.

- Budget 2022 proposes to provide a total of $16 million over two years, on a cash basis, starting in 2022-23 to the Atlantic Canada Opportunities Agency through the Jobs and Growth Fund to support long-term investments and assist in stabilizing the Prince Edward Island potato sector and supply chain.
- Budget 2022 also proposes to provide $12 million over two years, starting in 2022-23, for the Canadian Food Inspection Agency to accelerate the investigation into the latest detection of potato wart to help prevent its spread and to allow for full trade to resume with the United States as soon as possible.

Full and Fair Compensation for Supply Managed Sectors

As a result of significant trade deals that the federal government has negotiated since 2015, Canada now has trade agreements with two-thirds of the world's economies and is the only country with free trade access to the entire G7 and the European Union. Free trade creates good jobs for Canadians and will help our economy and businesses continue to grow for decades to come.

As part of these agreements, including the new NAFTA, Canada provided our trading partners with incremental market access for dairy, poultry, and eggs.

Since 2016, the federal government has provided $2.7 billion in compensation for farmers as a result of the Canada-European Union Comprehensive Economic and Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Processors of dairy, poultry, and eggs have also received $392.5 million in compensation.

Working with sector representatives, the government will announce full and fair compensation for the supply managed sector related to the new NAFTA in the 2022 fall economic and fiscal update.

Support for Canada's Tourism Sector

After five consecutive years of growth, the pre-COVID visitor economy generated $105 billion in expenditures in Canada in 2019. The sector remains a key economic driver and job creator, especially for young and rural Canadians.

With the onset of the pandemic, workers and businesses in the tourism industry felt the full impact of public health measures and border closures.

To date, the tourism and hospitality sector received an estimated $23 billion in support through the federal government's emergency programs.

The Tourism and Hospitality Recovery Program, which is available until May 2022, was introduced to provide support through wage and rent subsidies to organizations in the tourism and hospitality sectors. The Local Lockdown Program was also introduced to ensure organizations have the necessary support to weather the impacts of lockdowns and capacity restrictions.

Canada's high vaccination rate and the lifting of travel restrictions are providing important relief as the sector begins to turn the corner. To continue supporting Canada's tourism sector, the Minister of Tourism will work with the tourism industry, provincial and territorial counterparts, and Indigenous tourism operators to develop a new post-pandemic Federal Tourism Growth Strategy, which will plot a course for growth, investment, and stability.

As part of these efforts, and to ensure Indigenous businesses are part of the recovery, Budget 2022 proposes two important measures.

- Budget 2022 proposes to provide $20 million over two years, starting in 2022-23, in support of a new Indigenous Tourism Fund to help the Indigenous tourism industry recover from the pandemic and position itself for long-term, sustainable growth.
- Budget 2022 also proposes to provide $4.8 million over two years, starting in 2022-23, to the Indigenous Tourism Association of Canada to support its operations, which continue to help the Indigenous tourism industry rebuild and recover from the pandemic.

These measures build on other ongoing supports for the sector, including $1 billion in support provided through Budget 2021 programs such as the Tourism Relief Fund and the Major Festivals and Events Support Initiative. An estimated $750 million of these funds are expected to be used to support the sector in 2022-23. Destination Canada is also expected to spend more than $48 million for marketing campaigns in the United States, in order to draw in more visitors and increase economic activity.

Supporting Vibrant Rural Communities

Canada's rural communities are a driver of economic growth, and home to a wide range of industries including agriculture, mining, and tourism. To support this growth, the federal government has announced a range of important programs and initiatives that are supporting Canadians living and working in rural communities, including:

- $2.75 billion for the Universal Broadband Fund to improve high-speed Internet access in rural and remote areas;
- $2 billion for the Regional Relief and Recovery Fund, which has supported local businesses through Regional Development Agencies during the pandemic;
- $2.7 billion in compensation to farmers since 2016 for the Canada-European Union Comprehensive Economic and Trade Agreement, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership;
- $1 billion to revitalize the tourism industry;
- $392.5 million in compensation for dairy, poultry, and egg processors;
- $101 million to support Canada's wine sector as it adapts to ongoing and emerging challenges; and
- Providing $100 million from the price on pollution directly to farmers in provinces where the federal system applies.

Budget 2022 also announces further action to support Canadians living in rural communities, including:

- $26.2 million to increase the forgivable amount of student loans for doctors and nurses who practice in rural and remote communities;
- $3.8 billion over eight years to launch Canada's first Critical Minerals Strategy, which will create jobs in rural communities across Canada;
- $346.1 million to train 1,000 fire fighters and provide them with new equipment, and $169.9 million to create a new wildfire satellite monitoring system;
- $4 billion over five years for a new Housing Accelerator Fund to help municipalities—including smaller and rural communities—build 100,000 new homes;
- $29.3 million to create a Trusted Employer model and cut red tape for access to the Temporary Foreign Worker Program, and $48.2 million to create a new streamlined foreign worker program for agricultural and fish processing employers;
- $55 million to maintain and enhance the Trans Canada Trail;
- $470 million to help farmers reduce emissions by expanding the On-Farm Climate Action Fund; and
- Tripling the size of the Agricultural Clean Technology Program with a top-up of $329 million.

Chapter 2

A Strong, Growing, and Resilient Economy
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
2.1. Leading Economic Growth and Innovation	**0**	**11**	**364**	**410**	**435**	**440**	***1,660***
Launching a World-Leading Canada Growth Fund	0	10	300	400	400	400	*1,510*
Less: Funds Sourced From the Fiscal Framework	0	*-10*	*-300*	*-400*	*-400*	*-400*	*-1,510*
Creating a Canadian Innovation and Investment Agency	0	1	199	250	275	275	*1000*
Cutting Taxes for Canada's Growing Small Businesses	0	10	165	160	160	165	*660*
2.2. Supporting Economic Growth and Stable Supply Chains	**0**	**187**	**644**	**734**	**737**	**726**	***3,029***
Canadian Critical Minerals Strategy – Infrastructure Investments	0	0	214	214	214	214	*857*
Critical Mineral Exploration Tax Credit	0	65	45	110	90	90	*400*
Canadian Critical Minerals Strategy – Integrated Data	0	8	15	18	18	18	*77*
Canadian Critical Minerals Strategy – Strategic Innovation Fund	0	0	0	17	44	101	*162*
Canadian Critical Minerals Strategy – Technology Research, Development, and Deployment	0	20	20	35	35	35	*144*
Canadian Critical Minerals Strategy – Centre of Excellence on Critical Minerals	0	0	0	4	4	4	*11*
Canadian Critical Minerals Strategy – Support for Northern Regulatory Processes	0	5	5	5	5	5	*25*
Canadian Critical Minerals Strategy – Global Leadership on Critical Minerals	0	8	13	13	13	13	*62*
Better Supply Chain Infrastructure	0	63	161	138	134	109	*603*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-2*	*-4*	*-4*	*-4*	*-4*	*-19*
Strengthening Canada's Semiconductor Industry	0	3	3	18	18	0	*40*
Growing Canada's Health-Focused Small and Medium-Sized Businesses	0	10	10	5	5	0	*30*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Supporting Canada's Innovation Clusters	0	8	162	162	163	142	*637*
2.3. Investing in Intellectual Property and Research	**0**	**45**	**56**	**77**	**83**	**89**	***350***
Building a World-Class Intellectual Property Regime	0	9	13	20	25	30	*97*
Securing Canada’s Research from Foreign Threats	0	29	31	32	33	34	*160*
Hiring More Leading Researchers	0	0	0	13	13	13	*38*
Funding for Black Researchers	0	4	8	9	10	10	*41*
Funding the Canadian High Arctic Research Station	0	3	3	2	3	3	*14*
2.4. Driving Investment and Growth for Our Small Businesses	**0**	**0**	**0**	**0**	**0**	**0**	***1***
Strengthening Canada’s Trade Remedy and Revenue Systems - Trade Remedy Counselling Unit	0	1	1	1	1	1	*5*
Strengthening Canada’s Trade Remedy and Revenue Systems - Clarifying Liability for Amounts Owing on Imports	0	0	-1	-1	-1	-1	*-4*
2.5. Supporting Recovery and Growth in Affected Sectors	**0**	**95**	**348**	**10**	**14**	**14**	***482***
The Next Steps Towards High Frequency Rail	0	74	323	0	0	0	*397*
Investing in VIA Rail Stations and Maintenance Centres	0	0	4	10	14	14	*43*
Supporting the Prince Edward Island Potato Industry	0	10	10	0	0	0	*20*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-1*	*-1*	*0*	*0*	*0*	*-2*
Support for Canada's Tourism Sector	0	13	12	0	0	0	*25*
Chapter 2 - Fiscal Impact	**0**	**339**	**1,412**	**1,232**	**1,270**	**1,270**	***5,522***
Moving on Canada's Infrastructure Investments – Investing in Canada Infrastructure Program Reprofile	**-127**	**-201**	**-761**	**-1,226**	**-1,956**	**-2,072**	***-6,342***

Note: Numbers may not add due to rounding.

Chapter 3
Clean Air and a Strong Economy

Chapter 3
Clean Air and a Strong Economy

Climate change is real and the path forward is clear. To protect our planet—and to build a stronger economy—we must do even more on climate action.

The climate crisis is more urgent than ever. Canada is already experiencing an increase in heat waves, wildfires, and heavy storms. These impacts—and the economic and health repercussions that come with them—will continue to accelerate if we do not act now.

Since 2015, the federal government has invested more than $100 billion to help lead the way in fighting climate change and protecting the environment. We have introduced a world-leading price on pollution, and on March 29, 2022, the federal government unveiled its Emissions Reduction Plan, which set out an ambitious and achievable plan to reduce greenhouse gas emissions by 40 per cent by 2030 compared to 2005 levels, and puts Canada on a path to reach net-zero emissions by 2050.

Even still, we need to do more. And that is what we will do.

Smart climate investments today are good for Canadian workers, good for the Canadian economy, and good for the planet. With the largest mobilization of global capital since the Industrial Revolution already underway, Canada has the chance to become a leader in the clean energy of the future.

Our allies have been clear: their short-term focus is on eliminating their reliance on Russian oil and gas, while they shift to renewables and clean hydrogen as quickly as they can. Canada is working with our partners in Europe and around the world to assist them in doing so.

Budget 2022 will help Canada continue to lead in global efforts to fight climate change, to protect our nature, and to build a clean economy that will create the good-paying middle class jobs of today and tomorrow.

Key Ongoing Actions

Through major investments since 2015, the federal government has announced a range of important programs and initiatives that will support Canada's efforts to fight climate change and protect the environment, such as:

- ✓ Establishing a world-leading price on pollution that puts money back in the pockets of Canadians;
- ✓ Issuing Canada's inaugural, $5 billion green bond to help finance investments in green infrastructure and other projects that will fight climate change;
- ✓ Investing $8 billion for the Net Zero Accelerator to support projects that reduce greenhouse gas emissions;
- ✓ $4.4 billion to help homeowners save on their energy bills through energy efficient home retrofits under the Canada Greener Homes Loan Program;
- ✓ $2.3 billion to protect nature and wildlife;
- ✓ $976.8 million to help protect 25 per cent of Canada's marine and coastal areas by 2025;
- ✓ Planting two billion trees by 2031, 30 million of which have already been planted;
- ✓ $647.1 million to preserve wild Pacific salmon populations;
- ✓ $3.4 billion for the Disaster Mitigation and Adaptation Fund to make communities more resilient to the natural disasters caused by climate change;
- ✓ $476.7 million to renew the Chemicals Management Plan;
- ✓ $319 million to spur the development of carbon capture, utilization, and storage technologies;
- ✓ $385 million under the Agricultural Climate Solutions program;
- ✓ $165 million under the Agricultural Clean Technology program;
- ✓ Working with provinces and territories toward a goal of zero plastic waste by 2030, including the elimination of certain single-use plastics; and
- ✓ Cutting tax rates in half for businesses that manufacture zero-emission technologies.

3.1 Reducing Pollution to Fight Climate Change

Canada is taking significant steps towards reducing our emissions by 40-45 per cent below 2005 levels by 2030, and towards reaching net-zero by 2050.

Budget 2022 introduces new measures that will make it easier and more affordable for Canadians and Canadian businesses to adopt clean technologies. The measures below build upon important investments announced in Chapter 1 to green our housing stock and support net-zero new builds in communities across Canada. Measures announced in Chapter 2 will also help position Canada as a leader in the critical minerals that will power the clean technologies required for our net-zero emissions future.

Reducing Emissions on the Road

On-road transportation accounts for 20 per cent of Canada's greenhouse gas emissions.

- To accelerate the manufacturing and adoption of cleaner cars, the federal government will put in place a sales mandate to ensure at least 20 per cent of new light-duty vehicle sales will be zero-emission vehicles (ZEVs) by 2026, at least 60 per cent by 2030 and 100 per cent by 2035.
- To reduce emissions from medium- and heavy-duty vehicles (MHDVs), the federal government will aim to achieve 35 per cent of total MHDV sales being ZEVs by 2030.
- In addition, the federal government will develop a medium- and heavy-duty ZEV regulation to require 100 per cent MHDV sales to be ZEVs by 2040 for a subset of vehicle types based on feasibility, with interim 2030 regulated sales requirements that would vary for different vehicle categories based on feasibility, and explore interim targets for the mid-2020s.

Making the Switch to Zero-Emission Vehicles More Affordable

To help make ZEVs more affordable for Canadians, the federal government has offered purchase incentives of up to $5,000 for eligible vehicles since 2019. This program has helped Canadians purchase or lease over 136,000 new ZEVs, but more support is needed to help Canadians get behind the wheel of zero-emission vehicles.

- Budget 2022 proposes to provide $1.7 billion over five years, starting in 2022-23, with $0.8 million in remaining amortization, to Transport Canada to extend the Incentives for Zero-Emission Vehicles (iZEV) program until March 2025. Eligibility under the program will also be broadened to support the purchase of more vehicle models, including more vans, trucks, and SUVs, which will help make ZEVs more affordable. Further details will be announced by Transport Canada in the coming weeks.

Building a National Network of Electric Vehicle Charging Stations

Since 2015, the federal government has helped build almost 1,500 charging stations across the country. As more and more Canadians adopt zero-emission vehicles, we need to build the charging infrastructure that drivers can rely on, no matter where they're going.

- Budget 2022 announces that the Canada Infrastructure Bank will invest $500 million in large-scale urban and commercial ZEV charging and refuelling infrastructure. Funding will be sourced from the Canada Infrastructure Bank's existing resources under its green infrastructure investment priority area.
- Budget 2022 proposes to provide $400 million over five years, starting in 2022-23, to Natural Resources Canada to fund the deployment of ZEV charging infrastructure in sub-urban and remote communities through the Zero-Emission Vehicle Infrastructure Program (ZEVIP).
- Budget 2022 proposes to provide $2.2 million over five years, starting in 2022-23, to Natural Resources Canada to renew the Greening Government Operations Fleet Program, which will continue to conduct readiness assessments of federal buildings required to facilitate the transition of the federal vehicle fleet to ZEVs.

Helping Businesses Switch to Medium- and Heavy-Duty Zero-Emission Vehicles

Businesses across Canada want to upgrade their fleets to be part of the solution to climate change. However, those upgrades can be expensive, and businesses need to be confident that ZEVs can reliably transport their goods to market.

- Budget 2022 proposes to provide $547.5 million over four years, starting in 2022-23, to Transport Canada to launch a new purchase incentive program for medium- and heavy-duty ZEVs.
- Budget 2022 proposes to provide $33.8 million over five years, starting in 2022-23, with $42.1 million in remaining amortization, to Transport Canada to work with provinces and territories to develop and harmonize regulations and to conduct safety testing for long-haul zero-emission trucks.
- To help decarbonize vehicles already on the road, Budget 2022 proposes to provide $199.6 million over five years, starting in 2022-23, and $0.4 million ongoing, to Natural Resources Canada to expand the Green Freight Assessment Program, which will be renamed the Green Freight Program. This will support assessments and retrofits of more vehicles and a greater diversity of fleet and vehicle types.

With these investments, the government is taking a significant step towards reducing pollution on our roads, and is on track to meet its commitment to add 50,000 new ZEV chargers and hydrogen stations across Canada.

Sustainable Agriculture to Fight Climate Change

Agriculture plays an essential role in Canada's economy, and our farmers help feed the world. At a time of geopolitical uncertainty and rising costs, ensuring that Canada's agricultural production continues to grow will be vitally important.

However, agriculture also represents approximately 10 per cent of our greenhouse gas emissions. Farmers across the country are experiencing the impacts of climate change like floods and droughts, and have already been leading the adoption of climate-friendly practices, like precision agriculture technology and low-till techniques. These technologies can help reduce emissions and save farmers both time and money.

- Budget 2022 proposes to provide a further $329.4 million over six years, starting in 2022-23, with $0.6 million in remaining amortization, to triple the size of the Agricultural Clean Technology Program.
- Budget 2022 proposes to provide $469.5 million over six years, with $0.5 million in remaining amortization, starting in 2022-23, to Agriculture and Agri-Food Canada to expand the Agricultural Climate Solutions program's On-Farm Climate Action Fund.
- Budget 2022 proposes $150 million for a resilient agricultural landscape program to support carbon sequestration, adaptation, and address other environmental co-benefits, to be discussed with provinces and territories.
- Budget 2022 proposes to provide $100 million over six years, starting in 2022-23, to the federal granting councils to support post-secondary research in developing technologies and crop varieties that will allow for net-zero emission agriculture.

Expanding the Nature Smart Climate Solutions Fund

Investing in protecting nature is among the most affordable climate action that governments can take. The existing Nature Smart Climate Solutions Fund provides $631 million from 2021-22 to 2031-32 to support projects that conserve, restore and enhance wetlands, peatlands, and grasslands to capture and store carbon.

- To enhance the potential for the natural environment to store carbon and reduce emissions, Budget 2022 proposes to provide $780 million over five years, starting in 2022-23, to Environment and Climate Change Canada to expand the Nature Smart Climate Solutions Fund.

A New Tax Credit for Investments in Clean Technology

The expansion of clean technology will need to accelerate if Canada's economy is going to reach net-zero. Helping Canadian companies adopt clean technologies will create jobs, keep Canadian businesses competitive, and reduce Canada's emissions at the same time.

- Budget 2022 announces that the Department of Finance Canada will engage with experts to establish an investment tax credit of up to 30 per cent, focused on net-zero technologies, battery storage solutions, and clean hydrogen. The design details of the investment tax credit will be provided in the 2022 fall economic and fiscal update.

Returning Fuel Charge Proceeds to Small and Medium- Sized Enterprises

Since 2019, it has no longer been free to pollute anywhere in Canada, and provincial and territorial governments have been able to design and implement their own pollution pricing systems that meet a standard, federal benchmark. Most have done so. But in provinces that have decided not to implement a system that meets the benchmark—specifically Alberta, Saskatchewan, Manitoba, and Ontario—a federal backstop applies.

In these provinces, all direct proceeds of pollution pricing are returned to households, small businesses, Indigenous groups, and farmers.

In the 2021 *Economic and Fiscal Update*, the government announced its intention to return a portion of the proceeds from the price on pollution to small and medium-sized businesses through new federal programming in backstop jurisdictions. Beginning in 2022-23, these businesses will receive an estimated $1.5 billion in fuel charge proceeds collected between 2020-21 and 2022-23. This new program will also be used to return outstanding 2019-20 fuel charge proceeds, amounting to approximately $120 million, that have not already been returned through the Climate Action Incentive Fund.

- Budget 2022 proposes to provide up to $30 million over two years, starting in 2022-23, to Environment and Climate Change Canada to administer direct payments to support emission-intensive, trade-exposed small and medium-sized enterprises in those jurisdictions.

Expanding the Low Carbon Economy Fund and Supporting Clean Energy in Yukon

Greater collaboration on climate action between all orders of government is important for helping to build a clean economy and create good jobs. Through the Low Carbon Economy Fund, the federal government has worked with provinces and territories on funding projects that are reducing emissions from coast-to-coast-to-coast.

The Low Carbon Economy Fund currently provides up to $2 billion to provinces and territories to reduce emissions, build resilient communities, and generate good jobs for Canadians. It has supported the installation of emission-reducing technologies like wind power, solar power, and electric heating in buildings. Since 2017, the Low Carbon Economy Fund has supported approximately 132 projects across Canada.

- Budget 2022 proposes to provide $2.2 billion over seven years, starting in 2022-23, to Environment and Climate Change Canada to expand and extend the Low Carbon Economy Fund.
- Budget 2022 announces $32.2 million over two years, starting in 2022-23, from the expanded Low Carbon Economy Fund to support the Atlin Hydro Expansion project in British Columbia, which will provide clean electricity to the Yukon and help reduce greenhouse gas emissions. The federal government has previously committed $83.9 million to this project.

Support for Business Investment in Air-Source Heat Pumps

Buildings account for 12 per cent of Canada's greenhouse gas emissions, arising mostly from space and water heating. Air-source heat pumps are an energy efficient, zero-emission heating alternative that can help support Canada's climate goals if widely adopted.

- Budget 2022 proposes to expand the accelerated tax deductions for business investments in clean energy equipment to include air-source heat pumps.
- To support job creation and growth in clean technology manufacturing in Canada, the government proposes to extend the 50 per cent reduction of the general corporate and small business income tax rates for zero-emission technology manufacturers to include manufacturers of air-source heat pumps.

These measures are expected to reduce federal revenues by $53 million over five years starting in 2022-23.

Building Capacity to Support Green Procurement

With more than $20 billion in purchasing requirements every year, the federal government can use its significant buying power to accelerate the transition to a net-zero economy by purchasing goods and services with a reduced environmental impact, and by adopting new, clean technologies.

- In Budget 2022, the federal government is announcing that Public Services and Procurement Canada (PSPC) will develop new tools, guidelines, and targets to support the adoption of green procurement across the federal government. Additional details will be announced by PSPC in the months ahead.

Industrial Energy Management

Helping industrial sectors adopt clean technology will play an important role in the transition to a low carbon economy and in achieving Canada's goal of net zero emissions by 2050.

- Budget 2022 proposes to provide $194 million over five years, starting in 2022-23, to Natural Resources Canada to expand the Industrial Energy Management System program. This will to support ISO 50001 certification, energy managers, cohort-based training, audits, and energy efficiency-focused retrofits for key small-to-moderate projects that fill a gap in the federal suite of industrial programming.

3.2 Building a Clean, Resilient Energy Sector

Since 2015, Canada has begun an ambitious green transformation of our energy sector—an important sector of our economy that directly represents 7.6 per cent of our GDP and 257,000 jobs for Canadians.

Canada has already introduced a carbon-pricing system and a commitment to phase out unabated coal-fired electricity by 2030. In addition to these measures, the federal government recently committed to achieving a net-zero electricity system by 2035 and to introducing a cap on emissions from the oil and gas sector.

Budget 2022 proposes new measures to increase investments in clean power, to support clean electricity projects, to encourage the decarbonization of our energy sector, and to mobilize new capital to establish hydrogen hubs.

Investment Tax Credit for Carbon Capture, Utilization, and Storage

Carbon capture, utilization, and storage (CCUS) is a suite of technologies that capture carbon dioxide (CO_2) emissions—whether from fuel combustion, industrial processes, or directly from the air—to either store the CO_2 typically deep underground, or to use it in other industrial processes such as permanent mineralization in concrete.

CCUS technologies are an important tool for reducing emissions in high-emitting sectors where other pathways to reduce emissions may be limited or unavailable. Examples of industries where CCUS has helped to reduce emissions include oil and gas, chemical production, and electricity generation.

In Budget 2021, the federal government proposed an investment tax credit for CCUS with the intention of both securing Canada's place as a leader in CCUS and supporting the Canadian innovators and engineers advancing the technology. By lowering the carbon footprints of Canada's traditional energy producers, the credit aims to ensure that they are a stable source of cleaner energy both domestically and internationally.

The CCUS investment tax credit is a key part of the government's broader plan to work with industry towards the goal of decarbonization, including through initiatives like the Canada Growth Fund in Chapter 2 and the Net-Zero Accelerator.

The government has consulted the public, stakeholders, and provinces on the design of the investment tax credit for CCUS, and used the input received to inform its final design.

- Budget 2022 proposes a refundable investment tax credit for businesses that incur eligible CCUS expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO_2 through an eligible use. Eligible CO_2 uses include dedicated geological storage and storage of CO_2 in concrete, but does not include enhanced oil recovery.
- From 2022 through 2030, the investment tax credit rates would be set at:
  - 60 per cent for investment in equipment to capture CO_2 in direct air capture projects;
  - 50 per cent for investment in equipment to capture CO_2 in all other CCUS projects; and
  - 37.5 per cent for investment in equipment for transportation, storage and use.
- To encourage the industry to move quickly to lower emissions, these rates will be reduced by 50 per cent for the period from 2031 through 2040.

The proposed refundable tax credit is expected to cost $2.6 billion over five years starting in 2022-23, with an annual cost of about $1.5 billion in 2026-27. Going forward, it is expected that the measure will continue to cost approximately $1.5 billion annually until 2030.

The government will engage with relevant provinces in the expectation that they will further strengthen financial incentives to accelerate the adoption of CCUS technologies by industry.

The government will also undertake a review of investment tax credit rates before 2030 to ensure that the proposed reduction in the level of tax support from 2031 to 2040 aligns with the government's environmental objectives.

Other CO_2 uses could be made eligible in the future, if permanence of storage can be demonstrated and no incremental CO_2 emissions result from the use of the product that is produced.

Clean Electricity

Canada has one of the cleanest electricity power grids in the world, but the clean energy it generates does not reach all parts of the country. To achieve the government's commitment to a net-zero electricity system by 2035, approximately $15 billion has been made available since 2016 to support investments in clean power generation and transmission, with Budget 2022 announcing further investments to support the expansion of clean electricity in Canada.

- Budget 2022 proposes to provide $250 million over four years, starting in 2022-23, to Natural Resources Canada to support pre-development activities of clean electricity projects of national significance, such as inter-provincial electricity transmission projects and small modular reactors. The federal government is already advancing similar work on the Atlantic Loop and Prairie Link projects. Projects like the Atlantic Loop will be critical as we move towards a net-zero emissions electricity system, while also supporting economic development through investments in new infrastructure and the enhanced security and reliability of our clean energy supply.
- Budget 2022 proposes $600 million over seven years starting in 2022-2023 to Natural Resources Canada for the Smart Renewables and Electrification Pathways Program to support additional renewable electricity and grid modernization projects.
- Budget 2022 proposes to provide $2.4 million in 2022-23 to Natural Resources Canada to establish a Pan-Canadian Grid Council, which would provide external advice in support of national and regional electricity planning.
- Budget 2022 provides $25 million starting 2022-23, to Natural Resources Canada to establish Regional Strategic Initiatives to work with provinces, territories, and relevant stakeholders to develop net-zero energy plans.

Small Modular Reactors

Small modular reactors offer a promising pathway to support Canada’s low-carbon energy transition and they are less complex, easier to operate, and more cost effective than current nuclear technology. For example, a 300-megawatt small modular reactor could supply enough clean power for an estimated 300,000 homes. With approximately 76,000 hard-working Canadians employed across its supply chain, Canada's nuclear industry is well positioned to leverage its more than 60 years of science and technology innovation to become a leader in the development and deployment of small modular reactor technology.

Support to develop this technology can position Canada as a clean energy leader; support the decarbonization of provincial electricity grids in places like New Brunswick and Saskatchewan; facilitate the transition away from diesel power in remote communities; and help decarbonize heavy emitting industries.

› Budget 2022 proposes to provide $120.6 million over five years, starting in 2022-23, and $0.5 million ongoing, as follows:
  - $69.9 million for Natural Resources Canada to undertake research to minimize waste generated from these reactors; support the creation of a fuel supply chain; strengthen international nuclear cooperation agreements; and enhance domestic safety and security policies and practices; and,
  - $50.7 million, and $0.5 million ongoing, for the Canadian Nuclear Safety Commission to build the capacity to regulate small modular reactors and work with international partners on global regulatory harmonization.

Phasing Out Flow-Through Shares for Oil, Gas, and Coal Activities

The federal government committed to phase out or rationalize inefficient fossil fuel subsidies—and has recently accelerated the previous timeline for doing so from 2025 to 2023.

› Budget 2022 proposes to eliminate the flow-through share regime for fossil fuel sector activities. This will be done by no longer allowing expenditures related to oil, gas, and coal exploration and development to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023.

This measure is expected to increase federal revenues by $9 million over five years, starting in 2022-23.

3.3 Protecting Our Lands, Lakes, and Oceans

Canada's nature is central to our national identity. However, Canada is warming twice as fast as the global average, and three times faster in the North. The impact of this warming on our natural environment will be significant. Northern, coastal, Indigenous, and remote communities are significantly more vulnerable to climate change, and the recent floods, droughts, and fires in British Columbia, Alberta, Saskatchewan, and Manitoba are examples of a growing number of costly and devastating climate-related challenges.

Since 2015, Canada has gone from having less than 1 per cent of our oceans protected to almost 14 per cent. The federal government has committed to protecting 25 per cent of our land, oceans, and freshwater by 2025, while working towards protecting 30 per cent by 2030.

In Budget 2022, the federal government is proposing to undertake significant efforts to further protect our natural environment and to help mitigate the financial and ecological costs associated with biodiversity loss and climate change.

Adaptation actions in Budget 2022 will build on the significant environment and climate-related investments of more than $100 billion since 2015 and support a National Adaptation Strategy that will be published later this year.

Renewing and Expanding the Oceans Protection Plan

In 2016, the government announced the Oceans Protection Plan to protect Canada's coasts and waterways and enable their safe and responsible commercial use. Under the Plan, the government has improved monitoring of marine traffic across Canada and restored the health of over 60 aquatic habitats nationally. Today, marine traffic continues to increase in support of Canada's growing economy, and the federal government is taking additional steps to strengthen marine safety, protect marine ecosystems, and create stronger partnerships with Indigenous and coastal communities.

- Budget 2022 proposes to provide an additional $2.0 billion over nine years, starting in 2022-23, with $78.7 million in remaining amortization, and $136.4 million per year ongoing, to renew and expand the Oceans Protection Plan. This builds on ongoing funding announced in 2016, and will result in an overall increase in federal funding for oceans protection over the next five years.
- Budget 2022 also announces the government's intention to propose amendments to the *Canada Shipping Act* and other acts, including to enable the proactive management of marine emergencies and to cover more types of pollution.

These measures will help ensure that Indigenous communities, industry, investors, and all Canadians can have confidence in marine safety and will allow for marine activity to continue safely and sustainably.

Protecting Our Freshwater

Canada holds 20 per cent of the world's freshwater supply. Protecting our freshwater is critically important to Canadians, to our environment, and to our economy. In 2019, the government committed to establish a federal Canada Water Agency to work with provinces, territories, Indigenous communities, and other stakeholders in order to find the best ways to keep Canada's water safe, clean, and well-managed.

- Budget 2022 proposes to provide $43.5 million over five years, starting in 2022-23, and $8.7 million ongoing to Environment and Climate Change Canada to create a new Canada Water Agency, which will be stood-up in 2022. The headquarters of the new Agency will be located outside of the National Capital Region.
- Budget 2022 proposes to provide $19.6 million in 2022-23 to Environment and Climate Change Canada to sustain the Freshwater Action Plan. The future of this initiative will be communicated at a later date. This funding will support clean-up efforts in the Great Lakes, the St. Lawrence River, Lake Winnipeg, Lake of the Woods, the Fraser River, the Saint John River, the Mackenzie River, and Lake Simcoe.
- Budget 2022 proposes to provide $25.0 million over five years, starting in 2022-23, to Environment and Climate Change Canada to support the Experimental Lakes Area.
- Budget 2022 proposes to provide $44.9 million over five years, starting in 2022-23, and $9.0 million ongoing to Fisheries and Oceans Canada to support the Great Lakes Fishery Commission. This funding will help coordinate Canada-U.S. invasive sea lamprey control activities, manage fisheries, and conduct scientific research in the Great Lakes.

Taking More Action to Eliminate Plastic Waste

No one wants to see trash on the beach where their children play, or on the trail where they hike. The federal government has already taken significant steps—working with all orders of government, industry, and other stakeholders to take action on plastic waste and pollution and to work towards a goal of zero plastic waste by 2030. A significant step towards this goal is the government's intent to enact regulations prohibiting certain single-use plastics in 2022.

Under Canada's G7 presidency in 2018, Canada championed the development of the Ocean Plastics Charter and later worked with provincial and territorial governments to develop a Canada-wide Strategy on Zero Plastic Waste.

- Budget 2022 proposes to provide $183.1 million over five years, starting in 2022-23, to Environment and Climate Change Canada, Fisheries and Oceans Canada, Health Canada, Transport Canada, Crown-Indigenous Relations and Northern Affairs Canada, Statistics Canada, and the National Research Council. This investment will reduce plastic waste and increase plastic circularity by developing and implementing regulatory measures, and conducting scientific research to inform policy-making. This funding will also help better understand effects of micro-plastics on human health, monitor plastic contaminants in the North, inform ship plastic waste management, and monitor plastic pollution in water systems.
- Budget 2022 also proposes to provide $10 million in 2022-23 to Fisheries and Oceans Canada to renew the Ghost Gear Fund for one year to continue to assist projects that retrieve ghost gear, dispose of fishing-related plastic waste, test new fishing technology, and support international efforts to remove ghost gear from our oceans.

Fighting and Managing Wildfires

Last summer, Canadians again saw the devastating and tragic impact of wildfires in British Columbia. Communities like Lytton saw homes and businesses lost to fire. People across the country spent days under a haze of smoke. Canada is experiencing more frequent and more extreme wildfires and this trend will continue as the climate changes. The risk of wildfire is especially serious for remote and Indigenous communities and fires come with significant economic and environmental costs.

› Budget 2022 proposes additional action to counter the growing threat of wildfires in Canada, including by providing support to provinces, territories, and Indigenous communities for wildfire mitigation, response, and monitoring through the following:

- $269 million over five years, starting in 2022-23, to Natural Resources Canada as exceptional, time-limited support to help provinces and territories procure firefighting equipment such as vehicles and aircrafts;
- $39.2 million over five years, starting in 2022-23, to Indigenous Services Canada to support the purchase of firefighting equipment by First Nations communities;
- $37.9 million over five years, starting in 2022-23, with $0.6 million ongoing, to Natural Resources Canada to train 1,000 additional firefighters and incorporate Indigenous traditional knowledge in fire management; and
- $169.9 million over 11 years, starting in 2022-23, with $6.9 million in remaining amortization, to the Canadian Space Agency, Natural Resources Canada, and Environment and Climate Change Canada to deliver and operate a new wildfire monitoring satellite system.

Growing Canada's Trail Network

The Trans Canada Trail is a national initiative that began in 1992 with the goal of developing a network of recreational trails that would stretch across Canada. At 27,000 kilometres, the Trans Canada Trail is now the longest trail network in the world, connecting Canadians to nature from coast-to-coast-to-coast.

› To maintain and enhance Canada's trail network, Budget 2022 proposes to provide $55 million over five years, starting in 2022-23, to the Parks Canada Agency for the Trans Canada Trail.

› To improve access and promote tourism and recreational activities around Rouge National Urban Park, Budget 2022 proposes to provide $2 million over two years, starting in 2022-23, to the Parks Canada Agency to contribute to building new trails outside and connecting to trails inside the Urban Park.

British Columbia Old Growth Nature Fund

British Columbia's iconic old growth forests have deep-rooted cultural significance to Indigenous communities and are important to all British Columbians. They are also critical habitats for dozens of species at risk and migratory birds and are important natural stores of carbon.

- To conserve and protect these forests, Budget 2022 proposes to provide $55.1 million over three years, starting in 2022-23, to Environment and Climate Change Canada and Natural Resources Canada to establish an Old Growth Nature Fund in collaboration with the Province of British Columbia, non-governmental organizations, and Indigenous and local communities. This funding will be conditional on the Government of British Columbia making a matching investment.

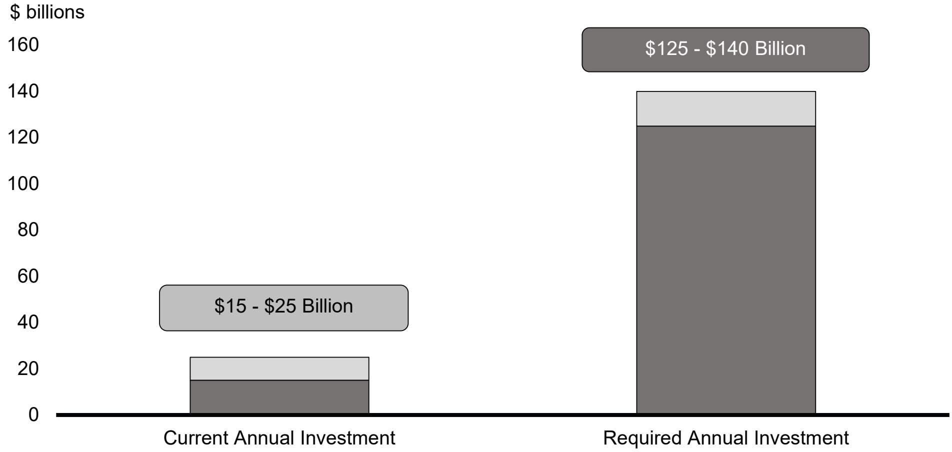
3.4 Building Canada's Net-Zero Economy

Governments around the world will not be able to finance the transition to a net-zero economy and fight climate change alone. Thankfully, the transition to net-zero represents a significant opportunity for businesses and investors looking to invest in the economy of the future and trillions of dollars in private capital have already been assembled for investments in green infrastructure and technology around the world.

Budget 2022 takes a number of important steps to mobilize the substantial private capital that will build a cleaner economy, fight climate change, and create new, good-paying middle class jobs for Canadians.

A major component of building Canada's net-zero economy is the Canada Growth Fund—a significant new $15 billion government investment fund that will accelerate the investment of private capital into decarbonization and clean technology projects; help to promote the diversification of Canada's economy; play a key role in helping to meet Canada's climate targets; and strengthen both Canada's economic resilience and capacity. More information on the Canada Growth Fund can be found in Chapter 2.

Chart 3.1
Annual Investment to Attain Net-Zero Emissions in Canada by 2050
(Total Private and Government Investment)



Sources: Global Financial Markets Association and Boston Consulting Group, *Climate Finance Markets and the Real Economy* (2020); United Nations Framework Convention on Climate Change (2018).

Increasing the Impact of the Canada Infrastructure Bank

The Canada Infrastructure Bank (CIB) was created in 2017 to attract private capital to major infrastructure projects and help build more of the infrastructure that we need across the country.

In 2020, the CIB announced its three-year, $10 billion Growth Plan, which included a goal of helping Canada achieve its emissions reduction targets. Since then, the CIB has identified opportunities to work with private sector and institutional investors to do even more to help Canada reach a net-zero emissions future.

- To increase the CIB's impact, Budget 2022 announces a broadened role for the CIB to invest in private sector-led infrastructure projects that will accelerate Canada's transition to a low-carbon economy. This will allow the CIB to invest in small modular reactors; clean fuel production; hydrogen production, transportation and distribution; and carbon capture, utilization and storage. These new areas fall under the CIB's existing clean power and green infrastructure investment areas. The CIB will continue to invest in its public transit, broadband, and trade and transportation investment areas.

As noted in section 3.1, the CIB will also invest $500 million in large-scale, zero-emission vehicle (ZEV) charging and refueling infrastructure to help accelerate the adoption of ZEVs and reduce Canada's transportation emissions.

By investing in public and private-sector led infrastructure projects, the CIB will complement the Canada Growth Fund to reduce emissions, fight climate change, and build Canada's net-zero economy.

Net-Zero Capital Allocation Strategy

Last year, the government created the Sustainable Finance Action Council, convening 25 of Canada's largest financial institutions and pension funds, which together represent more than $10 trillion in assets. While public investment can provide some of the capital required to support the net-zero transition, the massive spending power of the private sector—both in Canada and around the world—will play a vital role in the transition to a low-carbon global economy.

- Budget 2022 announces that the Sustainable Finance Action Council will develop and report on strategies for aligning private sector capital with the transition to net-zero, with support from the Canadian Climate Institute and in consultation with the Net-Zero Advisory Body.

Climate Disclosures for Federally Regulated Institutions

The federal government is committed to moving towards mandatory reporting of climate-related financial risks across a broad spectrum of the Canadian economy, based on the international Task Force on Climate-related Financial Disclosures (TCFD) framework.

The Office of the Superintendent of Financial Institutions (OSFI) will consult federally regulated financial institutions on climate disclosure guidelines in 2022 and will require financial institutions to publish climate disclosures—aligned with the TCFD framework—using a phased approach, starting in 2024.

OSFI will also expect financial institutions to collect and assess information on climate risks and emissions from their clients.

As federally regulated banks and insurers play a prominent role in shaping Canada's economy, OSFI guidance will have a significant impact on how Canadian businesses manage and report on climate-related risks and exposures.

Separately, the government will move forward with requirements for disclosure of environmental, social, and governance (ESG) considerations, including climate-related risks, for federally regulated pension plans.

Supporting the International Sustainability Standards Board's Montreal Office

The federal government welcomed the International Financial Reporting Standards (IFRS) Foundation's selection of Montreal to host one of the two central offices of the new International Sustainability Standards Board (ISSB). The ISSB will develop global sustainability standards to enhance the quality and comparability of international corporate reporting on environmental, social and governance (ESG) factors. The government is committed to supporting the start-up of the Montreal office and positioning Canada as a leader in sustainability reporting.

- Budget 2022 proposes to provide $8 million over three years, starting in 2022-23, to Canada Economic Development for Quebec Regions to support the start-up of the ISSB's Montreal office. This investment builds on significant industry and public sector funding from across Canada that helped to bring the ISSB to Canada.

Table 3.1
Climate Change Funding Proposed through Budget 2022 Previously Announced in the 2030 Emissions Reduction Plan

Section Number	Measure Title	Funding Amount	ERP Page Reference
1.1	Canada Green Buildings Strategy	$150 million	p. 36
	Deep Retrofit Accelerator Initiative	$200 million	p. 37
	Greener Neighbourhoods Pilot Program	$33.2 million	p. 37
	Innovative construction materials R&D/Building standards	$183.2 million	p. 37
	Low-interest loans (Canada Greener Homes Loan program)	$458.5 million	p. 37
3.1	Incentives for Zero-Emission Vehicles (iZEV) program	$1.7 billion	p. 61
	Zero-Emission Vehicle Infrastructure Program	$400 million	p. 61
	Greening Government Operations Fleet Program	$2.2 million	p. 61
	Incentives for medium- and heavy-duty ZEVs	$547.5 million	p. 61
	Long-haul zero-emission trucks regulations/Safety testing	$33.8 million	p. 61
	Green Freight Assessment Program	$199.6 million	p. 61
	Agricultural Clean Technology Program	$329.4 million	p. 66
	On-Farm Climate Action Fund	$469.5 million	p. 65
	Resilient Agricultural Landscape Program	$150 million	p. 65
	Federal granting councils	$100 million	p. 66
	Nature Smart Climate Solutions Fund	$780 million	p. 73
	Low Carbon Economy Fund	$2.2 billion	p. 31
	Industrial Energy Management System program	$194 million	p. 46
3.2	Clean electricity projects pre-development activities	$250 million	p. 42
	Smart Renewables and Electrification Pathways Program	$600 million	p. 42
	Pan-Canadian Grid Council	$2.4 million	p. 42
	Regional Strategic Initiatives	$25 million	p. 42
7.3	Indigenous Climate Leadership Agenda	$29.6 million	p. 101
Total		**$9.1 billion**	

Note: The entries in the "Funding Amount" column have different durations and do not include remaining amortization amounts. Please refer to budget text for complete funding information. Funding amounts may not add up to total due to rounding.

Chapter 3

Clean Air and a Strong Economy
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
3.1. Reducing Pollution to Fight Climate Change	**0**	**827**	**1,530**	**2,022**	**1,485**	**946**	***6,810***
Reducing Emissions on the Road - Making the Switch to Zero-Emission Vehicles More Affordable[1]	0	422	549	723	4	2	*1,699*
Reducing Emissions on the Road – Investing in ZEV Charging Infrastructure in Sub-Urban and Remote Communities[1]	0	80	80	80	80	80	*400*
Reducing Emissions on the Road – Greening Government Operations Fleet Program[1]	0	0	0	0	0	0	*2*
Reducing Emissions on the Road – Incentives for Medium- and Heavy-Duty ZEVs[1]	0	11	97	149	290	0	*548*
Reducing Emissions on the Road – Long-Haul ZEV Trucking Regulations and Safety Testing[1]	0	4	8	8	7	6	*34*
Reducing Emissions on the Road – Green Freight Assessment Program[1]	0	23	45	53	49	29	*200*
Sustainable Agriculture to Fight Climate Change[1]	0	66	168	235	229	189	*887*
Expanding the Nature Smart Climate Solutions Fund[1]	0	156	156	156	156	156	*780*
Returning Fuel Charge Proceeds to Small and Medium Sized Enterprises	0	15	15	0	0	0	*30*
Expanding the Low Carbon Economy Fund[1]	0	18	360	560	607	440	*1,985*
Support for Business Investment in Air-Source Heat Pumps	0	9	15	10	10	9	*53*
Industrial Energy Management[1]	0	24	36	47	51	35	*194*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
3.2. Building a Clean, Resilient Energy Sector	**0**	**133**	**226**	**493**	**956**	**1,581**	***3,389***
Investment Tax Credit for Carbon Capture, Utilization, and Storage	0	35	70	285	755	1,455	*2,600*
Clean Electricity[1]	0	88	133	181	175	100	*677*
Small Modular Reactors	0	10	24	29	29	29	*121*
Phasing Out Flow-Through Shares for Oil, Gas, and Coal Activities	0	0	-1	-2	-3	-3	*-9*
3.3. Protecting Our Land, Lakes, and Oceans	**0**	**324**	**475**	**511**	**477**	**462**	***2,248***
Renewing and Expanding the Oceans Protection Plan	0	237	314	344	354	342	*1,590*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-34*	*-30*	*-30*	*-30*	*-30*	*-153*
Protecting Our Freshwater	0	42	23	23	23	23	*133*
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*-4*	*0*	*0*	*0*	*0*	*-4*
Taking More Action to Eliminate Plastic Waste	0	39	37	36	42	43	*197*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-1*	*-1*	*-1*	*0*	*0*	*-4*
Fighting and Managing Wildfires	0	30	101	102	77	72	*383*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-1*	*-1*	*-1*	*-1*	*-1*	*-6*
Growing Canada's Trail Network	0	10	11	11	12	13	*57*
British Columbia Old Growth Nature Fund	0	6	22	27	0	0	*55*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
3.4. Building Canada's Net-Zero Economy	**-3**	**0**	**0**	**3**	**0**	**0**	***0***
Supporting the International Sustainability Standards Board’s Montreal Office	0	3	3	3	0	0	*8*
Less: Funds Previously Provisioned in the Fiscal Framework	*-3*	*-3*	*-3*	*0*	*0*	*0*	*-8*
Chapter 3 - Net Fiscal Impact	**-3**	**1,284**	**2,231**	**3,030**	**2,918**	**2,988**	***12,448***

Note: Numbers may not add due to rounding.
[1] Announced in the *2030 Emissions Reduction Plan: Canada’s Next Steps for Clean Air and a Strong Economy*, released on March 29, 2022.

Chapter 4
Creating Good Middle Class Jobs

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In the face of a pandemic that has changed all of our lives, workers in Canada have shown remarkable resilience. Whether adapting to work from home, restructuring entire businesses to manufacture personal protective equipment, or heading to their frontline job in the middle of a lockdown, the determination and ingenuity of Canada's workforce has kept our economy moving during an unprecedented and challenging two years.

At the start of the pandemic, the federal government introduced significant economic support to allow our workers and businesses to make ends meet.

Those investments worked. Canada's economy has recovered 112 per cent of the jobs lost at the outset of the pandemic. Our unemployment rate in February 2022 was at 5.5 per cent, which is lower than prior to the pandemic. Job creation is remarkably strong, and even our hardest-hit sectors are starting to get back up and running.

But with our unemployment rate hitting near-record lows, some businesses are still struggling to find workers. This is a problem in Canada and around the world. A strong and prosperous economy requires a diverse, talented, and constantly growing workforce. And yet too many Canadians—women with young children, new graduates, newcomers, Black and racialized Canadians, Indigenous peoples, and persons with disabilities among them—are facing barriers to finding meaningful and well-paid work.

In Budget 2022, the government is putting in place important measures that will help address those issues and meet the needs of our workers, our businesses, and the Canadian economy so that it can keep growing stronger for years to come.

Key Ongoing Actions

The federal government has made historic investments to help workers succeed and ensure that Canadian businesses have access to a diverse, skilled workforce. These include:

- ✓ $30 billion over five years to build a Canada-wide early learning and child care system;
- ✓ Expanding the Canada Workers Benefit to support an estimated one million additional Canadians, which could mean $1,000 more per year for a full-time, minimum-wage worker;
- ✓ More than $3 billion over three years to support nearly 500,000 new job and training opportunities, including by helping mid-career workers transition to in-demand jobs, and helping young Canadians gain valuable work experience;

- ✓ Making post-secondary education more accessible by doubling the Canada Student Grants amount until July 2023—meaning up to $6,000 per year in non-repayable aid for full-time students in need—and by waiving interest on Canada Student Loans through to March 2023;
- ✓ Introducing a $15 per hour federal minimum wage and legislating 10 days of paid sick leave to improve the working conditions for the nearly one million workers in the federally-regulated private sector; and
- ✓ Increasing the length of Employment Insurance sickness benefits from 15 to 26 weeks, as of summer 2022.

4.1 Delivering on Child Care

Supporting Early Learning and Child Care

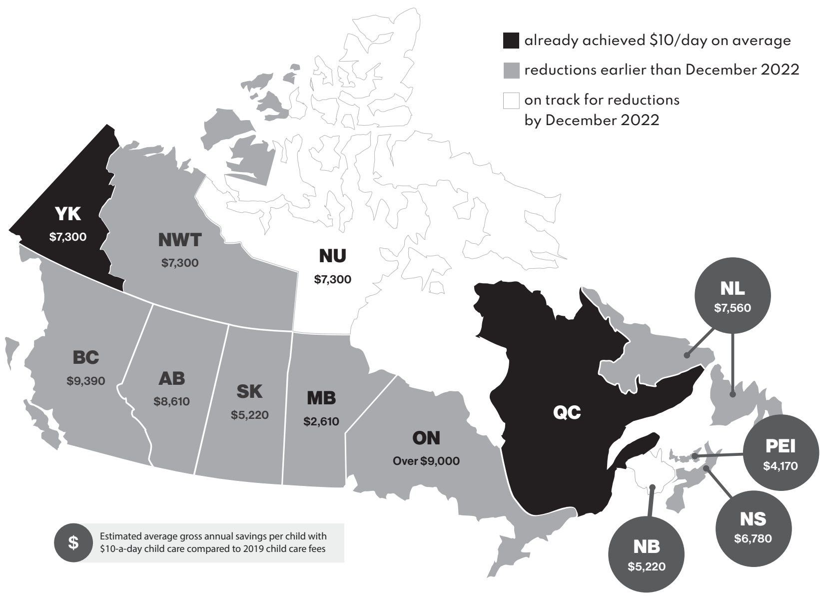
In Budget 2021, the federal government made an historic and transformative investment of $30 billion over five years. Combined with previous investments announced since 2015, $9.2 billion ongoing will be invested in child care, including Indigenous Early Learning and Child Care, starting in 2025-26.

Child care is not just a social policy—it is an economic policy, too. Affordable, high-quality child care will grow our economy, allow more women to enter the workforce, and help give every Canadian child the best start in life.

In less than a year, the federal government reached agreements with all 13 provinces and territories. This means, by the end of 2022, that Canadian families will have seen their child care fees reduced by an average of 50 per cent. By 2025-26, it will mean an average child care fee of $10-a-day for all regulated child care spaces across Canada. Most provinces and territories are also moving ahead with faster than anticipated initiatives to support access to affordable high-quality child care spaces (Figure 4.1).

Alberta, Saskatchewan, and the Northwest Territories have already cut child care fees in half. In Ontario, fees will be reduced by an initial 25 per cent retroactive to April 1, 2022. Yukon has already put in place a $10-a-day target for child care spaces as of April 1, 2021, five years ahead of schedule. Prince Edward Island is targeting $10-a-day spaces by the end of 2024.

Figure 4.1
Fee Reductions for Child Care Spaces Across Canada



Note: Employment and Social Development Canada estimates. Savings estimates are relative to 2019 levels, are based on out-of-pocket parent fees, and do not include amounts that would be recovered through provincial/territorial tax credits or the federal child care expense deduction at tax time, or changes to provincial/territorial or federal benefits as a result of lower child care expenses. Actual savings for families will vary based on factors such as actual fees paid prior to reductions. The estimate for Ontario is based on the Province of Ontario's current modelling for an average $10/day out-of-pocket parent fee.

As the federal government worked with provinces and territories on the completion and implementation of agreements, many raised that infrastructure funding was a challenge for non-profit and public providers where real estate costs were too high or building materials too expensive.

- In response to requests from provinces and territories, and to support the implementation of the Canada-wide early learning and child care system, Budget 2022 proposes to provide $625 million over four years, beginning in 2023-24, to Employment and Social Development Canada for an Early Learning and Child Care Infrastructure Fund.

This funding will enable provinces and territories to make additional child care investments, including the building of new facilities.

As noted in Budget 2021, Quebec has been a pioneer in early learning and child care in Canada, and this new funding will be part of an asymmetrical agreement with the province of Quebec that will allow for Quebec to further enhance its child care system.

Early Learning and Child Care Investments to Make Life More Affordable

Canada-Wide Early Learning and Child Care Agreements

Province/ Territory and Date Agreement Announced	Amount of Federal Investment (5 Year Allocation, $ millions)[1]	Estimated Average Savings per Child with 50% Average Fee Reduction (gross, annual)[2]	Estimated Average Savings per Child at $10/day (gross, annual)[2]	Child Care Spaces to be Created	Estimated Early Childhood Educator Jobs to be Created[3]
BC July 8, 2021	$3,212	$6,000 (by end of 2022)	$9,390 (by end of FY 2025-26)	40,000[4]	8,000 to 10,000
NS July 13, 2021	$605	$4,690 (by end of 2022)	$6,780 (by end of FY 2025-26)	9,500	1,900 to 2,375
YK July 23, 2021	$42	Yukon committed to a $10/day average fee prior to Budget 2021	$7,300 (achieved)	110	22 to 28
PEI July 27, 2021	$118	$3,390 (by end of 2022)	$4,170 (by end of 2024)	452	90 to 113
NL July 28, 2021	$306	$5,090 (by end of 2022)	$7,560 (as early as January 2023)	5,895	1,179 to 1,474
QC[5] August 5, 2021	$5,964	Not applicable	Not applicable	37,000	7,400 to 9,250
MB August 9, 2021	$1,201	$2,610 (by end of 2022)	$2,610 (by end of FY 2022-23)	23,000	4,600 to 5,750
SK August 13, 2021	$1,099	$3,910 (retroactive to July 2021)	$5,220 (by end of FY 2025-26)	28,000	5,600 to 7,000
AB November 15, 2021	$3,797	$5,610 (January 2022)	$8,610 (by end of FY 2025-26)	42,500	8,500 to 10,625
NB December 13, 2021	$492	$3,910 (by end of 2022)	$5,220 (by end of FY 2025-26)	3,400	680 to 850
NWT December 15, 2021	$51	$4,950 (by end of 2022)	$7,300 (by end of FY 2025-26)	300	60 to 75
NU January 24, 2022	$66	$4,950 (by end of 2022)	$7,300 (by end of March 2024)	238	48 to 60
ON March 28, 2022	$10,235	$6,000 (by end of 2022)	over $9,000[6] (by end of FY 2025-26)	86,000[7]	14,000 to 15,000[6]

1 National Canada-wide early learning and childhood allocations are calculated based on projected 0-12 child population and include base funding of $2 million per province/territory per year.

2 Employment and Social Development Canada estimates and are illustrative only. Savings estimates are relative to 2019 levels unless updated data is provided by provinces and territories. Estimates are based on out-of-pocket parent fees and do not include amounts that would be recovered through provincial/territorial tax credits or the federal child care expense deduction at tax time, or changes to provincial/territorial or federal benefits as a result of lower child care expenses. Actual savings for families will vary based on factors such as actual fees paid prior to reductions.

3 Employment and Social Development Canada estimates. Range of estimated early childhood educator jobs created is based on the national average range of early childhood educators expected to be required per new child care space. Provincial and territorial estimates may differ due to regulatory variation.

4 B.C. committed to creating 30,000 new spaces within five years, and 40,000 new spaces within seven years.

5 The Government of Canada has entered into an asymmetrical agreement with the province of Quebec that will allow for further improvements to its early learning and child care system, where parents with a subsidized, reduced contribution space already pay a single fee of less than $10/day.

6 Based on the province of Ontario's current modelling for an average $10/day out-of-pocket parent fee.

7 The province of Ontario committed to create 86,000 spaces from 2019 levels by end of 2026 which is approximately 71,000 new spaces from current levels.

4.2 Immigration for Our Economy

Immigration is vital to our economy, our communities, and to our national identity as a country that is diverse and welcoming of everyone. Indeed, multiculturalism is one of Canada's great success stories and an example to the world.

Throughout the pandemic, many newcomers have been on the front lines, working in key sectors like health care, transportation, the service sector, and manufacturing. Without them, Canada's economy would not have overcome the challenges of the last two years.

In the decades to come, our economy will continue to rely on the talents of people from all over the world, just as we have in decades past. Our future economic growth will be bolstered by immigration. And Canada will remain a leader in welcoming newcomers fleeing violence and persecution.

In Budget 2022, the federal government is proposing investments to enhance our capacity to meet the immigration demands of our growing economy; to create opportunities for all newcomers; and to maintain Canada's world-class immigration system.

Canada's Ambitious Immigration Plan

Canada welcomed more than 405,000 new permanent residents in 2021—more than any year in Canadian history.

To meet the demands of our growing economy, the federal government's 2022-24 Immigration Levels Plan—tabled in February 2022—sets an even higher annual target of 451,000 permanent residents by 2024—the majority of whom will be skilled workers, which will help to address persistent labour shortages.

This higher target—along with the government's 2021 *Economic and Fiscal Update* investments to resolve delays and backlogs in processing and new investments proposed in this Budget—will help make our immigration system more responsive to Canada's economic needs and humanitarian commitments.

The Immigration Levels Plan helps reunite family members with their loved ones, and allows us to continue to be home to the talents of those already in Canada by granting permanent status to temporary residents—including essential workers and international students.

The Immigration Levels Plan also includes firm global humanitarian commitments, including a plan to resettle at least 40,000 Afghan refugees in the coming years. On March 30, 2022, Canada marked an important milestone by welcoming the 10,000th Afghan refugee since August 2021. In addition, the government has introduced new immigration streams for Ukrainians, set out in Chapter 5.

- To support the processing and settlement of new permanent residents to Canada as part of Canada's Immigration Levels Plan—including the government's increased commitment to Afghan refugees—the government has committed $2.1 billion over five years and $317.6 million ongoing in new funding.

As announced in Budget 2021, the government also intends to amend the *Immigration and Refugee Protection Act* to improve Canada's ability to select applicants that match its changing and diverse economic and labour force needs. These people will be from among the growing pool of candidates seeking to become permanent residents through the Express Entry System.

Efficiently Welcoming Visitors, Students, and Workers to Canada

Every year, Canada welcomes millions of tourists, international students, and temporary foreign workers. Together, they inject billions of dollars into our economy; bring new ideas and energy to our schools and businesses; create lasting commercial and social ties; and fill openings in our workforce.

As the world recovers from the pandemic and travel restrictions are lifted, Canada can expect to see a growing number of temporary residence applications, visitor visas, and study permits.

- Budget 2022 proposes to provide $385.7 million over five years, and $86.5 million ongoing, for Immigration, Refugees and Citizenship Canada, the Canada Border Services Agency, and the Canadian Security Intelligence Service to facilitate the timely and efficient entry of a growing number of visitors, workers, and students.

Securing the Integrity of Canada's Asylum System

Canada is a welcoming destination for those seeking refuge and each year takes in tens of thousands of people fleeing violence and persecution.

Around the world, the number of displaced people and families tragically continues to rise. In the months and years to come, many will seek to come to Canada.

Canada's asylum system—the border officers, immigration officials, and members of the Immigration and Refugee Board who process, investigate, and adjudicate asylum claims—has recently benefited from enhanced temporary funding. As the COVID-19 situation in Canada continues to improve and border restrictions ease, the federal government is committed to ensuring that Canada's asylum system has the long-term resources it needs.

- Budget 2022 proposes to provide Immigration, Refugees and Citizenship Canada, the Canada Border Services Agency, the Immigration and Refugee Board, and the Canadian Security Intelligence Service with $1.3 billion over the next five years, and $331.2 million ongoing, to support the long-term stability and integrity of Canada's asylum system.

- The government is also proposing to introduce amendments to the *Immigration and Refugee Protection Act* to allow Immigration, Refugees and Citizenship Canada to require the electronic submission of asylum claims. Claims can currently be submitted either digitally or on paper, making it difficult to keep track of all information relevant to a file and ultimately leading to processing delays. This reform will help modernize and streamline the asylum process and reduce wait times for claimants.

Supporting Legal Aid for Asylum Seekers

Each year, thousands fearing persecution seek refuge in Canada. After their arrival, asylum seekers have the right to a fair hearing to determine their legal status.

For those who cannot afford legal support, immigration and refugee legal aid can provide eligible asylum claimants with legal information, advice, and representation. These services, delivered in partnership with provinces, make the asylum system more efficient and help asylum seekers receive fair outcomes.

- Budget 2022 proposes to provide $43.5 million in 2022-23 to maintain federal support for immigration and refugee legal aid services.

Improving Support Services for Immigrants and Visitors to Canada

As global demand to visit, study, and work in Canada increases—in addition to a growing number of permanent residents moving to Canada—so too must the government's ability to provide accessible, timely, and responsive services.

- Budget 2022 proposes to provide $187.3 million over five years, and $37.2 million ongoing, for Immigration, Refugees and Citizenship Canada to improve its capacity to respond to a growing volume of enquiries and to invest in the technology and tools required to better support people using their services.

Improving the Citizenship Program

Becoming a citizen allows new Canadians to fully participate in Canadian society, including through the ability to vote, to run for public office, and to travel under a Canadian passport.

To modernize the process of obtaining Canadian citizenship, the federal government recently launched new online services, which include the ability to submit applications electronically. However, current legislation limits the government's ability to modernize the citizenship application process through digitization, meaning processing takes longer and online tools are limited.

- To further improve the experience of applicants and to enable the Citizenship Program to accommodate higher levels of applications, the government intends to introduce legislative amendments to the *Citizenship Act* to enable automated and machine-assisted processing and the safe and secure collection and use of biometric information.

The 2021 *Economic and Fiscal Update* also provided funding in 2022-23 for citizenship processing, as part of an $85 million investment to reduce processing times and pandemic-related application backlogs.

4.3 A Workforce for the 21st Century Economy

Structural shifts in the global economy—including an increase in automation and a global transition to lower-emission industries and technologies—will require some workers in sectors across Canada to develop new skills and adjust the way they work.

> *"3.1 million Canadian jobs will change in some way over the next decade due to the climate transition"*
>
> – RBC Economics (2022)

The transition to a new career can be a difficult and stressful time—workers have bills to pay, families to take care of, and established roots in their communities. As our economy changes, Canada's jobs and skills plan must be tailored to the needs of those workers and help them to meet the needs of growing businesses and sectors.

In recent years, the federal government has made significant investments to connect workers to jobs—including mid-career workers, young people, and underrepresented workers—with nearly 500,000 opportunities for skills development and in-demand jobs in Budget 2021.

Budget 2022 proposes to build on past investments, to work with provincial and territorial partners on improving how skills training is provided, to launch intensive engagement with labour groups on how Canada can better support skilled workers as they navigate a changing economy, and support union-led apprenticeship training for those who are underrepresented in the trades.

Modernizing Labour Market Transfer Agreements

Every year, the federal government provides more than $3 billion in funding to provinces and territories to provide training and employment support through the Labour Market Transfer Agreements. These investments help more than one million Canadians every year prepare for their next job through programs ranging from skills training and wage subsidies, to career counselling and job search assistance.

The federal government is taking steps to renew this partnership with provinces and territories in order to be more responsive to the needs of workers, businesses, and the economy.

- Budget 2022 proposes to amend Part II of the *Employment Insurance Act* to ensure more workers are eligible for help before they become unemployed, and that employers can receive direct support to re-train their workers.

Over the coming year, the government also intends to intensify work with provinces and territories to modernize these agreements, reflecting the changing needs and challenges of both the current and future Canadian labour market. This will include working together to support mid-career workers in transitioning to new sectors and help local economies adapt and prosper.

Bringing Workers to the Decision-Making Table

Canada's long-term economic success depends on matching workers with the right skills to employers in growing sectors. For some workers, having the right skills could mean a small change, like learning a new method. For others, it might mean deeper training towards a career in a new field, such as the skilled trades or clean technologies.

The future of work should be led by workers—and unions need to be at the forefront of our planning for the jobs of tomorrow.

- Budget 2022 proposes to provide $2.5 million in 2022-23 for Employment and Social Development Canada to launch a new union-led advisory table that brings together unions and trade associations. In the coming year, the table will advise the government on priority investments to help workers navigate the changing labour market, with a particular focus on skilled, mid-career workers in at-risk sectors and jobs. Further details will be announced in the coming weeks.

The results will be used to inform future actions and investments to help workers make the transition to the jobs and sectors that need them.

Doubling the Union Training and Innovation Program

The skilled trades are vital to the future of the Canadian economy and offer workers rewarding careers in fields ranging from carpentry to electricians and boilermakers. The federal government wants to provide more women, newcomers, persons with disabilities, Indigenous peoples, and racialized Canadians with the chance to have good-quality jobs in high-paying skilled trades, and unions play a critical role in training skilled trades workers.

Since 2017, the Union Training and Innovation Program has supported union-based apprenticeship training in the Red Seal trades, including through investments in training, equipment, and materials, as well as in support for innovative approaches to address barriers facing apprentices.

- Budget 2022 proposes to provide $84.2 million over four years to double funding for the Union Training and Innovation Program. Each year, the new funding would help 3,500 apprentices from underrepresented groups begin and succeed in careers in the skilled trades through mentorship, career services, and job-matching.

Sustainable Jobs

Workers will always be at the heart of the government's plan to build a strong economy and a bright future for Canadians. As the world moves to a net-zero emissions future, we must ensure that everyone has a real and fair chance to succeed and that no region gets left behind. Already, the federal government has made progress towards building a just transition for workers through sustainable jobs and have undertaken public consultations on legislation that will support workers and communities in the shift to a low-carbon future. This work continues.

In March, in the *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy,* the government committed to skills training, including through a new Futures Fund for Alberta, Saskatchewan, and Newfoundland and Labrador. Along with the government's commitment to a new Clean Jobs Training Centre, this will help workers have the tools to succeed. The federal government will also continue to work with its partners, including labour unions, to design programs that take into account current barriers and underrepresentation, so that there is a level playing field for everyone.

Canada's long-term success depends on workers. From engineers, scientists, farmers, construction workers, tradespeople, resource workers, energy workers, researchers, and more, everyone will have a role to play in the economy of tomorrow.

4.4 Connecting Workers to Good Jobs

With record lows in unemployment as Canada emerges from the pandemic, employers across the country—especially in rural Canada—are finding it difficult to hire the workers they need.

Budget 2022 proposes to grow our workforce by addressing barriers faced by mothers, Black and racialized Canadians, newcomers, persons with disabilities, young Canadians, and other people who are underrepresented in Canada's workforce. This will include improving labour mobility and foreign credential recognition, and creating opportunities for persons with disabilities.

The government also intends to engage with experts on the role that a Career Extension Tax Credit could play in boosting the labour force participation of seniors who want to continue to work later in life.

Labour Mobility Deduction for Tradespeople

Canada is growing, and that means more homes, roads, and important infrastructure projects need to be built. Skilled trades workers are essential to Canada's success and we need them to be able to get to the job site—no matter where it is.

Workers in the construction trades often travel to take on temporary jobs—frequently in rural and remote communities—but their associated expenses do not always qualify for existing tax relief.

Improving labour mobility for workers in the construction trades can help to address labour shortages and ensure that important projects, like housing, can be completed across the country.

- Budget 2022 proposes to introduce a Labour Mobility Deduction, which would provide tax recognition on up to $4,000 per year in eligible travel and temporary relocation expenses to eligible tradespersons and apprentices. This measure would apply to the 2022 and subsequent taxation years.

Supporting Foreign Credential Recognition in the Health Sector

The pandemic has only worsened the labour shortages in our health care sector. Internationally-trained health care professionals can help fill these gaps and ensure that Canadians receive the quality health care they deserve.

The Foreign Credential Recognition Program helps skilled newcomers secure meaningful, well-paying jobs by funding provinces, territories, and organizations to improve foreign credential recognition processes and by providing direct support to skilled newcomers. This support includes mentoring, job placements, and financial assistance for exams and classes.

- Budget 2022 proposes to provide $115 million over five years, with $30 million ongoing, to expand the Foreign Credential Recognition Program and help up to 11,000 internationally trained health care professionals per year get their credentials recognized and find work in their field. It will also support projects—including standardized national exams, easier access to information, faster timelines, and less red tape—that will reduce barriers to foreign credential recognition for health care professionals.

An Employment Strategy for Persons With Disabilities

Persons with disabilities should be fully included in Canada's economic recovery. However, despite being ready and willing to work, their employment rates are much lower than those of Canadians without disabilities—59 per cent versus 80 per cent, according to the 2017 Canadian Survey on Disability. The federal government is steadfast in its commitment to an inclusive recovery—and we cannot leave persons with disabilities behind.

- Budget 2022 proposes to provide $272.6 million over five years to Employment and Social Development Canada to support the implementation of an employment strategy for persons with disabilities through the Opportunities Fund. This will help to address labour market shortages through increased participation by persons with disabilities and make workplaces more inclusive and accessible. Of this funding, $20 million will be allocated to the Ready, Willing and Able program to help persons with Autism Spectrum Disorder or intellectual disabilities find employment.

This measure will also form an important part of the government's Disability Inclusion Action Plan, which will aim to improve the quality of life for persons with disabilities, and build on more than $1.1 billion in funding that the federal government has committed to advance the inclusion of persons with disabilities since 2015.

Improving the Temporary Foreign Worker Program

The Temporary Foreign Worker (TFW) program allows foreign nationals to work in Canada on a temporary basis in order to fill jobs that Canadians are unavailable or unwilling to take. The workers that come to Canada through the TFW program contribute to the labour in a range of sectors, including agriculture and fish and other food processing.

As employers across the country face difficulties in finding workers, the TFW program is experiencing a growing demand. However, additional steps need to be taken to ensure the health, safety, and quality of life of those who come to work in Canada—the importance of which has been reinforced by the unacceptable experience of some temporary foreign workers during the pandemic.

Budget 2022 proposes a number of measures to increase protections for workers, to reduce administrative burdens for trusted repeat employers, and to ensure employers can quickly bring in workers to fill short-term labour market gaps. These include:

- $29.3 million over three years to introduce a Trusted Employer Model that reduces red tape for repeat employers who meet the highest standards for working and living conditions, protections, and wages in high-demand fields. Further details on this program will be announced in the coming year.
- $48.2 million over three years, with $2.8 million in remaining amortization, to implement a new foreign labour program for agriculture and fish processing, tailored to the unique needs of these employers and workers. The program will be regularly reviewed by the Minister of Employment, Workforce Development and Disability Inclusion for its impact on local labour markets to maximize the employment of Canadians and permanent residents and to ensure the program is not negatively impacting wages for Canadians and permanent residents.
- $64.6 million over three years to increase capacity to process employer applications within established service standards.
- $14.6 million in 2022-23, with $3 million in remaining amortization, to make improvements to the quality of employer inspections and hold employers accountable for the treatment of workers.

Completing the Employment Equity Act Review

Through the Employment Equity Act, the government promotes and improves equality and diversity in federally regulated workplaces. Since the introduction of the Employment Equity Act, continued progress has been made to address inequalities but some workers are still facing barriers to employment and promotion and many federal workplaces fail to reflect the full diversity of Canada's population. That is why, on July 14, 2021, the government launched an arm's length Task Force to review the Act and advise on how to modernize the federal employment equity framework.

- Budget 2022 proposes to provide $1.9 million in 2022-23 in order to complete *the Employment Equity Act* Review in coming months. A final report will be publicized in fall 2022.

4.5 Towards A Better Employment Insurance System

Over the last two years, millions of Canadians' livelihoods have been interrupted by lockdowns, illness, or the need to care for loved ones. At the start of the pandemic, the government responded by introducing emergency income support that ensured workers and their families could continue to make ends meet, even as the pandemic prevented them from working.

As Canada's economy continues to recover from the pandemic and emergency programs wind down, the Minister of Employment, Workforce Development and Disability Inclusion is consulting with Canadians on what needs to be done to build an Employment Insurance (EI) system that better meets the current and future needs of workers and employers. This includes simpler and fairer rules for workers, new ways to support experienced workers transitioning to a new career, and coverage for self-employed and gig workers.

The government will release its long-term plan for the future of EI after the consultations conclude.

Extending Temporary Support for Seasonal Workers

In certain regions of the country, seasonal industries—including fishing and tourism in Atlantic Canada and British Columbia—are the lifeblood of local economies. The Employment Insurance (EI) system is critical to ensuring that the workers these industries count on have the support they need between work seasons.

In 2018, to address gaps in EI support between seasons, the government introduced a pilot project in 13 regions of the country to provide up to five additional weeks—for a maximum of 45 weeks—for eligible seasonal workers. The temporary support was extended in Budget 2021 to ensure continued support during the pandemic.

- Budget 2022 proposes to extend these rules until October 2023 as the government considers a long-term solution that best targets the needs of seasonal workers. The cost of this measure is estimated at $110.4 million over three years, starting in 2022-23.
- As part of this extension, the government proposes to maintain a recently introduced legislative fix to ensure that the timing of COVID-19 benefits does not affect future EI eligibility under the rules of the program.

Chapter 4
Creating Good Middle Class Jobs
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
4.1. Delivering on Child Care	**0**	**0**	**75**	**150**	**200**	**200**	***625***
Supporting Early Learning and Child Care	0	0	75	150	200	200	*625*
4.2. Immigration for Our Economy	**0**	**564**	**913**	**921**	**782**	**813**	***3,993***
Canada's Ambitious Immigration Plan[1]	0	398	484	473	345	357	*2,058*
Efficiently Welcoming Visitors, Students, and Workers to Canada	0	75	86	86	86	86	*421*
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*-35*	*0*	*0*	*0*	*0*	*-35*
Securing the Integrity of Canada's Asylum System	0	57	312	305	312	332	*1,318*
Supporting Legal Aid for Asylum Seekers	0	44	0	0	0	0	*44*
Improving Support Services for Immigrants and Visitors to Canada	0	25	31	56	37	37	*187*
4.3. A Workforce for the 21st Century Economy	**0**	**12**	**25**	**25**	**25**	**0**	***87***
Bringing Workers to the Decision-Making Table	0	3	0	0	0	0	*3*
Doubling the Union Training and Innovation Program	0	9	25	25	25	0	*84*
4.4. Connecting Workers to Good Jobs	**25**	**194**	**245**	**256**	**212**	**217**	***1,149***
Labour Mobility Deduction for Tradespeople	25	110	110	115	115	120	*595*
Administrative Costs	0	1	1	1	1	1	*6*
Supporting Foreign Credential Recognition in the Health Sector	0	5	20	30	30	30	*115*
An Employment Strategy for Persons with Disabilities	0	39	65	65	65	65	*299*
Less: Year-Over-Year Reallocation of Funding	*0*	*-26*	*0*	*0*	*0*	*0*	*-26*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Improving the Temporary Foreign Worker Program	0	63	49	45	1	1	*159*
Completing the Employment Equity Act Review	0	2	0	0	0	0	*2*
4.5. Towards a Better Employment Insurance System	**0**	**3**	**56**	**51**	**0**	**0**	***110***
Extending Temporary Support for Seasonal Workers	0	3	56	51	0	0	*110*
Additional Investments – Creating Good Middle Class Jobs	**0**	**8**	**0**	**0**	**0**	**0**	***8***
COVID-19 Benefit Integrity	0	8	0	0	0	0	*8*
Budget 2022 proposes to amend the Canada Emergency Response Benefit Act and the Canada Emergency Student Benefit Act to provide the Canada Revenue Agency with authority to establish and collect debts, on a weekly basis, for situations where a worker has accessed more than one benefit at once. Proposed funding would support related administration.							
Chapter 4 - Net Fiscal Impact	**25**	**781**	**1,314**	**1,403**	**1,219**	**1,230**	***5,972***

Note: Numbers may not add due to rounding.
[1] The 2022–2024 Immigration Levels Plan was announced on February 14th, 2022.

Chapter 5
Canada's Leadership in the World

Chapter 5
Canada's Leadership in the World

Since the end of the Second World War, Canada has been a steadfast defender of the rules-based international order. We have defended it because a world based on rules is in Canada's national interest.

But today, that order is facing an existential threat. Russia's barbaric invasion of Ukraine is not only an attack on the people of Ukraine and on Ukraine's territorial integrity, but also on democracy and the unprecedented period of prosperity that the world's democracies have worked continuously to build over the last 75 years.

At the same time, issues ranging from COVID-19 to climate change and increasingly confrontational authoritarian regimes demand the attention of Canada and our allies. The spread of misinformation and disinformation is directly challenging the stability of even the most long-standing democracies.

Budget 2022 recognizes those challenges and proposes new action to respond to them. It invests in Canada's defence capabilities, and in the alliances that will ensure a strong and coordinated global response to the ongoing challenges that the world today faces.

It commits to reinforcing global democracy, to combatting illicit financing, and to pushing back against the forces of disinformation and misinformation that threaten public institutions around the world. Concurrently, Canada will continue to provide critical international assistance to those who need it most.

The events of the last months have reminded us that the international community is strongest when it acts together in defence of the values we share. In partnership with like-minded democracies around the world, Canada will continue to stand up to the global threats that recognize no borders.

Key Ongoing Actions

In the past year, including through Budget 2021, the federal government has announced a range of important programs and initiatives that are advancing Canada's leadership in the world, including:

- ✓ More than $2.7 billion since the start of the COVID-19 pandemic to support low- and middle-income countries, including by providing access to vaccines, therapeutics, and testing;
- ✓ $5.3 billion over five years to double Canada's international climate financing to help developing countries tackle climate change;
- ✓ $180 million at the Generation Equality Forum to support the economic participation and higher education of women around the world;
- ✓ $847 million over five years to maintain Canada's military at a higher state of readiness under the North Atlantic Treaty Organization (NATO) Readiness Initiative, and to increase Canada's contributions to NATO's common budget and military activities;
- ✓ $252 million over five years, with $160 million in remaining amortization, to lay the groundwork for North American Aerospace Defence Command (NORAD) modernization and sustain existing continental and Arctic defence capabilities;
- ✓ $1.5 billion over three years to the International Development Association to help meet the financing needs of the world's poorest countries as they recover from the pandemic; and
- ✓ $3.7 billion, or 20 percent of Canada's newly allocated IMF Special Drawing Rights, in support for poverty reduction, sustainability, growth, and resiliency in low-income and vulnerable countries to help those who need it most.

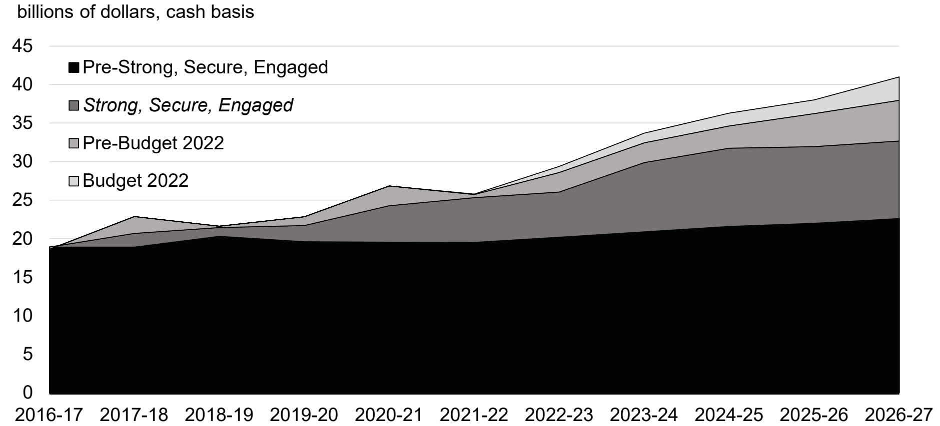
5.1 Reinforcing Our National Defence

National defence is a fundamental responsibility of the federal government. In addition to protecting Canada from international threats and defending our sovereignty, the Canadian Armed Forces play an important role in making the world a safer place.

Investments made through Canada's 2017 defence policy, *Strong, Secure, Engaged*, decisively reversed a trend of lagging defence spending that stretched back three decades. Canada's defence spending is on track to double between 2016-17 and 2026-27. As implementation of this plan continues, Canada must respond to evolving circumstances to ensure that the women and men of the Canadian Armed Forces are prepared to fulfil the missions we ask of them.

To immediately reinforce Canada's national defence, announcements in Budget 2022 will provide a total of more than $8 billion in new funding over five years—on top of planned increases associated with *Strong, Secure, Engaged*. This funding will strengthen Canada's contributions to our core alliances; bolster the capabilities of the Canadian Armed Forces; continue to support culture change and a safe and healthy working environment in the Canadian Armed Forces; and reinforce Canada's cyber security.

Chart 5.1
Funding for the Department of National Defence



Sources: *Strong, Secure, Engaged*, Public Accounts of Canada, and the Department of National Defence.
2016-17 through 2020-21 reflect actual expenditures. 2021-22 and later reflect estimated expenditures

Reviewing Canada's Defence Policy

Strong, Secure, Engaged set out clear direction on Canadian defence priorities over a 20-year horizon. Informed by the international landscape of the day, it included significant investments to enhance the Canadian Armed Forces' capabilities and capacity to respond to military operations ranging from humanitarian and relief efforts, to peacekeeping, to combat.

However, recent events require the government to reassess Canada's role, priorities, and needs in the face of a changing world.

- Budget 2022 announces a defence policy review to allow Canada to update its existing defence policy, *Strong, Secure, Engaged*, in support of its broader international priorities and the changed global environment. The review will focus on, amongst other things, the size and capabilities of the Canadian Armed Forces; its roles and responsibilities; and making sure it has the resources required to both keep Canadians safe and contribute to operations around the world.

Reinforcing our Defence Priorities

In addition to a defence policy review, to ensure a strong and coordinated global response to the ongoing challenges that the world today faces, Canada will make immediate additional investments in our defence priorities, including our continental defences, alliances and collective security, and in the capabilities of the Canadian Armed Forces.

Investing in NORAD Modernization

Canada is resolute in our defence of the North American continent, especially in the far North. Crucial to this effort is Canada's partnership with the United States under NORAD.

In Budget 2021, the government committed $252.2 million over five years to sustain existing continental and Arctic defence capabilities, and to lay the groundwork for NORAD's future. In August 2021, a joint statement between Canada and the United States established the priorities for modernizing NORAD.

The government is currently considering options to fulfill this commitment through significant investments in the following areas:

- Advanced all-domain surveillance and intelligence;
- Modernized command, control, and communications;
- Improved capabilities to deter and defeat threats; and
- Increased research, development, and innovation.

Doing Our Part in NATO

In addition to making sure we are secure in North America, Canada remains steadfast in its support of our NATO allies, including through assurance and deterrence operations in Central and Eastern Europe.

Through our multi-year renewal of Operation REASSURANCE, Canada is underscoring our commitment to this operation. We are increasing our contribution by up to 460 Canadian Armed Forces personnel, for a total of up to approximately 1,260. A further 3,400 Canadian Armed Forces personnel are available to the NATO Response Force, should they be required.

Budget 2021 previously announced $847.1 million over five years to increase Canada's contributions to NATO. But we recognize that more needs to be done. Standing shoulder-to-shoulder with our allies means sharing the burden of defending democracy against authoritarianism.

Canada is committed to ensuring NATO remains ready, strong, and united.

Increasing the Capabilities of the Canadian Armed Forces

The review of Canada's defence policy will include an assessment of the equipment and technology that the Canadian Armed Forces need to fulfill their missions in a world that has fundamentally changed in the face of Russia's invasion of Ukraine. However, the government realizes that immediate further investments are needed to bolster the capacity of the Canadian Armed Forces.

- Budget 2022 proposes to provide $6.1 billion over five years, starting in 2022-23, with $1.3 billion in remaining amortization, and $1.4 billion ongoing to the Department of National Defence in order to meet our defence priorities, including our continental defences, commitments to our allies, and for investments in equipment and technology to immediately increase the capabilities of the Canadian Armed Forces.

Supporting Culture Change in the Canadian Armed Forces

Those who serve Canada with our flag on their shoulder contend with enough risks to their safety. Their workplace should not be one of them.

On December 13, 2021, the Minister of National Defence, Chief of the Defence Staff, and the Deputy Minister of National Defence delivered a formal, public apology to all current and former Defence Team members and Veterans who have been affected by sexual assault, sexual harassment, and discrimination based on sex, gender, gender identity or sexual orientation.

Together, the government and Canadian Armed Forces are working to create a culture that ensures every member serves in an environment where they feel safe, protected, and respected.

- Budget 2022 proposes to provide $100.5 million over six years, starting in 2021-22, with $1.7 million in remaining amortization, and $16.8 million ongoing to: strengthen leadership in the Canadian Armed Forces; modernize the military justice system; bring into force the Declaration of Victims Rights as set out in the *National Defence Act*; undertake engagement and consultation on culture change; and enhance restorative services, including dispute resolution and coaching services. Of this amount, $3 million over three years, starting in 2021-22, will be sourced from existing resources.

- Budget 2022 also proposes to provide $144.3 million over five years, starting in 2022-23, and $31.6 million ongoing to expand the Canadian Armed Forces' health services and physical fitness programs to be more responsive to women and gender-diverse military personnel.

This builds on funding from Budget 2021 of $236.2 million over five years, starting in 2021-22, and $33.5 million ongoing for the Department of National Defence and Veterans Affairs Canada to support efforts to eliminate sexual misconduct and gender-based violence in the military and support survivors.

Enhancing Canada's Cyber Security

Budget 2018 announced an action plan to implement Canada's first comprehensive *National Cyber Security Strategy*. That strategy is now working to keep Canadians safe from evolving cyber security threats that target Canadians, Canadian businesses, and our critical infrastructure. The Communications Security Establishment (CSE) works to protect Canada from cyber threats, including those that come from foreign actors. But as Canadians grow more dependent on digital systems, the potential consequences of cyber incidents continue to increase, and Canada needs to be ready.

- Budget 2022 proposes to provide $875.2 million over five years, beginning in 2022-23, and $238.2 million ongoing for additional measures to address the rapidly evolving cyber threat landscape. These measure include:
  - $263.9 million over five years, starting in 2022-23, and $96.5 million ongoing to enhance CSE's abilities to launch cyber operations to prevent and defend against cyber attacks;
  - $180.3 million over five years, starting in 2022-23, and $40.6 million ongoing to enhance CSE's abilities to prevent and respond to cyber attacks on critical infrastructure;
  - $178.7 million over five years, starting in 2022-23, and $39.5 million ongoing to expand cyber security protection for small departments, agencies, and Crown corporations; and
  - $252.3 million over five years, starting in 2022-23, and $61.7 million ongoing for CSE to make critical government systems more resilient to cyber incidents.

Canadian academics are some of the leading researchers in important emerging and disruptive technologies, including quantum computing and artificial intelligence. This expertise can be leveraged to ensure Canada's security and intelligence community stay one step ahead of our adversaries.

- Budget 2022 proposes to provide $17.7 million over five years, starting in 2022-23, and $5.5 million thereafter until 2031-32 for CSE to establish a unique research chair program to fund academics to conduct research on cutting-edge technologies relevant to CSE's activities. Researchers awarded the grants will split their time between peer-reviewed publishable research and classified research at CSE.

5.2 Supporting Ukraine

Canada condemns in the strongest possible terms Russia's cruel and illegal invasion of Ukraine. Canadians stand with the brave people of Ukraine as they fight for their lives, for their sovereignty, for their democracy, and for our own.

Canada is a reliable and long-standing partner of Ukraine. In 1991, Canada became the first Western country to recognize Ukraine's independence. Since then, the relationship between our two countries has been strengthened by deep people-to-people ties, rooted in the Ukrainian-Canadian community, and by our shared belief in democracy and the importance of the rules-based international order.

In the face of Russia's invasion, Canada has continued to send lethal and non-lethal aid to support Ukraine's heroic defence. Including new measures proposed in Budget 2022, Canada has announced more than $1.2 billion in direct contributions in support of Ukraine and its people in 2022, in addition to an offer of up to $1.6 billion in loan support for the Ukrainian government. This support has helped respond to the humanitarian crisis, and ensure that the Ukrainian government can continue to provide essential services.

Canada is also examining opportunities to enhance our diplomatic capacity in Eastern Europe, to be ready to assist as the repercussions of this conflict reverberate through the region.

Bolstering Ukraine's Fight for Freedom

On January 26, 2022, Canada announced the expansion of Operation UNIFIER, the Canadian Armed Forces mission to provide military training and support to Ukrainian forces. Since 2015, Canada has trained nearly 33,000 Ukrainian military and security personnel.

The federal government has also announced more than $90 million in military aid, and is providing military aid—both lethal and non-lethal—to support Ukraine in its efforts to defend its sovereignty. In partnership with our allies, Canada is also sharing intelligence and providing support to enhance Ukraine's cyber security.

- Budget 2022 proposes to provide an additional $500 million in 2022-23 to provide further military aid to Ukraine.

Holding Russia Accountable

In response to Russia's illegal invasion, Canada and our allies have swiftly imposed the strongest sanctions ever inflicted on a major economy. In threatening both Ukraine's independence and the rules-based international order, President Putin and his hangers-on have been personally sanctioned, Russia's major financial institutions and sovereign wealth funds have been cut out of the global economy, and the assets of Russia's Central Bank have been frozen.

Since Russia's invasion of Crimea in 2014, Canada has sanctioned more than 1,000 individuals and entities to prevent their access to Canada's economy. In partnership with our allies, Canada has formed the Russian Elites, Proxies, and Oligarchs (REPO) Taskforce and committed federal resources to work with our partners, both foreign and domestic, to target the assets and ill-gotten gains of Russia's elites and those who act on their behalf. This includes the use of resources to identify, freeze, and seize assets to ensure that sanctioned individuals and entities are no longer able to access their resources and wealth abroad.

- Budget 2022 announces the government's intent to clarify the ability of the Minister of Foreign Affairs to cause the forfeiture and disposal of assets held by sanctioned individuals and entities to support Canada's participation in the REPO Taskforce.

On March 2, 2022, Canada became the first country to revoke the Most-Favoured-Nation trade partner status of both Russia and Belarus—an enabler of Russia's invasion—under the *Customs Tariff*. This effectively imposed a 35 per cent tariff on virtually all goods from those two countries, placing them in a category previously occupied only by North Korea. Since then, several countries have followed Canada's lead and implemented their own measures. We have also banned Russian-owned ships from Canadian ports and international waters, banned Russian-owned aircraft from entering Canadian airspace, and we were the first to announce a ban on imports of Russian petroleum products.

Canada is also taking every opportunity to isolate Russia at multilateral institutions, including through international financial institutions, and supports efforts by these organizations to suspend operations and programming in both Russia and Belarus.

Supporting Ukrainians Through the Crisis

To date in 2022, Canada has committed $145 million in humanitarian assistance, and $35 million in development assistance to provide direct support to Ukrainians who have been affected by the illegal Russian invasion. This includes $30 million that matched the donations of individual Canadians. However, we know that more needs to be done to help Ukraine continue to provide essential services to its people.

Canada has already offered a total of $620 million in loans this year to support Ukraine's financial stability, economic resilience, and governance reforms.

Canada is providing additional support through our shareholdings in key international financial institutions, including the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development. Since the onset of the invasion, these three institutions have together committed more than $5.6 billion to support Ukrainians.

› Budget 2022 announces that Canada will offer up to $1 billion in new loan resources to the Ukrainian government through a new Administered Account for Ukraine at the International Monetary Fund (IMF) so that the government can continue to operate. Canada worked with the government of Ukraine, the IMF, and other member countries to develop this facility and encourage allies and partners to participate.

A Safe Haven for Ukrainians

On March 3, 2022, Canada announced two new immigration streams for Ukrainians fleeing Russia's invasion.

- The Canada-Ukraine Authorization for Emergency Travel was launched on March 17, 2022. With this authorization, Ukrainians and their immediate family members of any nationality may stay in Canada as temporary residents for up to three years. The government also recently announced that additional supports, such as language training and orientation services, will be available to help these Ukrainians settle into their new communities.
- The federal government is also developing a special permanent residence stream for Ukrainian immediate and extended family members of Canadian citizens and permanent residents. This will support Ukrainians who wish to reunite with their family and start a new life in Canada.

All Ukrainians who come to Canada as part of these measures will be eligible to apply for open work permits, making it easier for employers to quickly hire Ukrainian nationals looking to find work. The government will also issue open work permits to Ukrainian visitors, workers, and students who are currently in Canada and cannot safely go home.

The government has provided new funding of $111 million over five years, with $6 million in future years, to implement these new immigration measures. This funding will help to set up the new immigration pathways, expedite the processing of applications, and provide support to Ukrainians once they arrive in Canada.

5.3 Standing Up for Democracy, Transparency, and the Rule of Law

The rules-based international order is built upon a shared commitment to democracy and the rule of law. However, those values are being challenged by hostile forces, including state actors like Russia, criminal organizations, and the wilful purveyors of disinformation that threaten public institutions.

At the Summit for Democracy in December 2021, Canada announced that it will pursue an ambitious agenda to better support good governance around the world, and provide fast and flexible support to fragile or emerging democracies.

As that important work continues, Canada remains resolute in its commitment to push back against the forces that challenge the rules-based international order. In Budget 2022, the federal government is proposing to further strengthen democratic institutions and the rule of law, both in Canada and around the world, including potentially through legislation.

Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime

Money laundering and terrorist financing threaten Canadians' safety, the integrity and stability of our financial sector, and the broader Canadian economy. Ensuring that Canada has the ability to detect these threats through a comprehensive AML/ATF Regime, as well as an equal ability to catch and prosecute these offences is vital to protecting Canadians and safeguarding the rule of law in an increasingly complex financial world.

Fulfilling this commitment will involve a number of steps. First, the federal government is working to bring into force new regulations that extend AML/ATF obligations to payment service providers and crowdfunding platforms. This will ensure that these businesses are required to monitor and report all instances of suspicious activity that may involve attempted money laundering or terrorist financing.

The federal government is also developing legislative changes to, among other things, strengthen the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *Criminal Code*, and other legislation to enhance the ability of authorities to detect, deter, investigate, and prosecute financial crimes and ensure the government is well placed to manage current and emerging threats outside of the scope of the current AML/ATF Regime.

Further, the government will conduct a comprehensive review of the AML/ATF Regime, and additional legislative proposals will be brought forward over the coming months to address identified gaps including ensuring that the government has the tools necessary to preserve financial integrity and economic security, as necessary.

- Budget 2022 proposes to provide $89.9 million over five years, and $8.8 million ongoing, to support the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). This amount represents a 24 per cent funding increase to FINTRAC's budget and a 13 per cent increase in new staff. This increased capacity will enable FINTRAC to implement new anti-money laundering and anti-terrorist financing requirements for crowdfunding platforms and payment service providers; support the supervision of federally regulated financial institutions; continue to build expertise related to virtual currency; modernize its compliance functions; and update its financial management, human resources, intelligence, and disaster recovery systems.
- To bolster Canada's ability to quickly respond to complex and fast-moving cases of financial crime, Budget 2022 announces the government's intent to establish a new Canada Financial Crimes Agency, which will become Canada's lead enforcement agency in this area. Budget 2022 proposes to provide $2 million to Public Safety Canada in 2022-23 to undertake initial work to develop and design the new agency, with further details to be announced in the 2022 fall economic and fiscal update.

Implementing a Publicly Accessible Beneficial Ownership Registry

Anonymous Canadian shell companies can be used to conceal the true ownership of assets, including businesses and expensive property. This also makes them vulnerable to misuse for illegal activities, including money laundering, corruption, and tax evasion. These anonymous corporations can also be used to avoid sanctions and the tracing and freezing of financial assets. To counter this, authorities need access to timely and accurate information about the true ownership of these entities.

- To this end, the government is accelerating by two years its commitment to amend the *Canada Business Corporations Act* to implement a public and searchable beneficial ownership registry, which will now be accessible before the end of 2023. The registry will cover corporations governed under the aforementioned Act and will be scalable to allow access to the beneficial ownership data held by provinces and territories that agree to participate in a national registry. Legislative proposals will be forthcoming as part of the *Budget Implementation Act*.

As part of its ongoing efforts to improve beneficial ownership transparency, the government intends to work with provincial and territorial partners to advance a national approach to a beneficial ownership registry of real property, similar to other countries, including the United Kingdom.

To ensure that corporate data provided to the registry is accurate and timely, the government will also examine approaches that support the validation and verification of the information in the registry.

The government will engage provincial and territorial governments at the earliest opportunity to advance a national approach to beneficial ownership transparency.

Combatting Misinformation and Disinformation

In Canada and around the world, misinformation can quickly spread and erode the trust that people have in public institutions.

Foreign threats to democracy—including state-sponsored disinformation, which is misinformation that is deliberately targeted to deceive people—have continued to grow amidst rising geopolitical tensions, a global pandemic, and the rapid evolution of technology.

At the G7 Summit in Charlevoix, Quebec, Canada led the establishment of the G7 Rapid Response Mechanism as a coordinated effort with our allies to confront the threat of disinformation and protect G7 democracies from foreign threats. Since then, the program has played a key role in detecting and identifying foreign interference and state-sponsored disinformation against democracies and also in monitoring federal elections in Canada.

- Budget 2022 proposes to provide $13.4 million over five years, starting in 2022-23, with $2.8 million ongoing to Global Affairs Canada to renew and expand the G7 Rapid Response Mechanism.

The government will also continue its work to combat misinformation, which includes supporting research at public institutions; ongoing cyber activities to protect Canadians against disinformation; and expanding its efforts into important new areas.

- Budget 2022 proposes to provide $10 million over five years, starting in 2022-23, with $2 million ongoing for the Privy Council Office to coordinate, develop, and implement government-wide measures designed to combat disinformation and protect our democracy.

5.4 Providing International Assistance

Now, more than ever, it is critical that Canada work to build a safer, more stable, and more prosperous world for all. Canada has an important role to play in promoting and strengthening democracy and human rights, and ensuring that, through our Feminist International Assistance Policy, we do our part to improve the lives of women, girls, and vulnerable populations around the world.

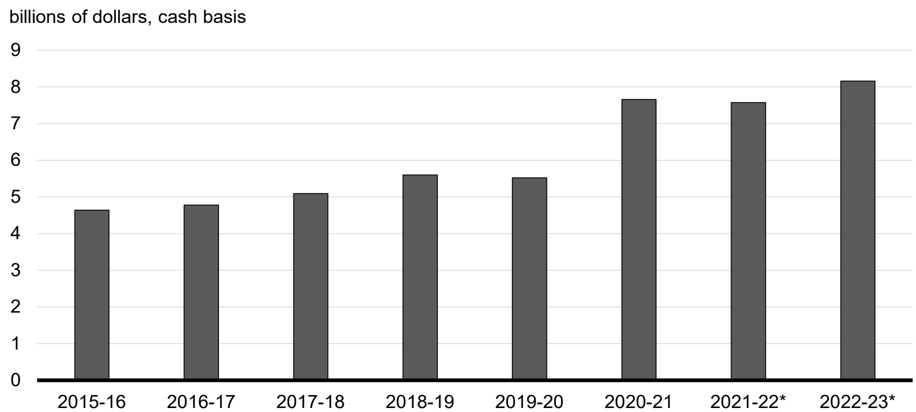
The significant challenges facing the international community require strong, united responses from the world's leading democracies. That is why Canada has continued to maintain high levels of international assistance, with our International Assistance Envelope expenditures reaching a record total of more than $7.6 billion on a cash basis in 2020-21.

Canada has provided significant investments to support the global response to COVID-19; doubled our commitment to help low- and middle-income countries mitigate and adapt to climate change; and provided financial support through the World Bank and International Monetary Fund to help vulnerable countries cope with new crises.

Through Budget 2022, Canada will continue to enhance our assistance efforts, with a focus on bringing an end to the COVID-19 pandemic and strengthening global health security.

Chart 5.2 shows growth going forward, and the government is committed to increasing international assistance funding towards 2030.

Chart 5.2
Canada's International Assistance Envelope: Actual Expenditures and Projected Spending



Source: Statistical Reports on International Assistance, 2015-16 to 2020-21; International Assistance Envelope tracking for 2021-22 and 2022-23.

*Figures for 2021-22 and 2022-23 are forecasts. 2022-23 figures include Budget 2022 decision to provide an additional $732 million for the Access to COVID-19 Tools Accelerator. 2022-23 figures do not include sunsetting elements that have not yet been renewed.

Leading in the Global Fight Against COVID-19

As we have seen over the past two years, COVID-19 knows no borders. Since February 2020, Canada has committed more than $2.7 billion in international assistance to fight the pandemic, including a contribution of more than $1.3 billion to the Access to COVID-19 Tools Accelerator (ACT-A)—a global effort to improve equitable access to COVID-19 vaccines, tests, and treatments. This made Canada one of only six countries to meet or exceed the independently assessed voluntary contribution target for the ACT-A's 2020-21 funding cycle.

- Budget 2022 proposes to provide $732 million in 2022-23 to Global Affairs Canada to further support the efforts of the Access to COVID-19 Tools Accelerator. and to ensure that Canada continues to provide its fair share to global efforts to improve access to vaccines, therapeutics, and other tools to fight COVID-19. This will bring Canada's total contribution to the Access to COVID-19 Tools Accelerator to more than $2 billion since the start of the pandemic.

Strengthening Global Health Security

Canada is a long-standing contributor to global health security, which is a shared challenge that requires strong and consistent collaboration between countries around the world.

- Budget 2022 proposes to provide an additional $296 million over four years, starting in 2023-24, and $74 million ongoing, to Global Affairs Canada to help support efforts to address global health security priorities, such as infectious disease prevention and response.

In 2019, the government committed to increase annual global health spending from $1.1 billion to $1.4 billion by 2023-24. With this additional support, Canada will exceed this commitment, spending nearly $1.5 billion towards global health in 2023-24.

Chapter 5
Canada’s Leadership in the World
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
5.1. Reinforcing our National Defence	**0**	**224**	**1,204**	**1,718**	**1,906**	**2,183**	***7,235***
Reinforcing our Defence Priorities	0	100	1,025	1,475	1,625	1,875	*6,100*
Supporting Culture Change in the Canadian Armed Forces	1	38	49	52	53	53	*245*
Less: Funds Sourced From Existing Departmental Resources	*-2*	*-1*	*0*	*0*	*0*	*0*	*-3*
Less: Year-Over-Year Reallocation of Funding	*1*	*-1*	*0*	*0*	*0*	*0*	*0*
Enhancing Canada's Cyber Security – Addressing the Cyber Threat Landscape	0	88	128	187	223	249	*875*
Enhancing Canada’s Cyber Security – Cutting-Edge Research for the Security and Intelligence Community	0	1	1	4	6	6	*18*
5.2. Supporting Ukraine	**0**	**689**	**137**	**110**	**2**	**2**	***940***
Expansion of Operation UNIFIER[1]	0	116	112	109	0	0	*338*
Less: Funds Sourced From Existing Departmental Resources	*0*	*-5*	*-2*	*-2*	*0*	*0*	*-9*
Bolstering Ukraine’s Fight for Freedom	0	500	0	0	0	0	*500*
Humanitarian Assistance in Ukraine[2]	45	75	0	0	0	0	*120*
Less: Funds Sourced From Existing International Assistance Envelope – Crisis Pool and other	*-45*	*-75*	*0*	*0*	*0*	*0*	*-120*
A Safe Haven for Ukrainians[3]	0	78	27	3	2	2	*111*
5.3. Standing Up for Democracy	**0**	**28**	**37**	**23**	**14**	**14**	***115***
Strengthening Canada's AML/ATF Regime	0	23	33	18	9	9	*92*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Combatting Misinformation and Disinformation – G7 Rapid Response Mechanism[4]	0	2	3	3	3	3	*13*
Combatting Misinformation and Disinformation – Privy Council Office	0	2	2	2	2	2	*10*
5.4. Providing International Assistance	**0**	**732**	**74**	**74**	**74**	**74**	***1,028***
The Global Fight Against COVID-19	0	732	0	0	0	0	*732*
Strengthening Global Health Security	0	0	74	74	74	74	*296*
Additional Investments – Canada's Leadership in the World	**37**	**43**	**39**	**2**	**0**	**0**	***120***
Renewal of Operation ARTEMIS	41	48	43	2	0	0	*134*
Less: Funds Sourced From Existing Departmental Resources	*-4*	*-5*	*-5*	*0*	*0*	*0*	*-14*
The mandate of Operation ARTEMIS, Canada's military contribution to counter-terrorism and maritime security operations in the Middle East, was renewed for three years beginning August 1, 2021.							
Chapter 5 - Net Fiscal Impact	**37**	**1,716**	**1,491**	**1,927**	**1,996**	**2,272**	***9,438***

Note: Numbers may not add due to rounding.
[1]Announced on January 26, 2022.
[2]Announced $100 million on March 1, 2022 and $20 million on March 11, 2022.
[3]Announced on March 3, 2022.
[4]Announced on March 9, 2022.

Chapter 6
Strong Public Health Care

Chapter 6
Strong Public Health Care

For more than two years, the COVID-19 pandemic has upended our lives, our economy, and our health care system. It has been the greatest public health challenge in more than a century, but historic federal investments in health care—and the dedicated work of health care workers across the country—helped Canada weather the darkest days of the pandemic.

A national effort to get Canadians vaccinated has resulted in Canada becoming one of the most highly vaccinated countries in the world—more than 85 per cent of eligible Canadians have received at least two doses. With the second lowest mortality rate in the G7, Canada's collective response to the pandemic has saved thousands of lives.

If we remain vigilant—if we protect the most vulnerable and make sure we are prepared for any new outbreaks or variants that might arise—we can ensure Canada can live safely with COVID-19.

Now, more than ever, we need to strengthen our health care system and ensure that it delivers the care Canadians deserve. We need to increase the number of doctors and nurses. We need to keep expanding access to mental health care. We need to build on the successes of increased virtual care, so that Canadians can easily consult with a health care professional no matter where they live. And we need to make sure we have reliable, comparable health data.

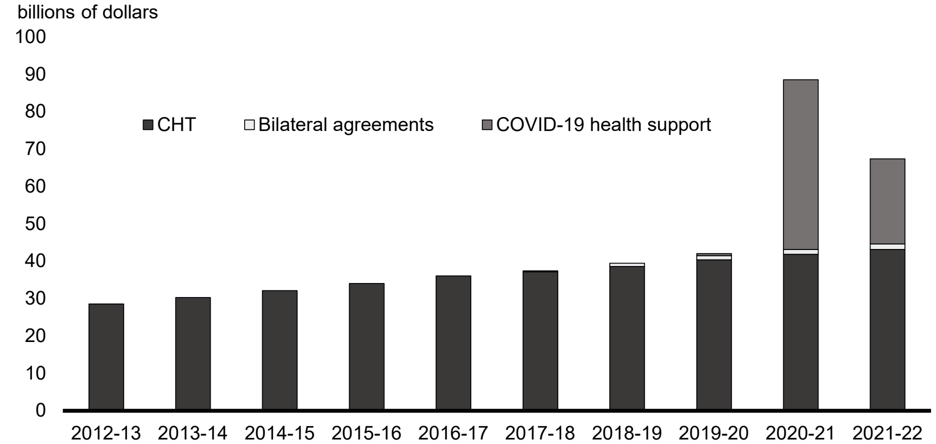
As the federal government continues to work with provinces and territories on investing in health care, Budget 2022 takes immediate steps to reduce backlogs in surgeries and procedures, to make it easier for Canadians to access the mental health care they need, and to continue bolstering our health care system.

Federal Health Care Support During the Pandemic

Since the start of the pandemic, the federal government has invested more than $69 billion, with more funding to be rolled out in future years, to lead a coordinated federal, provincial, and territorial response to fight COVID-19 and protect the health and safety of Canadians. Some of this funding includes:

- ✓ Over $17.6 billion to support vaccine procurement, deployment, and administration;
- ✓ Over $10 billion for testing, contact tracing, data management, and to support provinces and territories in securing rapid tests for Canadians;
- ✓ Over $12.8 billion for the procurement of personal protective equipment and medical equipment for our health and essential service sectors;
- ✓ $6.5 billion in top-ups to the Canada Health Transfer (CHT) for provinces and territories to support their pandemic responses, including $2 billion proposed in March 2022 to continue to address immediate pressures including backlogs in surgeries and procedures;
- ✓ Up to $4 billion through the 2020 *Fall Economic Statement* and Budget 2021 for provinces and territories to help keep seniors safe in long-term care;
- ✓ $2 billion in Budget 2021, and an additional $100 million proposed in the 2021 *Economic and Fiscal Update*, for the Safe Return to Class Fund to improve school ventilation, purchase personal protective equipment, and keep kids, teachers, and staff safe;
- ✓ $2 billion through the 2021 *Economic and Fiscal Update* to support the procurement of COVID-19 therapeutics, and the associated logistics and operational costs;
- ✓ $1.2 billion to provinces and territories through the Safe Restart Agreement to bolster health care capacity, support people experiencing mental health and substance use challenges, and provide more than $600 million for innovative mental health care for Canadians; and
- ✓ $35 million over four years for Prince Edward Island to advance the implementation of universal national pharmacare.

Chart 6.1
Federal Investments in Health Support



Note: Bilateral agreements include the 2017 agreements on home and community care and mental health and addictions services. COVID-19 health support includes relevant measures listed in Table A1.13.
Source: Department of Finance Canada.

6.1 A Stronger Health Care System

Canadians are proud of their publicly funded health care system, and justifiably so; it has saved thousands of lives over the last two years. However, the pandemic has also placed our health care system under enormous strain and worsened long-standing issues, like shortages of health care workers and the lack of access to primary care in communities across Canada.

The federal government is proposing significant measures to strengthen Canada's health care systems, to reduce pandemic-related backlogs, and to increase the number of doctors and nurses in communities that need them most.

To ensure that no Canadian has to choose between the prescription drugs they need and putting food on the table, the federal government will also continue its ongoing work towards a universal national pharmacare program. This will include tabling a Canada Pharmacare bill and working to have it passed by the end of 2023, and then tasking the Canadian Drug Agency to develop a national formulary of essential medicines and bulk purchasing plan.

Dental Care for Canadians

Seeing a dentist is important for our health, but can be expensive. A third of Canadians do not have dental insurance, and in 2018, more than one in five Canadians reported avoiding dental care because of the cost.

- Budget 2022 proposes to provide funding of $5.3 billion over five years, starting in 2022-23, and $1.7 billion ongoing, to Health Canada to provide dental care for Canadians. This will start with under 12-year-olds in 2022, and then expand to under 18-year-olds, seniors, and persons living with a disability in 2023, with full implementation by 2025. The program would be restricted to families with an income of less than $90,000 annually, with no co-pays for those under $70,000 annually in income.

Reducing the Backlogs of Surgeries and Procedures

As hospitals did everything they could to respond to surges in COVID-19 cases, Health Canada estimates that nearly 700,000 medical procedures were cancelled or delayed.

On March 25, 2022, the federal government announced its intention to provide provinces and territories with an additional $2 billion through a top-up to the Canada Health Transfer to address these backlogs. This will build on the $4 billion in support provided in 2020-21 as provinces and territories work towards eliminating the backlogs in surgeries and procedures, and on providing the health care that Canadians deserve.

Increasing Loan Forgiveness for Doctors and Nurses in Rural and Remote Communities

In part due to a shortage of doctors and nurses, far too many rural communities—like those in Nova Scotia and Newfoundland and Labrador—still lack the primary health care they need.

As one means of addressing this shortage, the federal government provides student loan forgiveness to doctors and nurses who work in underserved rural or remote communities, including in the North. In 2019-20, nearly 5,500 doctors and nurses benefited from the loan forgiveness program.

- To help bring more health care workers to the communities that need them most, Budget 2022 proposes to provide $26.2 million over four years, starting in 2023-24, and $7 million ongoing, to increase the maximum amount of forgivable Canada Student Loans by 50 per cent. This will mean up to $30,000 in loan forgiveness for nurses and up to $60,000 in loan forgiveness for doctors working in underserved rural or remote communities.
- In addition, the federal government will expand the current list of eligible professionals under the program, with details to be announced in the coming year. The government is also undertaking a review to ensure that the definition of rural communities under the program does not leave out certain communities in need.

Researching the Long-Term Impacts of COVID-19

COVID-19 is still a new disease. Scientists and researchers have come a long way in their understanding of how to treat and prevent it, but we still need to better understand its long-term impacts on many Canadians and our health care system.

- Budget 2022 proposes to provide $20 million over five years, starting in 2022-23, for the Canadian Institutes of Health Research to support additional research on the long-term effects of COVID-19 infections on Canadians, as well as the wider impacts of COVID-19 on health and health care systems.

Improving Canada's Dementia and Brain Health Research

An estimated one in four Canadian seniors over the age of 85 are diagnosed with dementia. The effects on both those living with dementia and those who care for them can be devastating.

- Budget 2022 proposes to provide $20 million over five years, starting in 2022-23, for the Canadian Institutes of Health Research to ramp up efforts to learn more about dementia and brain health, to improve treatment and outcomes for persons living with dementia, and to evaluate and address mental health consequences for caregivers and different models of care.

Supporting the Centre for Aging and Brain Health Innovation

The Centre for Aging and Brain Health Innovation, established in 2015 by Baycrest Health Sciences, helps to accelerate innovative solutions in brain health and aging, including to address dementia. The Centre is a unique collaboration of health care, science, industry, not-for-profit and government partners whose aim is to help improve quality of life for the world's aging population, allowing older adults of all backgrounds and abilities to age safely in the setting of their choice while maintaining their cognitive, emotional, and physical well-being.

- Budget 2022 proposes to provide $30 million over three years, starting in 2022-23, to the Public Health Agency of Canada, for the Centre for Aging and Brain Health Innovation to help accelerate innovations in brain health and aging.

The Canada Health Transfer

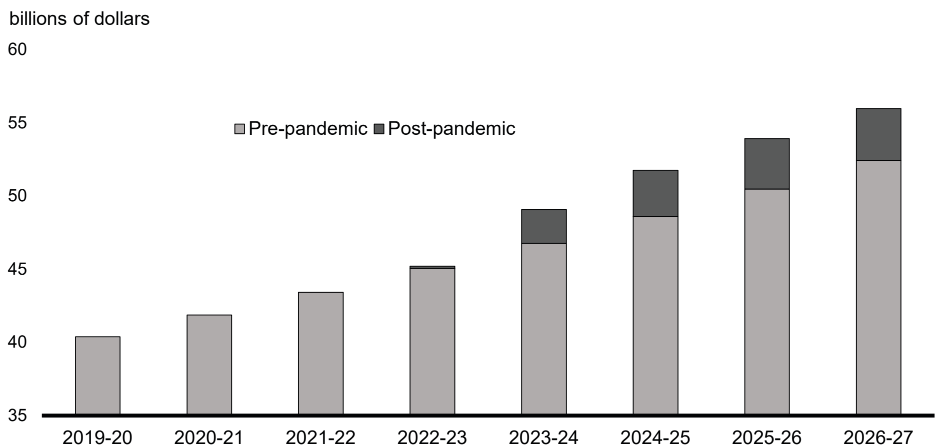
The last two years have emphasized the need to fortify our health care system and ensure that the significant federal health transfers to provinces and territories are resulting in the better health care outcomes that Canadians deserve.

The federal government has supported, on average, 33 per cent of provincial and territorial health expenditures through cash and tax point transfers.

The Canada Health Transfer, which provides cash transfers to provinces and territories to support health care, increases in line with economic growth and is guaranteed to increase by at least 3 per cent each year.

In 2022-23, the Canada Health Transfer will provide provinces and territories with $45.2 billion in support—an increase of 4.8 per cent over the baseline for 2021-22. Thanks to Canada's strong economic recovery, the Canada Health Transfer is projected to provide provinces and territories with $12 billion more in funding over the next five years than what was expected prior to the pandemic.

Chart 6.2
Pre- vs. Post-Pandemic Canada Health Transfer Forecast



Note: Pre-pandemic forecast represents the CHT forecast from the 2019 *Economic and Fiscal Update*. Two additional years have been extrapolated based on the gross domestic product forecast used in the Update.
Sources: Department of Finance Canada calculations (December 2019 forecast and March 2022 forecast).

Over the course of the pandemic, roughly eight out of every ten dollars invested in Canada's COVID-19 response have come from the federal government. Tens of billions of dollars in federal spending have helped keep Canadians safe, but they have also had a significant, positive impact on the public finances of provinces and territories.

The federal government wants to ensure that any additional federal funding will improve Canada's health care system. While Canada spends more of its gross domestic product (GDP) on health care than the Organisation for Economic Co-operation and Development (OECD) average—10.8 per cent vs. 8.8 per cent—the Commonwealth Fund ranks Canada behind peer countries, such as Switzerland, France, Germany, U.K., and Australia, in both access to care and in health care outcomes.

Any conversation between the federal government and the provinces and territories will focus on delivering better health care outcomes for Canadians. To strengthen our public health care, the federal government will remain focused on advancing the priorities of Canadians, including increased access to primary and mental health care; long-term, home, and community care; dental care; and the effective use of high quality data and digital systems. On the latter, the federal government will work with provinces and territories to ensure that our health care system is underpinned by health data that will support health care system improvements and Canadians' access to their own personal health records.

6.2 Supporting Mental Health and Well-Being

Mental health challenges—just like physical health challenges—can affect anyone at any time. In any given year, one in five Canadians will experience some type of mental health issue or illness. Those challenges are greater, in particular, among youth, Indigenous peoples, Black and racialized Canadians, and members of the LGBTQ2 community.

The last two years have had a significant impact on Canadians' mental health—half of all Canadians have reported that their mental health has worsened during the pandemic.

To help ensure that everyone can receive the care they need, the federal government will invest in identifying and expanding effective mental health interventions.

The government also intends to engage with provinces and territories to inform the development of a new Canada Mental Health Transfer that will support the expansion and delivery of high quality and accessible mental health services across Canada.

These investments will continue to build on the foundation laid in Budget 2021 to expand the delivery of high quality and accessible mental health services for Canadians across the country.

Budget 2021 Investments in Mental Health

Budget 2021 provided significant funding for mental health care, including:

- $100 million over three years, starting in 2021-22, to support the mental health of Canadians most affected by COVID-19;
- $140 million over five years, starting in 2021-22, to cover the mental health care costs of veterans with post-traumatic stress disorder (PTSD), depressive, or anxiety disorders while their disability benefit application is being processed;
- $62 million in 2021-22 for the Wellness Together Canada portal;
- $45 million over two years, starting in 2021-22, to develop national standards for mental health care;
- $598 million over three years, starting in 2021-22, to support distinctions-based mental health and wellness strategies co-developed with Indigenous partners; and
- $50 million over two years, starting in 2021-22, to help those experiencing PTSD due to the pandemic.

Supporting Mental Well-Being With the Wellness Together Canada Portal

The federal government launched the Wellness Together Canada portal in April 2020 in response to the unprecedented rise in levels of stress, anxiety, and depression associated with the pandemic. Since then, more than two million people across Canada have accessed free information and support through the portal. Children and young people make up almost 50 per cent of users, and 42 per cent of texting users have identified themselves as LGBTQ2.

› Budget 2022 proposes to provide $140 million over two years, starting in 2022-23, to Health Canada for the Wellness Together Canada portal so it can continue to provide Canadians with tools and services to support their mental health and well-being.

The Wellness Together Canada portal complements PocketWell, a free app launched in January 2022 that helps Canadians access free and confidential sessions with social workers, psychologists and other professionals, as well as other mental health and substance use prevention services from their phone.

Addressing the Opioid Crisis

An increase in opioid-related overdoses and deaths since the beginning of the pandemic has devastated communities across Canada. Tragically, many jurisdictions reported a record number of opioid-related deaths in 2021.

- Budget 2022 proposes to provide $100 million over three years, starting in 2022-23 to Health Canada for the Substance Use and Addictions Program to support harm reduction, treatment, and prevention at the community level.

This builds on the $116 million provided in Budget 2021 and $66 million in the 2020 *Fall Economic Statement* for the Substance Use and Addictions Program. The government continues to work closely with partners to provide a compassionate and evidence-based response to the crisis. Since 2017, the government has dedicated over $700 million to address the opioid overdose crisis.

Better Mental Health Support for Black Federal Public Servants

Black Canadians face distinct mental health challenges that can arise from structural racism and inequities in access to mental health care. The 2020 Public Service Employee Survey showed that Black federal public servants feel less included in the workplace—a key component of a healthy and safe work environment. The government is committed to supporting a more equitable, diverse, and inclusive workplace for Black public servants across the federal government.

- Budget 2022 proposes to provide $3.7 million over four years, starting in 2022-23, to the Treasury Board of Canada Secretariat for Black-led engagement, design, and implementation of a Mental Health Fund for Black federal public servants.

6.3 Investing in Public Health

In Canada and around the world, the pandemic has highlighted the essential role of a strong public health system. In the years to come, it will be important to ensure that Canada's public health system is prepared for any crisis it may face.

Investing in public health will mean a Canada that is safer, healthier, and better prepared. Budget 2022 includes investments to take stock of the important lessons learned over the last two years and to ensure that both our health and the well-being of our communities are protected.

Strengthening Canada's Ability to Detect and Respond to Public Health Events and Emergencies

The COVID-19 pandemic has shown how important it is to be able to effectively anticipate and respond to public health risks that threaten the health and safety of Canadians. While the Public Health Agency of Canada has responded well throughout the pandemic, it is crucial to take immediate steps to improve our surveillance capabilities so we are better able to detect and respond to public health events and emergencies in the future.

- To ensure Canada is better prepared to detect and act on public health threats, Budget 2022 proposes to provide $436.2 million over five years, starting in 2022-23, with $15.5 million in remaining amortization, to the Public Health Agency of Canada, to strengthen key surveillance and risk assessment capacities within the Agency. This will include supporting the real-time tracking of the evolution of viruses, monitoring the longer-term health impacts of COVID-19, and expanding risk assessment capacity and research networks for new strains of flu, emerging respiratory infections, and vaccine safety and effectiveness.

Maintaining the National Emergency Strategic Stockpile

The National Emergency Strategic Stockpile, managed by the Public Health Agency of Canada, contains critical supplies that provinces and territories can request in the event of an infectious disease outbreak, a natural disaster, or any other major public health event. For the last two years, the stockpile has played an important role in Canada's response to COVID-19.

- Budget 2022 proposes to provide $50 million in 2022-23 to the Public Health Agency of Canada to support the operations of the National Emergency Strategic Stockpile. Funding will be used to maintain and diversify key medical supply holdings, including personal protective equipment, to ensure that Canada can continue to quickly respond to public health events and other emergencies.

Piloting a Menstrual Equity Fund for Those in Need

Access to menstrual products is a basic necessity, but current barriers make it difficult for some women, girls, trans, and non-binary Canadians to fully participate in school, work, and society. The federal government is committed to addressing the barriers related to affordability and stigma that some Canadians face when accessing menstrual products.

- Budget 2022 proposes to provide $25 million over two years, starting in 2022-23, for Women and Gender Equality Canada to establish a national pilot project for a Menstrual Equity Fund that will help make menstrual products available to Canadians in need.

Help for Canadians Who Want to Become Parents

Across Canada, there are those who are facing challenges on their journey to become parents. Whether facing fertility issues, being part of a same-sex couple, or just wanting to be able to be a mom or a dad on their own terms, some Canadians rely on surrogacy and expensive procedures in order to build the family they dream of. But currently the Medical Expense Tax Credit is not available to those who need to pay medical expenses of others in order to become a parent.

- Budget 2022 proposes to allow medical expenses related to a surrogate mother or a sperm, ova, or embryo donor that are incurred in Canada for 2022 and subsequent taxation years to be claimed. This would include costs that have been reimbursed to a surrogate for in vitro fertilization expenses.
- Budget 2022 also proposes to allow fees paid to fertility clinics and donor banks in Canada in order to obtain donor sperm and ova to be eligible under the Medical Expense Tax Credit for 2022 and subsequent taxation years.

Taxation of Vaping Products

Vaping rates among young people in Canada remain high, and the federal government recognizes the potential risks that vaping products pose to them.

- Budget 2022 proposes to implement the previously announced excise duty on vaping products, effective as of October 1, 2022. The proposed federal excise duty rate would be $1.00 per 2 mL, or fraction thereof, for containers with less than 10 mL of vaping liquid. For containers with more than 10 mL, the applicable federal rate would be $5.00 for the first 10 mL, and $1.00 for every additional 10 mL, or fraction thereof.

The federal government also invites its provincial and territorial counterparts to join a coordinated vaping taxation framework, under which an additional duty equal to the proposed federal rate would be applied. Total resulting revenues would be split between federal and provincial and territorial governments on a 50/50 basis. The overall tax burden on vaping products will be regularly reviewed to ensure that important public health objectives are being met.

Chapter 6

Strong Public Health Care

millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
6.1. A Stronger Health Care System	**2,000**	**313**	**624**	**1,227**	**1,517**	**1,715**	***7,396***
Dental Care for Canadians	0	300	600	1,200	1,500	1,700	*5,300*
Reducing the Backlogs of Surgeries and Procedures[1]	2,000	0	0	0	0	0	*2,000*
Increasing Loan Forgiveness for Doctors and Nurses in Rural and Remote Communities	0	0	6	6	7	7	*26*
Researching the Long-Term Impacts of COVID-19	0	1	5	5	5	4	*20*
Improving Canada's Dementia and Brain Health Research	0	1	3	5	5	5	*20*
Supporting the Centre for Aging and Brain Health Innovation	0	10	10	10	0	0	*30*
6.2. Supporting Mental Health and Wellbeing	**0**	**104**	**104**	**34**	**1**	**0**	***244***
Supporting Mental Well-Being with the Wellness Together Canada Portal	0	70	70	0	0	0	*140*
Addressing the Opioid Crisis	0	33	33	33	0	0	*100*
Better Mental Health Support for Black Federal Public Servants	0	1	1	1	1	0	*4*
6.3. Investing in Public Health	**-646**	**80**	**62**	**43**	**-124**	**-129**	***-714***
Strengthening Canada’s Ability to Detect and Respond to Public Health Events and Emergencies	0	78	173	173	6	6	*436*
Maintaining the National Emergency Strategic Stockpile	0	50	0	0	0	0	*50*
Less: Year-Over-Year Reallocation of Funding	*-650*	*0*	*0*	*0*	*0*	*0*	*-650*
Piloting a Menstrual Equity Fund for Those in Need	0	6	19	0	0	0	*25*
Help for Canadians Who Want to Become Parents	4	15	15	15	15	15	*79*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Taxation of Vaping Products	0	-69	-145	-145	-145	-150	*-654*
Additional Investments – Strong Public Health Care	**-50**	**208**	**13**	**0**	**0**	**0**	***171***
Canadian Food Inspection Agency COVID-19 Business Continuity Funding	0	20	0	0	0	0	*20*
Funding proposed for the Canadian Food Inspection Agency to maintain a reliable level of CFIA inspection services during the ongoing COVID-19 pandemic, ensuring continued access to safe food for Canadians and international market access for Canadian agricultural products.							
Help Health Canada Finish the Fight Against COVID-19	0	50	0	0	0	0	*50*
Less: Year-Over-Year Reallocation of Funding	*-50*	*0*	*0*	*0*	*0*	*0*	*-50*
Funding proposed to support Health Canada’s continued response to the COVID-19 pandemic. This will allow Health Canada's scientists and officials to continue to provide Canadians and the health care system with expedited access to vaccines, therapeutics, tests and other health products and information critical for diagnosing, treating, and preventing the spread of the virus.							
Making Service Canada Centres Safe and Secure	0	30	0	0	0	0	*30*
Funding proposed for Employment and Social Development Canada to continue to offer in-person services at Service Canada centres during the COVID-19 pandemic while implementing necessary public health precautions. This is particularly important for vulnerable segments of the population who rely more heavily on in-person services, especially youth, newcomers, racialized communities, and individuals without reliable access to the internet.							
Preventing the Spread of COVID-19 in Correctional Facilities	0	65	13	0	0	0	*77*
Funding proposed for the Correctional Service of Canada to continue its actions to limit the spread of COVID-19 within federal correctional institutions and keep inmates and staff safe.							
Maintaining the ArriveCAN Application	0	25	0	0	0	0	*25*
Funding proposed for the Canada Border Services Agency to support the maintenance of the ArriveCAN application.							
Continued Support for the Canadian Proof of Vaccination Credential	0	18	0	0	0	0	*18*
Funding proposed for the Public Health Agency of Canada to continue to work with provincial and territorial governments, and with international partners, to ensure that the Canadian Proof of Vaccine Credential remains valid, secure, and accessible to Canadians							
Chapter 6 - Net Fiscal Impact	**1,304**	**705**	**804**	**1,304**	**1,394**	**1,586**	**7,097**

Note: Numbers may not add due to rounding.
[1]Announced March 25, 2022.

Chapter 7
Moving Forward on Reconciliation

Chapter 7
Moving Forward on Reconciliation

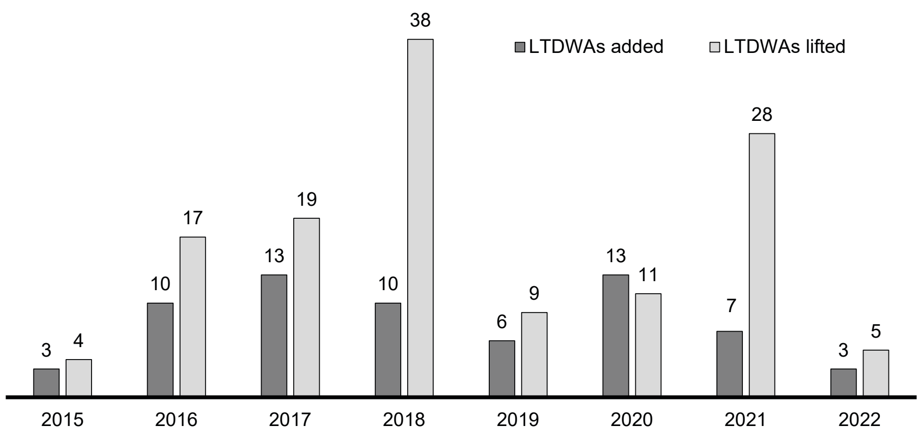
The federal government is committed to a renewed nation-to-nation relationship with Indigenous peoples based on recognition of rights, respect, truth, co-operation, and partnership.

Since 2015, the federal government has been guided by the principle that Indigenous nations are self-determining, self-governing, and rightfully aspire to having strong and healthy communities. Historic investments have been made to support Indigenous priorities and their path to self-determination. These investments are building progress to address the inequalities that exist between Indigenous and non-Indigenous peoples in Canada. But there is more work to be done and the federal government will continue to be there to work alongside Indigenous peoples to address historic injustices.

The government continues to work with Indigenous peoples to improve housing infrastructure, to support education and child care, to take action on the tragedy of missing and murdered Indigenous women and girls, and to respond to the Truth and Reconciliation Commission’s Calls to Action.

With the help of $5.3 billion in new funding announced since 2015, 131 long-term drinking water advisories have been lifted on reserve as of March 21, 2022, and 212 short-term drinking water advisories have been prevented from becoming long-term. The federal government remains committed to ensuring all First Nations communities have access to clean drinking water.

Chart 7.1
As of March 21, 2022, 131 long-term drinking water advisories have been lifted since 2015

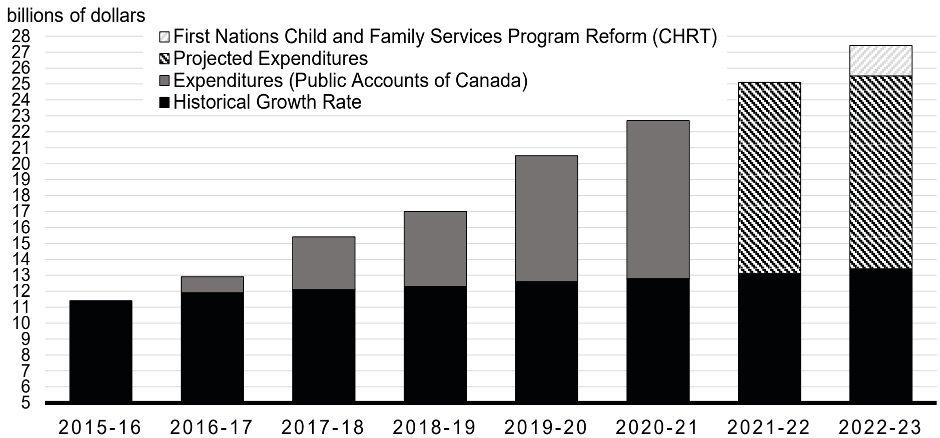


Source: Indigenous Services Canada

The federal government has also co-developed key legislation that affirms Indigenous rights related to Indigenous languages and child welfare. The *United Nations Declaration on the Rights of Indigenous Peoples Act,* which became law in June 2021, provides a framework to uphold Indigenous rights, both now and in the future. In the 2021 *Economic and Fiscal Update*, the government provisioned $40 billion to compensate for past harms experienced through the child and family services system and to support long-term program reforms that will ensure no child faces discrimination again.

Building on this foundation, Budget 2022 proposes to invest an additional $11 billion over six years to continue to support Indigenous children and families, and to help Indigenous communities continue to grow and shape their futures.

Chart 7.2
Support for Indigenous Peoples (Actual and Projected)
Indigenous Investments 2015-16 to 2022-23



This figure does not include $20 billion in proposed compensation to address harms caused by the First Nations Child and Family Services Program and for delays or denials in needed children's services (as announced in the 2021 *Economic and Fiscal Update*).

The $20 billion previously announced to respond to orders from the Canadian Human Rights Tribunal and support long-term reforms to the First Nations Child and Family Services Program is over five years, starting in 2022-23 through to 2026-27.

Sources: Public Accounts of Canada; Department of Finance Canada.

Key Ongoing Actions

Budget 2021 provided $18 billion in new investments to support Indigenous peoples and Indigenous communities, including a range of measures that are delivering important benefits in 2022-23:

- ✓ $6 billion over five years to support community infrastructure projects in Indigenous communities, including the launch of the $4.3 billion Indigenous Community Infrastructure Fund;
- ✓ $1.04 billion from the $4.3 billion Indigenous Community Infrastructure Fund to support water and wastewater systems on reserve;
- ✓ $1.4 billion over five years to maintain and transform essential health care services for First Nations and Inuit, including funding to support First Nations communities' reliable access to clean water.
- ✓ $2.2 billion over five years to respond to the tragedy of missing and murdered Indigenous women and girls;
- ✓ $1 billion over five years to help keep families together and reduce the number of children in care;
- ✓ $2.5 billion over five years to build on the distinctions-based approach to Indigenous early learning and child care, including before- and after-school care on reserve;
- ✓ $1.2 billion over five years to invest in the future of First Nations children by strengthening elementary and secondary education; and
- ✓ $2.7 billion over ten years in funding for core programs and services provided through ten-year grants to ensure funding keeps pace with the needs of First Nations.

7.1 Addressing Past Harms and Discrimination Related to Indigenous Children and Families

Indigenous children are the future leaders of both their communities and Canada, but generations of children were robbed of the chance to grow up surrounded by their loved ones, language, and culture—whether due to the tragedy of residential schools, or as a result of child welfare services. Canada has acknowledged the harms suffered and has begun the process of compensating the survivors of this shameful legacy, starting with the Indian Residential Schools Settlement Agreement and similar settlements for survivors of the Sixties Scoop and Federal Indian Day Schools.

Canada also continues to work with partners to finalize settlements that will deliver on the historic $40 billion agreements-in-principle announced on January 4, 2022. Once final, these settlements will provide compensation for First Nations children on reserves and in Yukon who were removed from their homes, and those impacted by the government's narrow definition of Jordan's Principle, including for their parents and caregivers. They will also achieve long-term reform of the First Nations Child and Family Services program and a renewed approach to Jordan's Principle to eliminate discrimination and prevent it from recurring.

Budget 2022 continues the work of addressing the legacy of harms to Indigenous children and families with additional investments of more than $4.7 billion to support communities as they cope with their past and build a future where Indigenous children can thrive.

Supporting First Nations Children Through Jordan’s Principle

The federal government is committed to eliminating the systemic barriers that prevent First Nations children from accessing services and support they need to thrive. Jordan’s Principle is a vital part of this work, helping to ensure that all First Nations children can access the health, social, and educational services they need, when they need them. Since 2016, the government has committed nearly $2.4 billion towards meeting the needs of First Nations children through Jordan’s Principle.

- Budget 2022 proposes to provide $4 billion over six years, starting in 2021-22, to ensure First Nations children continue to receive the support they need through Jordan’s Principle. This funding will also support long-term reforms to improve the implementation of Jordan’s Principle.

Honouring Jordan River Anderson

Jordan's Principle is named in memory of Jordan River Anderson, a young boy from Norway House Cree Nation in Manitoba. He was born in 1999 with multiple disabilities and stayed in the hospital from birth.

When he was two years old, doctors said Jordan could move to a special home for his medical needs. However, different orders of government in Canada fund different services for First Nations children. The federal and provincial governments could not agree on who would pay for his home-based care, and because of their dispute, Jordan stayed in hospital until he passed away at the age of five.

In his memory, the House of Commons passed a motion in support of Jordan's Principle in 2007. Jordan's Principle was a commitment that First Nations children would be able to receive the services and supports they need, when they need them—payments would be worked out later.

The government is working to reach a final agreement with First Nations representatives on how to support First Nations children for generations to come.

This is the legacy of Jordan River Anderson.

Implementing Indigenous Child Welfare Legislation

The government is committed to addressing the over-representation of Indigenous children and youth in care. *An Act respecting First Nations, Inuit and Métis children, youth and families* came into force on January 1, 2020, and is an important step towards meaningfully addressing disparities in the child and family services system. In 2021, the Cowessess First Nation in Saskatchewan became the first community to sign a Coordination Agreement, reclaiming jurisdiction over their child welfare system and the right to make decisions about what is best for their children and families.

Many more Indigenous communities are taking the steps they need to do the same. Investments in Indigenous-led solutions are required to both reduce the number of children in care, and to keep Indigenous children and youth connected to their families, their communities, and their culture. Budget 2022 proposes important funding to support the Act's implementation and affirm Indigenous jurisdiction over child and family services.

- Budget 2022 provides $340.8 million over ten years, starting in 2021-22, to support Wabaseemoong Independent Nations' exercise of jurisdiction.
- Budget 2022 also proposes to provide $87.3 million over three years, starting in 2022-23, to enable Indigenous communities to continue to work with the federal government and the provinces and territories to support the implementation of Indigenous child welfare laws.

Addressing the Shameful Legacy of Residential Schools

The country was shaken following the multiple discoveries of unmarked burial sites at former residential schools over the past year, which are reminders of the shameful legacy of residential schools and colonialism.

The announcements of these mass burial sites have brought up painful memories, and triggered suppressed traumas within Indigenous communities. Survivors and their families have experienced an increased need for emotional and cultural support. The federal government will continue to be there to support communities as they respond to and heal from intergenerational trauma and the ongoing impact of residential schools. Addressing the legacy of residential schools will take time, and Canada will undertake this work in partnership with Indigenous people and communities.

- Budget 2022 proposes to provide $209.8 million over five years, starting in 2022-23, to Crown-Indigenous Relations and Northern Affairs Canada to increase the support provided to communities to document, locate, and memorialize burial sites at former residential schools; to support the operations of and a new building for the National Centre for Truth and Reconciliation; and to ensure the complete disclosure of federal documents related to residential schools.
- Budget 2022 also proposes $10.4 million over two years, starting in 2022-23, to Justice Canada to support the appointment of a Special Interlocutor who will work collaboratively with Indigenous peoples and make recommendations for changes to strengthen federal laws and practices to protect and preserve unmarked burial sites.
- Budget 2022 also proposes $5.1 million over five years, starting in 2022-23, to Public Safety Canada to ensure the Royal Canadian Mounted Police can support community-led responses to unmarked burial sites.
- Budget 2022 also proposes $25 million over three years, starting in 2022-23, to Library and Archives Canada to support the digitization of millions of documents relating to the federal Indian Day School System, which will ensure survivors and all Canadians have meaningful access to them.
- Budget 2022 also proposes to provide $25 million over three years, starting in 2022-23, to Parks Canada to support the commemoration and memorialization of former residential schools sites.

7.2 Supporting Strong and Healthy Communities

Budget 2021 announced historic investments to support Indigenous communities. However, making good on the government's commitments to close gaps between Indigenous and non-Indigenous peoples in Canada, and building strong and resilient Indigenous communities will require sustained focus and effort.

Bolstered by previous investments, Budget 2022 seeks to shore up the foundations necessary for healthy communities, including housing and clean drinking water. It also seeks to address ongoing health and mental wellness challenges by ensuring continued access to culturally-appropriate services that meet the unique needs of Indigenous peoples and communities. Proposed investments will also strengthen First Nations control over elementary and secondary education on reserve.

Improving Health Outcomes in Indigenous Communities

As Canada comes through the pandemic, the government will continue making high-quality and culturally-relevant health care, free from discrimination, a reality for Indigenous peoples. This remains a significant task, but work is already underway with Indigenous partners and the provinces and territories to co-develop distinctions-based Indigenous health legislation and ensure health services are responsive to the distinct needs of all Indigenous people, no matter where they live.

- Budget 2022 proposes to invest $268 million in 2022-23 to continue to provide high-quality health care in remote and isolated First Nations communities on-reserve.
- Indigenous communities continue to face unique challenges in responding to COVID-19. Budget 2022 proposes to invest an additional $190.5 million in 2022-23 to Indigenous Services Canada for the Indigenous Community Support Fund to help Indigenous communities and organizations mitigate the ongoing impacts of COVID-19.

Distinctions-based Mental Health and Wellness

Addressing the unique and deeply rooted traumas of First Nations, Inuit, and Métis communities—which include intergenerational trauma; overt and systemic racism and discrimination; and social and economic inequality—requires a distinctions-based approach to mental health and wellness that is developed and delivered by Indigenous peoples.

- Budget 2022 proposes to provide $227.6 million over two years, starting in 2022-23, to maintain trauma-informed, culturally-appropriate, Indigenous-led services to improve mental wellness, and to support efforts initiated through Budget 2021 to co-develop distinctions-based mental health and wellness strategies.

First Nations Elementary and Secondary Education

Education is key to a strong start in life. In 2019, the federal government implemented a new co-developed policy and funding approach to help ensure First Nations children living on reserve receive a high-quality education that meets their unique needs. Since then, First Nations education systems have benefited from more than $3.8 billion in investments.

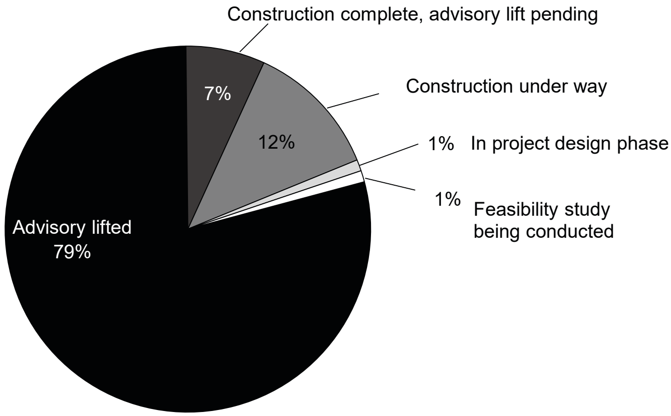
- Budget 2022 proposes to invest an additional $310.6 million over 5 years to support better student outcomes through a Regional Education Agreement with the First Nations Education Council, which includes 22 member communities in Quebec.

Clean Drinking Water and Better Infrastructure for First Nations Communities

Working with First Nations communities to support sustainable access to safe drinking water is at the heart of the federal government's commitment to Indigenous peoples. Since 2015, the government has invested $5.3 billion to build and repair water and wastewater infrastructure and support the effective management and maintenance of water systems.

With the support of these investments, since 2015, First Nations have lifted 131 long-term drinking water advisories on public systems on reserves as of March 21, 2022 and initiatives are underway to resolve the remaining 34. In addition, 212 short-term drinking water advisories have been lifted before becoming long-term.

Chart 7.3
Progress on Lifting Long-Term Drinking Water Advisories



Source: Indigenous Services Canada

To accelerate progress to end long-term drinking water advisories and continue addressing critical infrastructure gaps in First Nations communities on reserve:

- Budget 2022 proposes to provide $398 million over two years, starting in 2022-23, to Indigenous Services Canada to support community infrastructure on reserve, of which at least $247 million will be directed toward water and wastewater infrastructure.
- Budget 2022 proposes to provide Indigenous Services Canada with $173.2 million over ten years, starting in 2022-23, to support the transfer of water and wastewater services in 17 communities to the Atlantic First Nations Water Authority. By putting service delivery into the hands of communities themselves, this first-of-its-kind, First Nations-led initiative will help chart the path to self-determination, while strengthening the management of water and wastewater infrastructure on reserves.

Ensuring lasting drinking water and wastewater infrastructure requires a modern and effective regulatory regime. To this end, the government affirms its commitment to repeal the *Safe Drinking Water for First Nations Act* that has been in place since 2013 and does not meet the needs of First Nations. The federal government will work with First Nations to develop replacement legislation. The government also intends to amend the *Income Tax Act* to exclude from taxation the income of the Safe Drinking Water Trust established under the Safe Drinking Water Class Action Settlement Agreement.

In 2018, Lubicon Lake Band and the governments of Canada and Alberta signed a settlement to resolve the First Nation’s longstanding claim that included an agreement to support new community infrastructure.

- Budget 2022 proposes to provide $162.6 million over three years, starting in 2022-23, to enable the completion of required infrastructure with respect to the Lubicon Lake Band settlement agreement.

Investing in Housing for Indigenous Communities

Access to safe and affordable housing is critical to improving health and social outcomes and to ensuring a better future for Indigenous communities and children. That is why the federal government has committed more than $2.7 billion to support housing in Indigenous communities since 2015.

> Building on these investments, Budget 2022 proposes to provide a further $4 billion over seven years, starting in 2022-23, to Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada to accelerate work in closing Indigenous housing gaps as follows:
>
> - $2.4 billion over five years to support First Nations housing on reserves;
> - $565 million over five years to support housing in First Nations Self-Governing and Modern Treaty Holders communities;
> - $845 million over seven years to support housing in Inuit communities; and
> - $190 million over seven years for housing in Métis communities.

We also know that Indigenous peoples, regardless of where they live, face unique barriers to affordable housing.

> Budget 2022 proposes to invest $300 million over five years, starting in 2022-23, through the Canada Mortgage and Housing Corporation to co-develop and launch an Urban, Rural, and Northern Indigenous Housing Strategy.

Along with these new investments, the federal government will allocate $2 billion of the $20 billion provided for long-term reform of the First Nations Child and Family Services program to target the housing needs of First Nations children once a final settlement agreement is reached.

These measures will result in a combined $6.3 billion over seven years towards improving and expanding Indigenous housing in Canada.

7.3 Advancing Self-Determination and Prosperity

As stewards and rights-holders of land and resources—and with a young, dynamic, and growing population—Indigenous communities play a vital role in our shared economic recovery and in achieving our long-term environmental goals. This path to shared prosperity, however, must be founded on a recognition of Indigenous peoples' inherent right to self-determination.

That is why Budget 2022 is investing to ensure the full implementation of the *United Nations Declaration on the Rights of Indigenous Peoples Act,* and taking steps to advance Indigenous climate leadership. Budget 2022 also proposes investments to help position Indigenous communities to seize economic opportunities, including in key sectors like tourism and natural resources.

Implementing the *United Nations Declaration on the Rights of Indigenous Peoples Act*

The coming into force of the *United Nations Declaration on the Rights of Indigenous Peoples Act* marked a historic milestone in Canada's collective journey towards reconciliation—one rooted in the recognition of rights, respect, cooperation, and partnership. The federal government remains committed to the Act's full and effective implementation, in partnership with Indigenous peoples.

- To this end, Budget 2022 proposes to provide $65.8 million over five years, starting in 2022-23, and $11 million ongoing, to Justice Canada and Natural Resources Canada to accelerate work to meet legislated requirements, including the co-development of an action plan with Indigenous partners.
- To complement this work, Budget 2022 also proposes $9.5 million over five years, starting in 2022-23, to the Department of National Defence to align its operations and engagement with Indigenous peoples with the Act.

Legislative Changes to Support Self-Determination

Building strong Indigenous nations requires strong Indigenous governments and Indigenous-led institutions. This is why Budget 2022 affirms the federal government's commitment to make legislative changes that will help move beyond colonial systems to advance Indigenous self-determination.

- Budget 2022 announces the government's intention to replace the *First Nations Land Management Act*—which empowers First Nations to opt out of *Indian Act* provisions related to land management and replace them with their own laws—with the Framework Agreement on First Nation Land Management Act. This shorter, simpler legislation will continue to advance the First Nations Land Management Regime by giving force of law to the nation-to-nation Framework Agreement on First Nation Land Management.
- Budget 2022 also announces the government's intention to enact the Anishinabek Nation Governance Agreement Act, which will create the Anishinabek Nation Government and community-level governments for participating First Nations, marking the first core self-governance agreement in Ontario.

Indigenous Climate Leadership

Climate change has exacerbated existing vulnerabilities for Indigenous peoples, including flooding, wildfires, permafrost thaw, and threats to local food sources. As Indigenous peoples and their ancestors have long been the stewards and managers of the lands and waters that make-up Canada's ecosystem, Indigenous peoples are critical partners to conversations about addressing climate change at all levels of Canadian Society. That is why Indigenous climate leadership, through a strong nation-to-nation, Inuit-Crown, and government-to-government relationship is a cornerstone of Canada's 2020 strengthened climate plan.

› As announced in the 2030 Emissions Reduction Plan, Budget 2022 proposes to provide $29.6 million over three years, starting in 2022-23, to Crown-Indigenous Relations and Northern Affairs Canada to support the co-development of an Indigenous Climate Leadership Agenda to support self-determined action in addressing Indigenous peoples' climate priorities. The funding will also support the phased implementation of distinctions-based climate strategies.

Partnering with Indigenous Peoples in Natural Resource Projects

Many natural resource projects are located in or near Indigenous communities, including projects to develop the critical minerals that will be needed for Canada's economy to reach net-zero by 2050. Investing in these partnerships early in the development of resources projects can ensure meaningful opportunities for Indigenous participation, as well as greater certainty for investors.

› Budget 2022 proposes to provide $131.3 million over five years, starting in 2022-23, as follows:

  - $103.4 million over five years, starting in 2022-23, to Natural Resources Canada to develop a National Benefit-Sharing Framework, and the expansion of both the Indigenous Partnership Office and the Indigenous Natural Resource Partnerships program. At least $25 million of this funding should be dedicated to early engagement and Indigenous communities' capacity building to support their participation in the critical minerals strategy. These investments will provide opportunities for Indigenous communities to benefit from all types of natural resources projects, including critical minerals.
  - $27.9 million over two years, starting in 2022-23, to Natural Resources Canada for the Line 3 and the Trans Mountain Expansion Project pipelines' Indigenous Advisory and Monitoring Committees, to enable Indigenous communities to identify common priorities and provide informed advice on these projects.

Indigenous Economic Participation in Trans Mountain

Once completed, the Trans Mountain Expansion Project will be an integral part of Canada's long term energy infrastructure. Over the life of the pipeline, the Trans Mountain Corporation will generate billions in cash flow. The federal government believes that Indigenous communities along the project corridor and marine shipping route should have the opportunity to participate in the economic opportunity created by the project. Indigenous economic participation in Trans Mountain can serve as a significant source of ongoing funds for those communities' economic development and a further step in the development of an alternative model for Indigenous partnership in natural resource development in Canada.

The federal government has been engaging with the Indigenous communities along the project corridor and marine shipping route and will announce, later this year, the next steps toward their participation in Trans Mountain.

Supporting Indigenous Businesses and Community Economic Development

Advancing reconciliation requires a commitment to Indigenous economic self-determination. With more than 50,000 Indigenous-owned businesses in Canada—and with many investing profits back into their communities—Indigenous economic development projects and community-owned businesses provide sustainable revenue streams that support a better, more prosperous future for generations to come. Together with support for the Indigenous tourism industry outlined in Chapter 2, the following community-level investments will support Indigenous communities' contribution to Canada's economic recovery.

- Budget 2022 proposes to provide $150 million over five years, starting in 2022-23, to Indigenous Services Canada's Lands and Economic Development Services Program and Community Opportunity Readiness Program, to advance shovel-ready economic opportunities in Indigenous communities.
- To complement the above, Budget 2022 also proposes to provide $15 million over five years, starting in 2022-23, to the Canadian Northern Economic Development Agency to support Indigenous economic development in the North.
- To ensure that all communities are well positioned to benefit from these investments, Budget 2022 also proposes to provide $35 million over five years, starting in 2022-23, to Indigenous Services Canada to increase economic capacity supports, including specialized training opportunities delivered by Indigenous-led organizations.

We also know that the cumulative effects of multiple waves of COVID-19 have had a significant impact on Indigenous businesses, with more than 75 per cent of businesses surveyed by the Canadian Council for Aboriginal Business reporting decreases in revenues as a direct result of the pandemic.

- To further support Indigenous small and medium-size enterprises, Budget 2022 proposes to forgive up to 50 per cent of the COVID-Indigenous Business Initiative loans that supported businesses in need during the pandemic. This action will help ensure that Indigenous-owned businesses are positioned for long-term success.

Advancing Tax Jurisdiction for Indigenous Governments

Since 1998, the federal government has entered into 61 tax jurisdiction agreements with Indigenous governments, generating important revenues that support community priorities and advance self-determination.

The government confirms its commitment to negotiating agreements with interested Indigenous governments to enable the implementation of a First Nations Goods and Services Tax within their settlement lands or reserves. The government also confirms its commitment to working with interested self-governing Indigenous governments to enable them to implement personal income taxes within their settlement lands.

As committed in Budget 2021, the government will work with Indigenous groups and organizations on a potential fuel, alcohol, cannabis, and tobacco (FACT) sales tax framework as an additional option for Indigenous governments to exercise tax jurisdiction.

The government has a continued interest in facilitating taxation arrangements between interested provinces or territories and Indigenous governments.

Chapter 7
Moving Forward on Reconciliation
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
7.1. Addressing Past Harms and Discrimination Related to Indigenous Children and Families	**200**	**953**	**898**	**897**	**811**	**813**	***4,573***
Supporting First Nations Children Through Jordan's Principle[1]	153	773	773	773	773	773	*4,017*
Implementing Indigenous Child Welfare Legislation	47	48	58	65	30	32	*280*
Addressing the Shameful Legacy of Residential Schools	0	133	68	59	8	8	*275*
7.2. Supporting Strong and Healthy Communities	**0**	**1,471**	**956**	**916**	**1,029**	**1,149**	***5,521***
Improving Health Outcomes in Indigenous Communities	0	459	0	0	0	0	*459*
Distinctions-based Mental Health and Wellness	0	114	114	0	0	0	*228*
First Nations Elementary and Secondary Education	0	50	57	61	68	76	*311*
Less: Funds Sourced From Existing Departmental Resources	*0*	*0*	*-5*	*-10*	*-15*	*-20*	*-50*
Clean Drinking Water and Better Infrastructure for First Nations Communities	0	196	350	52	18	22	*639*
Investing in Housing for Indigenous Communities	0	652	441	813	959	1,071	*3,936*
7.3. Advancing Self-Determination and Prosperity	**0**	**99**	**123**	**115**	**91**	**75**	***503***
Implementing the *United Nations Declaration on the Rights of Indigenous Peoples Act*	0	4	22	20	15	15	*75*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Indigenous Climate Leadership[2]	0	2	10	18	0	0	*30*
Partnering with Indigenous Peoples in Natural Resource Projects	0	36	36	20	20	20	*131*
Supporting Indigenous Businesses and Community Economic Development	0	57	57	57	57	40	*267*
Additional Investments – Moving Forward on Reconciliation	**0**	**1**	**1**	**0**	**0**	**0**	***2***
Yellowknives Dene First Nation (Giant Mine)	0	1	1	0	0	0	*2*
Funding provided to Crown-Indigenous Relations and Northern Affairs Canada to support the implementation of a Collaborative Process Protocol Agreement respecting the historical impacts of the operation of Giant Mine on the Yellowknives Dene First Nation.							
Chapter 7 - Net Fiscal Impact	**200**	**2,524**	**1,979**	**1,927**	**1,932**	**2,037**	***10,599***

Note: Numbers may not add due to rounding.
[1] 2021-22 funding announced in Supplementary Estimates (C), 2021-22.
[2] Announced in the *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy*, released on March 29, 2022..

Chapter 8
Safe and Inclusive Communities

Chapter 8
Safe and Inclusive Communities

Now more than ever, we need to stand up in support of Canadian values and ideals. We need to stand up for diversity and multiculturalism and ensure we are building a truly inclusive society. We need to promote Canadian stories and Canadian story-telling, including through our arts and culture sector and the talented people who work in it.

We need to continue to tackle the systemic discrimination and racism which is still a lived reality for too many Canadians. We need to continue taking steps to make our communities safer for everyone.

Budget 2022 includes important measures to effect needed and positive change and to continue to promote the values that have made Canada the diverse and prosperous country that it is today.

Key Ongoing Actions

Budget 2022 builds on recent steps that the federal government has taken to ensure opportunities for all Canadians to thrive, to protect our communities, and to support the recovery of our arts and culture sector. These include:

- ✓ $601.3 million over five years to advance a new National Action Plan to End Gender-Based Violence;
- ✓ Banning assault-style firearms and investing more than $920 million to protect Canadians from gun violence;
- ✓ $200 million to establish the Black-led Philanthropic Endowment Fund, which will create a sustainable source of funding to support Black communities;
- ✓ Creating the Black Entrepreneurship Program—a partnership between the government, Black-led business organizations, and financial institutions—with an investment of up to $265 million over four years;
- ✓ $141.1 million to make federal disability programs, child care centres, communities, and workplaces more accessible;
- ✓ $500 million for the recovery of the arts, culture, heritage, and sports sectors, and to support community-level festivals and other in-person cultural events;
- ✓ $15 million over three years to establish the new LGBTQ2 Projects Fund;
- ✓ $172 million over five years to enhance our ability to collect disaggregated data, especially on diverse populations, to bring more equity, fairness, and inclusion into federal government decision making; and
- ✓ $408.3 million to promote official languages and support the modernization of the *Official Languages Act*, as introduced on March 1, 2022 by the Government of Canada, in order to achieve the substantive equality of Canada's official languages, including improvements designed to meet the challenges facing official language minority communities.

8.1 A Diverse and Inclusive Canada

For generations, newcomers from around the world have helped build a Canada that is as vibrant and prosperous as it is today.

In Canada, diversity is a fact, but inclusion is a choice—and there is still work to be done to make Canada a country that is truly equal for everyone. The past two years, in particular, have reminded us of the systemic barriers and vulnerabilities faced by Black and racialized Canadians, Indigenous peoples, persons with disabilities, women, seniors, and LGBTQ2 Canadians.

Budget 2022 introduces new measures to promote a more equitable, more inclusive Canada, and to build communities where everyone is empowered to succeed.

A Federal LGBTQ2 Action Plan

While Canada has made significant progress since same-sex marriage was legalized in 2005, many LGBTQ2 Canadians still face discrimination on the basis of their sexual orientation, gender identity, or gender expression, which continues to result in persistent health, social, and economic inequities.

- Budget 2022 proposes to provide $100 million over five years, starting in 2022-23, to support the implementation of the forthcoming Federal LGBTQ2 Action Plan, which will support a fairer and more equal Canada for LGBTQ2 Canadians.

Fighting Systemic Racism, Discrimination, and Hate

Racism has no place in Canada. Our society and our economy are made stronger every day by Canada's remarkable cultural, linguistic, and ethnic diversity. While as a country we have made real progress, racism continues to be an everyday experience for many Canadians, as evidenced by a sharp rise in anti-Asian racism, anti-Black racism, anti-Semitic hate, and a number of horrific Islamophobic attacks in recent years.

In 2019, the federal government launched an Anti-Racism Strategy to fund important community projects, to promote understanding across Canada, and to reduce the incidence of racism and discrimination.

- Recognizing that Canada's fight against racism is far from over, Budget 2022 proposes to provide $85 million over four years, starting in 2022-23, to the Department of Canadian Heritage to support the work underway to launch a new Anti-Racism Strategy and National Action Plan on Combatting Hate. This funding will support community projects that ensure that Black and racialized Canadians, and religious minorities have access to resources that support their full participation in the Canadian economy, while also raising awareness of issues related to racism and hate in Canada.

- To push back against religious discrimination, hateful rhetoric and racism at home and abroad, Budget 2022 proposes to provide $11.2 million over five years, starting in 2022-23, with $2.4 million ongoing, to the Department of Canadian Heritage and Global Affairs Canada as follows:
    - $5.6 million over five years, with $1.2 million ongoing to support the Special Envoy on Preserving Holocaust Remembrance and Combatting Antisemitism.
    - $5.6 million over five years, with $1.2 million ongoing to support the new Special Representative on Combatting Islamophobia.

To keep alive the memory of those murdered during the Holocaust and combat both historical distortions and Holocaust denial:

- Budget 2022 proposes to provide $20 million in 2022-23 to the Department of Canadian Heritage to support the construction of the new Holocaust Museum in Montréal; and an investment of $2.5 million for the Sarah and Chaim Neuberger Holocaust Education Centre, as has been approved through the Canada Cultural Spaces Fund and Museum Assistance Program.

This funding builds on important investments made since 2015 to fight racism in Canada. This includes initiatives supported as part of the Anti-Racism Strategy and investments announced in Budget 2021 to support the Canadian Race Relations Foundation and communities at risk of hate-motivated crimes. Previous investments have also enhanced community support for Black Canadian youth and expanded research to develop more culturally focused mental health programs and care. The government remains committed to working with local faith based and cultural communities to advance important projects.

Supporting Black Canadian Communities

Data continues to show that Black Canadians face more precarious employment, and an unjust prevalence of low-income households as a result of anti-Black racism that has a detrimental impact on the socio-economic well-being of many Black Canadians. The federal government is committed to continue closing the systemic inequities faced by Black Canadian communities.

- Budget 2022 proposes to provide $50 million over two years, starting in 2022-23, to Employment and Social Development Canada for the Supporting Black Canadian Communities Initiative, to continue empowering Black-led and Black-serving community organizations and the work they do to promote inclusiveness.
- The Minister of Families, Children and Social Development will explore further options to continue supporting capacity building within Black-led and Black-serving community organizations in the long term.

Federal Funding for the Jean Augustine Chair in Education, Community and Diaspora

In 1993, the Honourable Jean Augustine made history as the first Black Canadian woman to be elected to the House of Commons and later became the first Black Canadian to be appointed to the Federal Cabinet. Ms. Augustine has also had a distinguished career as a social justice activist and educator. The Jean Augustine Chair in Education, Community and Diaspora, housed at York University, is focused on addressing the systemic barriers and racial inequalities in the Canadian education system to improve educational outcomes for Black students.

- Budget 2022 proposes to provide $1.5 million in 2022-23 to the Department of Canadian Heritage for a federal contribution towards an endowment which would support the ongoing activities of the Jean Augustine Chair in Education, Community and Diaspora.

Supporting the Muslims in Canada Archive

For too long, Muslim communities in Canada have had their representations, stories, and identities publicly shaped by predominantly non-Muslim media sources. These depictions are often burdened by narratives of terrorism, war, violence, Islamophobia, and extremism.

The Muslims in Canada Archive, a collaborative initiative of the Institute of Islamic Studies at the University of Toronto, provides an opportunity to reshape these narratives and provide Canada's robust and diverse Muslim community a chance to tell their own stories in their own words.

- Budget 2022 proposes to provide $4 million in 2022-23 to the Department of Canadian Heritage to help support the Muslims in Canada Archive. This funding will allow the Archive to continue its work with national archival and Muslim community organizations to acquire, organize, preserve, and make accessible records of and about Muslim people and organizations in Canada.

Building the Jewish Community Centre of Greater Vancouver

For generations, the Jewish Community Centre of Greater Vancouver has provided leadership in cultural, recreational, educational, and social activities to families from all backgrounds. Today, the existing facilities are aging and the centre's services are over-subscribed. A significant redevelopment project is planned, which will see a modernized community centre that will serve diverse communities with new arts, culture, seniors, and recreational facilities. The project will also make a significant contribution to addressing affordability in Vancouver through the creation of hundreds of new affordable rental housing units and child care spaces. The government intends to announce funding for the Jewish Community Centre of Greater Vancouver in the future.

Ensuring Fair Compensation for News Media in the Digital News Ecosystem

Accurate, diverse, and relevant news contributes to a thriving and functioning democracy in Canada. As readers change habits and get increasingly more of their information online, it is important that news media continue to be independent and reliable. In order for that to happen, news media businesses must be able to receive fair compensation when their content is shared online.

- Budget 2022 proposes to provide $8.5 million over two years, starting in 2022-23, to the Canadian Radio-television and Telecommunications Commission to establish a new legislative and regulatory regime to require digital platforms that generate revenues from the publication of news content to share a portion of their revenues with Canadian news outlets.

Supporting Local and Diverse Journalism

The diversity of media and news stories in Canada should reflect the diversity of Canadians. As digital technologies have fundamentally restructured the economic foundations of the news media sector—both decreasing access and diversity of perspectives—it is important, now more than ever, for Canadians to have reliable information from and about their own communities.

- To support diverse and local stories in news media, Budget 2022 proposes to provide $15 million in 2023-24 to Canadian Heritage as follows:
    - $10 million in 2023-24 for the Local Journalism Initiative to continue to support the production of local journalism for underserved communities across Canada.
    - $5 million in 2023-24 to launch a new Changing Narratives Fund to break down systemic barriers in the media and cultural sectors and help racialized and religious minority journalists, creators, and organizations have their experiences and perspectives better represented.
- Budget 2022 also proposes to provide $40 million over three years, starting in 2022-23, to Canadian Heritage for the Canada Periodical Fund to support the availability of journalistic content and to help these publications adapt to the continually evolving technology and media consumption habits of Canadians.

Creating a Safer Sport System

Canada's high performance athletes should feel safe in an environment that is free from abuse, harassment, and discrimination. However, many Canadian athletes have brought forward evidence of unsafe environments in competitive sports.

- Budget 2022 proposes to provide $16 million over three years, starting in 2022-23, to the Department of Canadian Heritage, to support actions to create a safer sport system. This will include funding for the Sport Dispute Resolution Centre of Canada for the implementation of the new Independent Safe Sport Mechanism, and funding to ensure national sport policies and practices reduce the risk of harassment, abuse, and discrimination and create a safer and more inclusive sport system.

Supporting Special Olympics Canada

Special Olympics is a global movement that provides programs and competition opportunities to enrich the lives of millions of people with intellectual disabilities around the world through sport—including in communities across Canada.

- Budget 2022 proposes to provide $1.8 million in ongoing funding, starting in 2022-23, as an extension to the $16 million investment in Special Olympics Canada through Budget 2018. This funding will support more than 45,000 children, youth, and adults through its strong network of 21,000 volunteers.

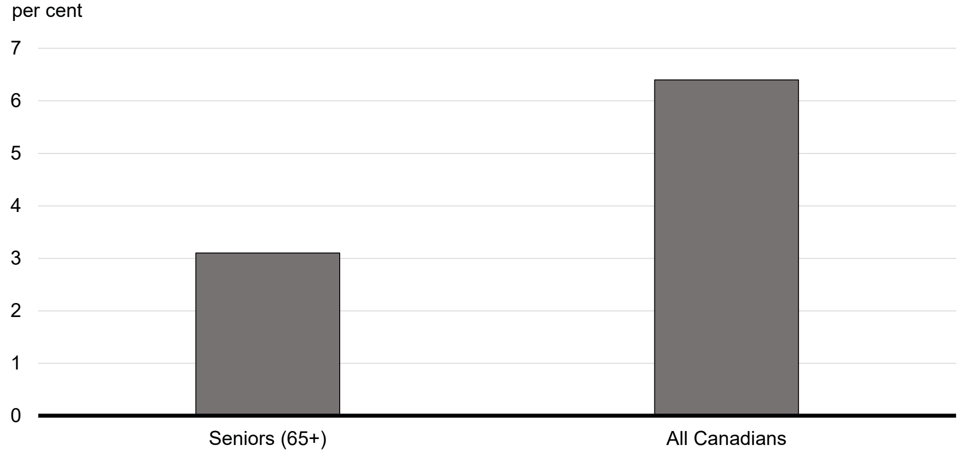
Supporting Our Seniors

Canada owes our seniors a great deal and the federal government plays the leading role in providing seniors with much-needed income support.

The Old Age Security (OAS) program—consisting of the OAS pension, the Guaranteed Income Supplement (GIS), and the Allowances—is Canada's largest non-pandemic federal program and it is forecasted to provide $68.2 billion in support to seniors in 2022-23, growing to $87.2 billion in 2026-27. As of February 2022, there were close to 6.9 million OAS recipients, including 2.2 million GIS recipients, plus about 72,000 Allowance recipients.

With OAS and GIS benefits indexed quarterly to the Consumer Price Index, seniors do not have to worry about the value of their benefits keeping pace with inflation, and the level and indexation of these benefits means that the share of seniors in poverty is only about half that of the overall population.

Chart 8.1
Percentage of Persons in Poverty



Source: Statistics Canada, Canadian Income Survey (2020), Market Basket Measure.

Since 2016, the federal government has taken significant action to further support our seniors. This has included:

- ✓ A ten per cent increase to the maximum GIS benefit for single seniors;
- ✓ Reversing the announced increase to the eligibility age for OAS and GIS back to age 65 from 67; and
- ✓ Beginning this July, a ten per cent increase to the OAS pension for seniors age 75 and over, which will provide additional benefits of over $766 to full pensioners in the first year.

Many seniors prefer to stay in their own homes for as long possible. The federal government provides significant support for aging in place, including, as of 2017, through $6 billion over ten years to provinces and territories for the delivery of home care services.

Seniors also want to stay active and engaged in their communities as they age, and the New Horizons for Seniors Program—which has supported more than 33,500 projects in hundreds of communities across Canada since 2004—helps them do so.

As the government assesses any further increase to the GIS, Budget 2022 seeks to expand on the important programs above, and to continue to support the quality of life for our seniors as they age.

› Budget 2022 proposes the creation of an expert panel to study the idea of an Aging at Home Benefit. The panel will report to the Minister of Seniors and the Minister of Health. More details will be provided in the months to come.

- Budget 2022 proposes $20 million over two years, beginning in 2022-23, for an expanded New Horizons for Seniors Program to support more projects that improve the quality of life for seniors and help them continue to fully participate in their communities.

Doubling the Home Accessibility Tax Credit

Seniors and persons with disabilities deserve the opportunity to live and age at home, but renovations and upgrades that make homes safe and accessible can be costly. The Home Accessibility Tax Credit provides support to offset some of these costs. But with the increased costs of home renovations, many seniors and persons with disabilities are often finding it hard to afford the home improvements that would allow them to continue living safely at home.

- Budget 2022 proposes to double the qualifying expense limit of the Home Accessibility Tax Credit to $20,000 for the 2022 and subsequent tax years. This will mean a tax credit of up to $3,000—an increase from the previous tax credit of up to $1,500—for important accessibility renovations or alterations.

Doubling the credit's annual limit will help make more significant alterations and renovations more affordable, including:

- The purchase and installation of wheelchair ramps, walk-in bathtubs, and wheel-in showers;
- Widening doorways and hallways to allow for the passage of a wheelchair or walker;
- Building a bedroom or a bathroom to permit first-floor occupancy; and
- Installing non-slip flooring to help avoid falls.

National School Food Policy

Ensuring that the most vulnerable children have the healthy, nutritious food they need to grow and learn is vitally important. However, nearly two million children in Canada are at risk of going to school hungry on any given day.

- Over the next year, the Minister of Agriculture and Agri-Food and the Minister of Families, Children and Social Development will work with provinces, territories, municipalities, Indigenous partners, and stakeholders to develop a National School Food Policy and to explore how more Canadian children can receive nutritious food at school.

Support for Workers Experiencing Miscarriage or Stillbirth

A miscarriage or stillbirth is a profoundly tragic event in someone's life, and can cause physical and psychological trauma.

In 2021, the federal government took steps to support federally regulated employees who experience pregnancy loss by introducing new bereavement leave provisions under the *Canada Labour Code*. These provisions provide up to eight weeks of unpaid leave for employees who lose a child or experience a stillbirth. The first three days will be paid for employees who have completed three months of continuous employment.

- The government intends to introduce legislative amendments to the *Canada Labour Code* in the coming year to provide additional support to federally regulated employees who experience a miscarriage or stillbirth.

8.2 Keeping Canadians Safe

Canadians should always feel secure in their homes and communities, but gun violence can threaten the safety of Canadians in too many towns and cities across the country.

Budget 2022 reaffirms the federal government's commitment to tackle gun violence in Canada by ensuring that assault-style weapons are no longer in our communities. It also announces new funding to better prepare Canada for emergency events, address gender-based violence in partnership with provinces and territories, and ensure that our courts are able to provide the timely access to justice that Canadians deserve.

Developing a Buy-Back Program for Assault Weapons

Gun violence continues to pose a very real threat in communities across Canada, particularly to women and girls.

Since 2016, the federal government has invested more than $920 million to address gun violence and keep guns out of the hands of gangs and criminals. These investments are supporting work with provinces and territories to deliver gun and gang violence prevention and intervention initiatives; increase law enforcement and prosecution capacity; and crack down on gun smuggling at our border. On May 1, 2020, the government announced a ban on more than 1,500 models and variants of assault-style firearms. The government will implement a mandatory buy-back program to ensure these weapons are safely removed from our communities, for good.

Working with Provinces and Territories to Advance the National Action Plan to End Gender-Based Violence

The government is committed to working with provinces and territories, as well as stakeholders and Indigenous partners, to prevent and address gender-based violence in Canada. Building on investments to date—including over $600 million over five years provided through Budget 2021—the government is now moving forward with provinces and territories to ensure a coordinated, national response to end gender-based violence across Canada.

- Budget 2022 proposes to provide $539.3 million over five years, starting in 2022-23, to Women and Gender Equality Canada to enable provinces and territories to supplement and enhance services and supports within their jurisdictions to prevent gender-based violence and support survivors.

This investment will support provinces and territories in their efforts to implement the forthcoming National Action Plan to End Gender-Based Violence. Further details on the National Action Plan will be provided in the months ahead.

Preparing for Emergencies

Recent events, like the COVID-19 pandemic and the devastating wildfires and flooding in British Columbia, have reminded us of the importance of Canada being prepared for any emergency when lives and communities are at stake.

- Budget 2022 proposes to provide $24.7 million over five years, starting in 2022-23, with $0.3 million in remaining amortization, and $5.4 million ongoing for the Privy Council Office to establish a secretariat to support the Minister of Emergency Preparedness and to enhance federal coordination of emergency responses.

Supporting Recovery and Completing the Rail Bypass in Lac-Mégantic

In July 2013, a train carrying crude oil derailed, causing 47 fatalities in Lac-Mégantic, Quebec. To support the community's recovery from this tragedy, in February 2014 the federal government committed to share the costs with the Government of Quebec for response, recovery, and decontamination efforts, and to date, the federal government has provided $120 million to support that vitally important work.

In 2018, the Governments of Canada and Quebec also committed to build a bypass to divert rail traffic around the town. Since then, significant progress has been made to move the project forward. The federal government remains committed to completing the bypass in partnership with the Government of Quebec, with both parties providing their fair share of funding to realize the project.

- Budget 2022 proposes to provide $13.2 million in 2022-23 to Public Safety Canada for the final federal payment through the Lac-Mégantic Contribution Program.
- Budget 2022 also proposes to provide $237.2 million over five years, starting in 2022-23, to Transport Canada to complete the construction of the Lac-Mégantic rail bypass. The federal government will continue to advance elements of the project while a cost-sharing agreement with the Government of Quebec is reached.

These investments will help the community to rebuild and recover from this tragic incident.

Increasing the Capacity of Superior Courts

Superior court delays can impede Canadians' access to justice and prevent timely resolutions. To address and prevent delays, the government is committed to both creating new judicial positions and to increasing the capacity of our superior courts.

- Budget 2022 proposes to amend the *Judges Act*, the *Federal Courts Act*, and the *Tax Court of Canada Act* to add 24 new superior court positions, including new Associate Chief Justices for the Court of Queen's Bench for Saskatchewan and for the Court of Queen's Bench of New Brunswick. This will mean more opportunities to appoint diverse candidates who can better represent the communities they serve.
- Budget 2022 also proposes to provide $83.8 million over five years, starting in 2022-23, and $17.8 million ongoing, for these 24 additional superior court positions.

Enhancing Legal Aid for Those Who Need It Most

All Canadians should have access to a fair justice process. The federal government helps fund criminal legal aid services, in partnership with provinces and territories, to support access to justice for Canadians who are unable to pay for legal support. In Canada, Indigenous peoples, Black and racialized Canadians, and those with mental health issues disproportionately go before criminal courts. In order to ensure that no one is disadvantaged before the courts and that every Canadian receives a fair hearing, more support is needed.

- Budget 2022 proposes to provide $60 million in 2023-24 to increase the federal contribution to criminal legal aid services.

8.3 Supporting Artists and Charities in Our Communities

Growing and vibrant communities help make Canada the best place in the world to live, work, and raise a family.

The past two years have reminded us that we are all better off when we look out for each other. Budget 2022 will make it easier for Canada's charities to do their important work and ensure that Canadians—and people around the world—can benefit from their generosity.

As we come through the pandemic and Canadians get back on their feet, our performing arts sector is continuing to feel the impact of the closures and capacity limits of the past two years. Budget 2022 will continue to support the recovery of the performing arts sector that brings Canadians together.

Supporting Canada's Performing Arts and Heritage Sectors

Canada's performing arts, including our world-class theatre sector, have been devastated by closures and capacity restrictions during the pandemic. Today, both the number of productions and the employment levels in the performing arts sector remain significantly below pre-pandemic levels.

Budget 2021 provided $500 million over two years to support the reopening and recovery of Canada's arts, culture, heritage, and sports sectors. This includes funding to support Canadian festivals, outdoor theatres, and local museums in delivering in-person experiences and events to draw visitors to our communities and encourage the safe return of in-person audiences.

The federal government has been there to support artists and performing arts organizations and workers throughout the pandemic. Critical investments in Budget 2021, including $250 million to be delivered in 2022-23, will continue to support Canada's performing arts, and the talented Canadians who make up our arts, culture, and heritage sectors.

In addition, the 2021 *Economic and Fiscal Update* provided $62.3 million in 2022-23 to create a temporary program aimed at directly supporting performing artists and behind-the-scenes workers who were financially impacted by public health restrictions and closures. Funding is expected to be disbursed to these workers by summer 2022.

- To complement previous initiatives, Budget 2022 proposes to provide $12.1 million over two years, starting in 2022-23, to the National Arts Centre to support the creation, co-production, promotion, and touring of productions with Canadian commercial and not-for-profit performing arts companies.

- To compensate Canadian arts, culture, and heritage organizations for revenue losses due to public health restrictions and capacity limits, Budget 2022 proposes to provide an additional $50 million in 2022-23 to the Department of Canadian Heritage, the Canada Council for the Arts, and Telefilm Canada.

Supporting a More Inclusive Arts Training Sector

As the arts sector recovers from the COVID-19 pandemic, its continued vitality and success will depend, in large part, on the next generation of Canadian artists. The Canada Arts Training Fund helps build this next generation of Canadian creators and cultural leaders by supporting the training of artists with high potential.

While support for equity and inclusion is embedded in the delivery of the Fund, additional support for Indigenous and racialized arts training organizations will increase the participation, promotion, and representation of historically underserved communities.

- To continue to support the arts sector's recovery from the COVID-19 pandemic and to address historic inequities in funding levels for Indigenous and racialized arts training organizations, Budget 2022 proposes to provide $22.5 million over five years starting in 2022-23, and $5 million ongoing, to Canadian Heritage for the Canada Arts Training Fund.

Stronger Partnerships in the Charitable Sector

Canadian charities carry out a wide range of important work, including vital international development and relief activities around the world and providing direct support to Canadians here at home. Canada's tax rules should support their work and minimize their administrative burdens, while still ensuring accountability for how charitable resources are used.

Both the charitable sector and parliamentarians have put forward a number of proposals to achieve these goals, while allowing greater flexibility for charities to support non-profit groups that may not have the ability to pursue charitable status of their own. The government supports these efforts.

- To ensure sufficient flexibility for charities to carry out their work, Budget 2022 proposes to amend the *Income Tax Act* to allow a charity to provide its resources to organizations that are not qualified donees, provided that the charity meets certain requirements designed to ensure accountability. This is intended to implement the spirit of Bill S-216, the *Effective and Accountable Charities Act*, which is currently being considered by Parliament.

Boosting Charitable Spending in Our Communities

Every year, charities are required to spend a minimum amount based on the value of their investment assets. This is known as the "disbursement quota" and it ensures that charitable donations are being invested into our communities.

- Following consultations with the charitable sector in 2021, Budget 2022 proposes to introduce a new graduated disbursement quota rate for charities. For investment assets exceeding $1 million, the rate of the disbursement quota will be increased from 3.5 per cent to 5 per cent.

This new, higher rate will boost support for the charitable sector while being set at a level that is sustainable, ensuring the continued availability of funding over the longer term.

These changes will be effective in respect of a charity's fiscal period beginning on or after January 1, 2023, and will be reviewed after five years.

The Canada Revenue Agency will also improve the collection of information from charities, including whether charities are meeting their disbursement quota, and on information related to investments and donor-advised funds held by charities.

Chapter 8

Safe and Inclusive Communities
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
8.1. A Diverse and Inclusive Canada	**3**	**126**	**145**	**92**	**61**	**31**	***458***
A Federal LGBTQ2 Action Plan	0	18	26	30	14	12	*100*
Fighting Systemic Racism, Discrimination, and Hate – Launching the New Anti-Racism Strategy and National Action Plan on Combatting Hate	0	4	27	27	27	0	*85*
Fighting Systemic Racism, Discrimination, and Hate – Special Envoy on Preserving Holocaust Remembrance and Combatting Antisemitism and Special Representative on Combatting Islamophobia	0	2	2	2	2	2	*11*
Fighting Systemic Racism, Discrimination, and Hate – Montreal Holocaust Museum	0	20	0	0	0	0	*20*
Supporting Black Canadian Communities	0	25	25	0	0	0	*50*
Federal Funding for the Jean Augustine Chair in Education, Community and Diaspora	0	2	0	0	0	0	*2*
Supporting the Muslims in Canada Archive	0	4	0	0	0	0	*4*
Ensuring Fair Compensation for News Media in the Digital News Ecosystem	0	4	4	4	4	4	*20*
Less: Projected Revenues	*0*	*0*	*0*	*-4*	*-4*	*-4*	*-11*
Supporting Local and Diverse Journalism	0	15	27	13	0	0	*55*
Creating a Safer Sport System	0	6	6	4	0	0	*16*
Supporting Special Olympics Canada	0	2	2	2	2	2	*9*

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Supporting our Seniors	0	10	10	0	0	0	*20*
Doubling the Home Accessibility Tax Credit	3	15	15	15	15	15	*78*
8.2. Keeping Canadians Safe	**0**	**44**	**255**	**235**	**220**	**204**	***958***
Working with Provinces and Territories to Advance the National Action Plan to End Gender-Based Violence	0	2	78	153	153	153	*539*
Preparing for Emergencies	0	4	5	5	5	5	*25*
Supporting Recovery and Completing the Rail Bypass in Lac-Mégantic	0	21	96	61	44	28	*250*
Increasing the Capacity of Superior Courts	0	17	16	17	17	17	*84*
Enhancing Legal Aid for Those Who Need It Most	0	0	60	0	0	0	*60*
8.3. Supporting Artists and Charities in Our Communities	**0**	**64**	**25**	**40**	**50**	**70**	***250***
Supporting Canada's Performing Arts and Heritage Sectors	0	54	8	0	0	0	*62*
Supporting a More Inclusive Arts Training Sector	0	3	4	5	5	5	*22*
Stronger Partnerships in the Charitable Sector	0	7	13	35	45	65	*165*
Additional Investments – Safe and Inclusive Communities	**0**	**8**	**8**	**12**	**12**	**12**	***54***
Funding for Access to Reading and Published Works for Canadians with Print Disabilities	0	2	3	7	7	7	*25*

Funding proposed for Employment and Social Development Canada to support the production and distribution of alternative format materials by the Centre for Equitable Library Access and the National Network for Equitable Library Service; conduct research to better understand gaps in availability of accessible reading materials; and launch a new Equitable Access to Reading Program to boost the production of accessible format reading materials through innovative partnerships. This will promote the economic and social inclusion of persons with print disabilities and help to create a barrier-free Canada.

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
Enhancing the Biology Casework Analysis Contribution Program	0	6	5	6	6	6	*29*
Funding proposed for Public Safety Canada to enhance the Biology Casework Analysis Contribution Program, which supports the provincial forensic laboratories of Ontario and Quebec.							
Chapter 8 - Net Fiscal Impact	**3**	**243**	**434**	**380**	**343**	**318**	***1,720***

Note: Numbers may not add due to rounding.

Chapter 9
Tax Fairness and Effective Government

Chapter 9
Tax Fairness and Effective Government

An economy that works for everyone is an economy where everyone plays by the same set of rules. Since 2015, the federal government has worked to ensure that the wealthiest people and businesses pay their fair share; that sophisticated tax planning does not allow anyone to avoid paying the taxes they owe; and that tax measures disproportionately benefiting the wealthiest at the expense of everyone else are eliminated.

At the same time, Canadians expect their tax dollars to be put to good use by an efficient and responsible federal government.

Budget 2022 proposes additional measures that will make the tax system more fair, and new steps to ensure that the federal government is delivering the effective programs and services that Canadians deserve.

Key Ongoing Actions

Significant steps that the federal government has announced since 2015 to promote fairness and integrity in the tax system include:

- ✓ Raising taxes on the wealthiest one per cent of Canadians, and cutting taxes for 20 million low- and middle-income Canadians;
- ✓ New taxes on luxury goods, like yachts and private jets;
- ✓ A tax on vacant or underused housing owned by non-resident, non-Canadians;
- ✓ Reforming the tax treatment of employee stock options to ensure it does not disproportionately benefit the very wealthy;
- ✓ Limiting excessive interest deductions to ensure that large companies pay their fair share;
- ✓ Restricting the ability of large financial institutions to use complicated financial transactions to create artificial tax deductions;
- ✓ Implementing all minimum standards from the OECD's Base Erosion and Profit Shifting project to tackle international tax avoidance; and
- ✓ Ensuring that the GST/HST applies in a fair and effective manner to the growing digital economy.

The federal government has also taken steps to reinforce the Canada Revenue Agency (CRA) as it works to unravel tax avoidance schemes. Investments announced in the 2020 *Fall Economic Statement* and *Budget* 2021 have included:

- ✓ Strengthening the CRA's ability to fight tax crimes such as money laundering and terrorist financing by upgrading its tools and increasing international cooperation;
- ✓ Increasing the CRA's offshore audit capacity to focus on people who avoid taxes by hiding income and assets abroad;
- ✓ Modernizing GST/HST risk assessment systems to review high-risk refund and rebate claims prior to payment;
- ✓ Improving the CRA's ability to collect outstanding taxes; and
- ✓ Providing legal resources to support audits and to defend against appeals to the courts by wealthy taxpayers motivated to spend large amounts on litigation.

These efforts, which began in 2021-22, are expected to support the recovery of $2.3 billion in revenues, and the collection of $5 billion in taxes assessed but remaining outstanding over five years.

9.1 A Fair Tax System

Canada's public programs and services—from public health care to infrastructure to national defence—are built on a robust national tax base where those who live and do business in Canada pay their fair share.

The federal government's response to COVID-19 allowed our economy to weather the pandemic better than almost any in the world. Canada has seen the fastest jobs recovery in the G7—recouping 112 per cent of the jobs lost at the outset of the pandemic. Fiscal support was necessary, and it has paid off. However, the cost of that support was also significant.

As previously committed, the government is requiring the largest banking and life insurance groups to help pay a portion of the costs of the pandemic response they benefited from.

Budget 2022 is also taking action to close tax loopholes, to work with our international partners, and to strengthen tax enforcement that will stop wealthy Canadians and businesses from sheltering their money overseas.

Requiring Financial Institutions to Help Pay for the Recovery

The COVID-19 pandemic has been the greatest public health challenge in a generation. It has threatened the lives and livelihoods of Canadians, and it posed an existential threat to the Canadian economy.

To protect Canadians and keep our economy afloat through the darkest days of the pandemic, the federal government provided unprecedented financial support. Significant investments in our health care system and a world-leading vaccination campaign saved thousands of Canadian lives. Programs like the Canada Emergency Response Benefit (CERB), the Canada Emergency Business Account (CEBA), and the Canada Emergency Wage Subsidy (CEWS) helped millions of Canadians make ends meet, and tens of thousands of our small businesses to remain open.

While the federal government's support worked, it came at a high price—more than $350 billion in total for health and safety and direct support measures.

While many sectors continue to recover, Canada's major financial institutions made significant profits during the pandemic and have recovered faster than other parts of our economy—in part due to the federal pandemic supports for people and businesses that helped de-risk the balance sheets of some of Canada's largest financial institutions. The federal government is accordingly proposing two measures to ensure those large financial institutions help support Canada's broader recovery.

- Budget 2022 proposes to introduce a temporary Canada Recovery Dividend, under which banking and life insurers' groups (as determined under Part VI of the *Income Tax Act*) will pay a one-time 15 per cent tax on taxable income above $1 billion for the 2021 tax year. The Canada Recovery Dividend will be paid in equal installments over five years.
- Budget 2022 also proposes to permanently increase the corporate income tax rate by 1.5 percentage points on the taxable income of banking and life insurance groups (as determined under Part VI of the *Income Tax Act*) above $100 million, such that the overall federal corporate income tax rate above this income threshold will increase from 15 per cent to 16.5 per cent.

Together, these measures are expected to raise $6.1 billion over five years, with the 1.5 per cent permanent tax on banking and life insurance groups expected to raise $445 million ongoing.

Preventing the Use of Foreign Corporations to Avoid Canadian Tax

Currently, some people are manipulating the Canadian-controlled private corporation (CCPC) status of their corporations to avoid paying the additional refundable corporate income tax that they would otherwise pay on investment income earned in their corporations. This may be done in a number of ways, such as by moving a corporation into a foreign low-tax jurisdiction, by using foreign shell companies, or by moving passive portfolios to an offshore corporation.

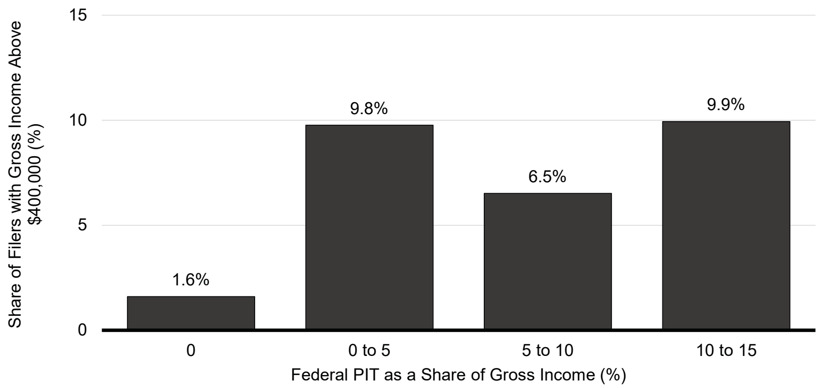
- Budget 2022 proposes targeted amendments to the *Income Tax Act* to ensure that, for taxation years that end on or after April 7, 2022, investment income earned and distributed by private corporations that are, in substance, CCPCs is subject to the same taxation as investment income earned and distributed by CCPCs.

This measure would increase federal revenues by $4.2 billion over five years starting in 2022-23.

Next Steps Towards a Minimum Tax for High Earners

The federal government has taken significant steps to increase the fairness of the tax system, including by increasing taxes on the wealthiest one per cent of Canadians. However, some high-income Canadians still pay relatively little in personal income tax (PIT) as a share of their income—28 per cent of filers with gross income above $400,000 pay an average federal PIT rate of 15 per cent or less, which is less than some middle class Canadians pay. These Canadians make significant use of deductions and tax credits, and typically find ways to have large amounts of their income taxed at lower rates.

Chart 9.1
Proportion of People With Gross Income Over $400,000 Who Are Paying Less Than 15 Per Cent in Federal Tax, 2019



Source: Department of Finance Canada calculations using 2019 T1 Universe File. Chart excludes 72 per cent of filers with gross income above $400,000 whose effective federal PIT rates are above 15 per cent. Gross income includes 100% of realized capital gains and uses the cash value of dividend income. The 99.5th percentile of gross income in 2019 was approximately $400,000.

The Alternative Minimum Tax (AMT), which has been in place since 1986, plays a role in ensuring that the wealthiest Canadians do not take advantage of the tax system to lower their federal tax bill.

However, the AMT has not been substantially updated since its introduction, and there are still thousands of wealthy Canadians who pay little to no personal income tax each year. That is unfair, and the federal government is committed to changing it.

- Budget 2022 announces the government's commitment to examine a new minimum tax regime, which will go further towards ensuring that all wealthy Canadians pay their fair share of tax. The government will release details on a proposed approach in the 2022 fall economic and fiscal update.

Limiting Aggressive Tax Avoidance by Financial Institutions

The government expects federally regulated financial institutions to demonstrate an exemplary level of corporate behaviour.

- Budget 2022 proposes to examine potential changes to the financial transaction approval process to limit the ability of federally regulated financial institutions to use corporate structures in tax havens to engage in aggressive tax avoidance.

Closing the Double-Deduction Loophole

Some Canadian financial institutions have been using hedging and short selling arrangements in aggressive tax planning strategies. Put simply, two different parts of an institution take different positions in relation to a Canadian dividend-paying stock—one short, or betting against the stock; one long, or betting on the stock—to take advantage of special treatment that those Canadian stocks receive.

- Budget 2022 proposes to amend the *Income Tax Act* to deny the deduction for a dividend received where the taxpayer has entered into such transactions.

This measure would increase federal revenues by $635 million over five years starting in 2022-23, and by $150 million ongoing.

Expanding Anti-Avoidance Tax Rules

Interest coupon stripping is a way that some taxpayers avoid paying tax on cross-border interest payments. Due to differences between Canada's various tax treaties, the interest received from Canadian residents is often subject to different tax rates depending on where the recipient resides. Interest coupon stripping arrangements exploit these differences and allow some to pay less in taxes.

- To improve the fairness of Canada's international tax system, Budget 2022 proposes to create a specific anti-avoidance rule in the *Income Tax Act* to ensure that the appropriate amount of tax is paid when an interest coupon stripping arrangement is used.

This measure will increase federal revenues by $640 million over the next six years, and by $150 million ongoing.

Strengthening the General Anti-Avoidance Rule

The general anti-avoidance rule (GAAR) is intended to prevent abusive tax avoidance transactions, while not interfering with legitimate commercial and family transactions. If abusive tax avoidance is established, the GAAR applies to deny the tax benefit that was unfairly created.

- Budget 2022 proposes to amend the *Income Tax Act* to provide that the GAAR can apply to transactions that affect tax attributes that have not yet been used to reduce taxes.
- The government intends to release in the near future a broader consultation paper on modernizing the GAAR, with a consultation period running through the summer of 2022, and with legislative proposals to be tabled by the end of 2022.

International Tax Reform

Canada strongly supports international efforts to end the corporate tax race to the bottom, ensure that all corporations pay their fair share, and level the playing field for Canadians and Canadian businesses.

Canada is one of 137 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting that joined a two-pillar plan for international tax reform agreed to in October 2021.

Pillar One (Reallocation of Taxing Rights)

Pillar One of the plan will ensure that the largest and most profitable global corporations, including large digital corporations, pay their fair share of tax in the jurisdictions where their users and customers are located.

This is a long-overdue updating of international tax rules to reflect the way business works in today's digitalized and globalized economy. The federal government is actively working with its international partners to develop the multilateral convention and model rules required to establish the new Pillar One tax framework and bring the new rules into effect.

The government is encouraged by the progress being made and will continue to press forward and be prepared to introduce implementing legislation after the terms are multilaterally agreed. To ensure that Canadians' interests are protected in any circumstance, the government is prepared to advance legislation for a Digital Services Tax to ensure that corporations in all sectors, including digital corporations, pay their fair share of tax on that money they earn by doing business in Canada. It is Canada's sincere hope that the timely implementation of the new international system will make this unnecessary.

Pillar Two (Global Minimum Tax)

Pillar Two would ensure that large multinational enterprises are subject to a minimum effective tax rate of 15 per cent on their profits in every jurisdiction in which they operate. This will help end the race to the bottom in corporate taxation.

The Pillar Two framework is now largely finalized and countries are taking steps towards their own domestic implementation. The members of the European Union are discussing a draft directive that would require member states to implement Pillar Two in their own countries in 2023. The U.K. has similarly announced its intention to implement Pillar Two in 2023. Recent U.S. legislative proposals would more closely align its minimum tax with Pillar Two, ensuring a more level playing field.

- In light of these developments, Budget 2022 proposes to implement Pillar Two in Canada, along with a domestic minimum top-up tax. The primary charging rule and domestic minimum top-up tax would be effective in 2023, with the secondary charging rule effective not before 2024.
- Budget 2022 is also launching a public consultation on the implementation of Pillar Two and the domestic minimum top-up tax in Canada. Details can be found in Supplementary Information: Tax Measures.

International Accounting Standards for Insurance Contracts

On January 1, 2023, IFRS 17—a new international accounting standard for insurance contracts—will substantially change the financial reporting for Canadian insurers. Changes to the *Income Tax Act* are required to address the impact of the new international accounting standard, and are consistent with the proposals for implementation that were consulted on last year. These changes will ensure income is recognized when key economic activities occur, as under the current rules generally.

- Budget 2022 proposes legislative amendments to confirm support of the use of IFRS 17 accounting standards for income tax purposes, with the exception of a new reserve known as the contract service margin, subject to some modifications. Without this exception, profits embedded in the new reserve would be deferred for income tax purposes.

It is estimated that this measure will increase federal revenues by $2.35 billion over the next five years. Relieving transitional rules and consequential changes to protect the minimum tax base are also proposed.

Reinforcing the Canada Revenue Agency

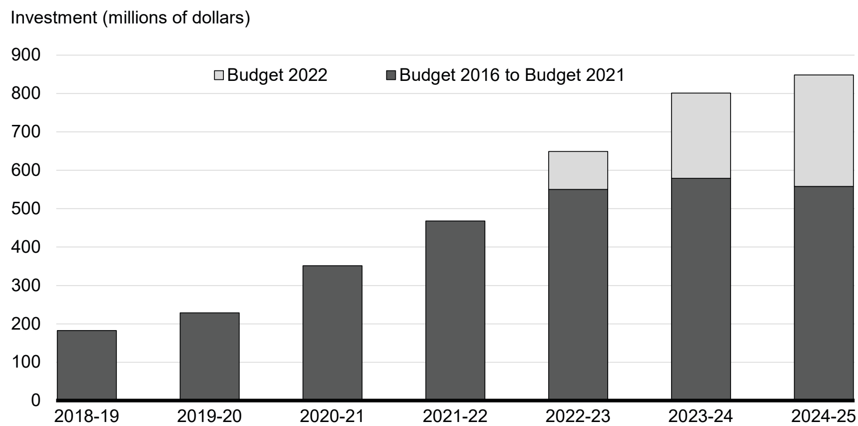
Canadians understand the importance of everyone paying their fair share. The federal government has invested in strengthening the ability of the Canada Revenue Agency (CRA) to target a full spectrum of compliance work, including initial verification, uncovering aggressive planning schemes, and prosecuting criminal tax evasion.

- Building on recent investments, Budget 2022 proposes to provide $1.2 billion over five years, starting in 2022-23, for the CRA to expand audits of larger entities and non-residents engaged in aggressive tax planning; increase both the investigation and prosecution of those engaged in criminal tax evasion; and to expand its educational outreach.

These measures are expected to recover $3.4 billion in revenues over five years, with additional benefits to be realized by provinces and territories whose tax revenues will also increase as a result of these initiatives.

This investment builds on the previous $2.2 billion in resources provided to the CRA since Budget 2016 which has yielded a return of five dollars to each dollar invested until 2020-21.

Chart 9.2
Additional Investments in CRA Compliance Activities by Budget and Fiscal Year



Source: Department of Finance Canada.

Eliminating Excise Duty on Low-Alcohol Beer

Currently, low-alcohol beer—beer with no more than 0.5 per cent alcohol by volume—is subject to excise duty, while low-alcohol wine and spirits are not.

- Budget 2022 proposes to eliminate excise duty on low-alcohol beer, effective as of July 1, 2022. This will bring the tax treatment of low-alcohol beer into line with the treatment of wine and spirits with the same alcohol content, and make Canada’s practices consistent with those in other G7 countries.

Bill C-208 Follow-up

The *Income Tax Act* contains a rule to prevent people from converting dividends into lower-taxed capital gains using certain self-dealing transactions—a practice referred to as “surplus stripping.” Private Member’s Bill C-208, which received Royal Assent on June 29, 2021, introduced an exception to this rule in order to facilitate intergenerational business transfers. However, the exception may unintentionally permit surplus stripping without requiring that a genuine intergenerational business transfer takes place.

- Budget 2022 announces a consultation process for stakeholders to share their views as to how the existing rules could be strengthened to protect the integrity of the tax system while continuing to facilitate genuine intergenerational business transfers. The government is committed to bringing forward legislation, as necessary to address this specific issue, which could be included in a bill to be tabled in the fall after conclusion of the consultation process.

9.2 Effective Government

Like most organizations across Canada and around the world, the COVID-19 pandemic has forced the federal government to adapt and change the way it works.

Budget 2022 proposes actions that will improve how the government operates and ensure that it continues to effectively and to efficiently serve Canadians.

Reducing Planned Spending in the Context of a Stronger Recovery

Supporting Canadians and businesses through the COVID-19 pandemic required extraordinary, time-limited government supports and programs. The government remains committed to unwinding COVID-related special measures and normalizing the overall level of program spending. In this context, the government will launch a process to re-examine previously announced spending plans to ensure government programs are fit to changing circumstances, including a stronger than anticipated economic recovery.

- In this context, Budget 2022 announces the government's intention to review previously announced spending plans with a view to reducing the pace and scale of spending that has yet to occur by up to $3 billion over the next four years.

An update on the progress of this initiative will be outlined in the 2022 fall economic and fiscal update.

Strategic Policy Review

The government remains focused on managing public finances in a prudent and responsible manner. This requires ongoing review to ensure Canadians' tax dollars are being used effectively and to ensure that government programs are delivering the intended results.

- To support these efforts, Budget 2022 announces the launch of a comprehensive Strategic Policy Review. Led by the President of the Treasury Board, the review will include two streams:
  - Stream 1 will assess program effectiveness in meeting the government's key priorities of strengthening economic growth, inclusiveness, and fighting climate change.
  - Stream 2 will identify opportunities to save and reallocate resources to adapt government programs and operations to a new post-pandemic reality. Further areas of focus could include real property, travel, and increased digital service delivery, based in part on key lessons taken from how the government adapted during the pandemic, such as through increased virtual or remote work arrangements.

These efforts would target savings of $6 billion over five years, and $3 billion annually by 2026-27. Budget 2023 will provide an update on the review's progress.

Council of Economic Advisors

Strengthening Canada's prospects for long-term economic growth is essential for achieving continued improvements to living standards and the quality of life of all Canadians. To reinforce the government's access to expert advice and provide policy options for harnessing new opportunities and navigating increasingly complex economic challenges, the government intends to establish a permanent Council of Economic Advisors.

The government will announce further details on the makeup of the Council in the coming months.

Addressing the Digitalization of Money

A safe and secure financial system is a cornerstone of our economy. However, the digitalization of money, assets, and financial services—which is transforming financial systems and challenging democratic institutions around the world—creates a number of challenges that need to be addressed.

In the last several months, for example, there have been a number of high-profile examples—both around the world and here in Canada—where digital assets and cryptocurrencies have been used to avoid global sanctions and fund illegal activities.

Budget 2022 includes measures that will help maintain the integrity of the financial system, promote fair competition, and protect both the finances of Canadians and our national security.

- Budget 2022 announces the government's intention to launch a financial sector legislative review focused on the digitalization of money and maintaining financial sector stability and security. The first phase of the review will be directed at digital currencies, including cryptocurrencies and stablecoins.
- Budget 2022 also proposes $17.7 million over five years, starting in 2022-23, to the Department of Finance to lead the review.

The review will examine, among other factors: how to adapt the financial sector regulatory framework and toolbox to manage new digitalization risks; how to maintain the security and stability of the financial system in light of these evolving business models and technological capabilities; and the potential need for a central bank digital currency in Canada.

Separately, the government is investing in the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and will develop legislative proposals to strengthen the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *Criminal Code*, and other legislation, to investigate and prosecute financial crimes, manage emerging threats, such as those posed by the digitalization of money, and ensure the government has the tools necessary to preserve financial integrity and economic security in Canada.

A Fairer Banking Complaints Handling System for Canadians

Canadians deserve a fair and impartial process to address unresolved complaints with their banks. Banks should not be able to choose the complaints handling body they participate in, and the system should not be run on a for-profit basis. To strengthen Canada's external complaints handling process and enhance consumer confidence in the system:

- Budget 2022 announces the government's intention to introduce targeted legislative measures to strengthen the external complaints handling system and to put in place a single, non-profit, external complaints body to address consumer complaints involving banks.

Embracing Digital Government

The federal government is committed to accelerating and expanding the offering of digital services to Canadians and to improving the ease-of-use, accessibility, security, consistency, and reliability of government services.

- Budget 2022 confirms the government's intent to introduce legislative amendments to the *Financial Administration Act* to enable the Canadian Digital Service to provide its digital platform services more broadly, including to other jurisdictions in Canada, and to clarify its responsibilities under the *Privacy Act* and *Access to Information Act* with respect to the services it provides.

Public Sector Pension Plan Governance

The federal government is committed to continuously improving the governance, transparency, and accountability of its pension plans.

- Budget 2022 announces the government's intent to expand the Public Sector Pension Investment Board from 11 to 13 members, with the board's new additional seats to be filled by representatives of federal public service bargaining agents. The government will consult all federal bargaining agents in determining an appropriate process for the selection of these new members.

Review of the *Public Servants Disclosure Protection Act*

The government is committed to continuing to take action to improve government worker whistleblower protections and supports:

- Budget 2022 proposes to provide $2.4 million over five years, starting in 2022-23, to Treasury Board of Canada Secretariat to launch a review of the *Public Servants Disclosure Protection Act*.

Chapter 9

Tax Fairness and Effective Government
millions of dollars

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	*Total*
9.1. A Fair Tax System	**0**	**-1,931**	**-3,220**	**-3,537**	**-3,643**	**-3,780**	***-16,111***
Requiring Financial Institutions to Help Pay for the Recovery – Canada Recovery Dividend	0	-810	-810	-810	-810	-810	*-4,050*
Requiring Financial Institutions to Help Pay for the Recovery – Additional Tax on Banks and Life Insurers	0	-290	-460	-430	-430	-445	*-2,055*
Preventing the Use of Foreign Corporations to Avoid Canadian Tax	0	-735	-965	-885	-825	-825	*-4,235*
Closing the Double-Deduction Loophole	0	-65	-135	-140	-145	-150	*-635*
Expanding Anti-Avoidance Tax Rules	0	-80	-125	-140	-145	-150	*-640*
International Accounting Standards for Insurance Contracts	0	0	-575	-630	-565	-580	*-2,350*
Reinforcing the Canada Revenue Agency	0	99	222	291	304	320	*1,235*
Less: Projected Revenues	*0*	*-51*	*-374*	*-794*	*-1,029*	*-1,142*	*-3,390*
Eliminating Excise Duty on Low-Alcohol Beer	0	1	2	2	2	2	*9*
9.2. Effective Government	**0**	**4**	**-746**	**-1,746**	**-2,746**	**-3,746**	***-8,980***
Reducing Planned Spending in the Context of a Stronger Recovery	0	0	-750	-750	-750	-750	*-3,000*
Strategic Policy Review	0	0	0	-1,000	-2,000	-3,000	*-6,000*
Addressing the Digitalization of Money	0	3	4	4	3	3	*18*
Review of the *Public Servants Disclosure Protection Act*	0	1	1	1	0	0	*2*
Additional Actions – Tax Fairness and Effective Government	**0**	**-15**	**-65**	**-65**	**-89**	**-101**	***-335***
Funding Related to the Implementation of the Western Arctic Offshore Oil and Gas Accord	0	26	1	1	0	0	*28*

Proposed one-time payment of $25.8 million to the Government of Yukon and Government of the Northwest Territories to fulfill Canada's commitment under the 1993 Accord, and $2.5 million to support the Inuvialuit Regional Corporation's participation in the implementation of the new Western Arctic Offshore Oil and Gas Accord.

	2021–2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	***Total***
Employment and Social Development Canada Rent Price Adjustment	0	3	3	3	3	3	*17*
Less: Funds From CPP Account	*0*	*-1*	*-1*	*-1*	*-1*	*-1*	*-4*
Funding proposed for Employment and Social Development Canada to cover rent increases related to its national network of service centres and offices.							
Reporting Requirements for RRSPs and RRIFs	0	0	0	0	-20	-30	*-50*
Administrative Costs	0	1	2	2	3	5	*13*
The Canada Revenue Agency's enhanced risk-assessment activities related to RRSPs and RRIFs are expected to generate additional audit revenues.							
WTO Settlement on the 100-per-cent Canadian Wine Exemption	0	-55	-80	-80	-85	-90	*-390*
Repeal of the 100-per-cent Canadian wine excise duty exemption effective as of June 30, 2022.							
GST/HST Health Care Rebate	0	3	3	3	3	4	*16*
This measure proposes to amend the GST/HST eligibility rules for the expanded hospital rebate so that to be eligible for the expanded hospital rebate, a charity or non-profit organization must deliver the health care service with the active involvement of, or on the recommendation of, either a physician or a nurse practitioner, irrespective of their geographical location. This measure would generally apply to rebate claim periods ending after Budget Day in respect of tax paid or payable after that date.							
Enhancing Privy Council Office Capacity	0	7	7	7	7	7	*35*
Funding to support the Privy Council Office, including to enhance analysis of key government priorities, and to support government transparency through the timely production of documents for Access to Information requests.							
Supporting the Modern Senate	0	0	1	1	1	1	*3*
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*0*	*-1*	*-1*	*-1*	*-1*	*-3*
Budget 2022 proposes to amend the *Parliament of Canada Act* and other Acts to support a more independent, non-partisan, transparent, and accountable Senate. Since the federal government established the Independent Advisory Board for Senate Appointments in 2016, 60 senators have been appointed to the Senate and three new non-partisan groups have formed. The proposed amendments would provide allowances for senators occupying leadership positions in parties or groups beyond only the Government and Opposition and authorize participation in certain senate committees.							
Chapter 9 - Net Fiscal Impact	**0**	**-1,942**	**-4,031**	**-5,347**	**-6,479**	**-7,627**	***-25,426***

Note: Numbers may not add due to rounding.

Annex 1
Details of Economic and Fiscal Projections

1.1 Economic Projections

The average of private sector forecasts has been used as the basis for economic and fiscal planning since 1994. This helps ensure objectivity and transparency, and introduces an element of independence into the government's economic and fiscal forecast. The economic forecast presented in this section is based on a survey conducted in early February 2022. The survey average has been adjusted to incorporate the actual results of the National Accounts for the fourth quarter of 2021 and the historical revisions released on March 1, 2022.

The February survey includes the views of 13 private sector economists:

- BMO Capital Markets,
- Caisse de dépôt et placement du Québec,
- CIBC World Markets,
- The Conference Board of Canada,
- Desjardins,
- IHS Markit,
- Industrial Alliance Insurance and Financial Services Inc.,
- Laurentian Bank Securities,
- National Bank Financial Markets,
- Royal Bank of Canada,
- Scotiabank,
- TD Bank Financial Group, and
- The University of Toronto (Policy and Economic Analysis Program).

The macroeconomic inputs of the February 2022 survey continue to provide a reasonable basis for fiscal planning. However, the outlook is clouded by a number of key uncertainties, including the impact of Russia's invasion of Ukraine. Throughout March, the Department closely tracked evolving external views and forecasts. This information was used to inform two alternative economic scenarios that illustrate the effects of unusually high uncertainty around the Russian invasion of Ukraine and its spillovers (Annex 1 for details).

Following a strong rebound of 4.6 per cent in 2021, private sector economists expected real gross domestic product (GDP) growth at a still solid 3.9 per cent for 2022. Growth for 2022 has been revised down from 4.2 per cent expected in the 2021 *Economic and Fiscal Update* (EFU 2021), reflecting slower expected growth in the first quarter of this year resulting from renewed restrictions in most provinces due to the fast spread of the Omicron variant. The outlook for real GDP growth has been revised up for 2023, from 2.8 per cent in EFU 2021 to 3.1 per cent. Overall, the revisions leave the level of real GDP roughly unchanged relative to EFU 2021 by 2023. Real GDP growth is then expected to moderate to near 2 per cent on average per year over the remaining years of the forecast horizon, reflecting a return to trend long-run growth rates.

This forecast for real GDP is generally in line with recent estimates from the International Monetary Fund, which in January 2022, projected Canada as having the second fastest growth this year and the fastest growth next year, of all G7 countries. Indeed, private sector economists foresee Canada experiencing faster GDP growth than the United States in both 2022 and 2023.

The outlook for the unemployment rate has substantially improved relative to EFU 2021 and was expected to average 5.8 per cent in 2022 and to decline further to 5.5 per cent in 2023, remaining at that historically low level over the remaining years of the forecast horizon.

Private sector economists expected the recent price pressures to continue for some time. Consistent with global trends, the outlook for Consumer Price Index (CPI) inflation has been revised significantly, up to 3.9 per cent in 2022 compared to 3.1 per cent in EFU 2021. CPI inflation was then expected to gradually normalize to around 2 per cent over the remainder of the forecast horizon, which is consistent with the average rate of inflation in Canada over the last 30 years.

Reflecting recent strength in commodity prices, the outlook for West Texas Intermediate crude oil prices has been revised up to US$80 per barrel for 2022 and to US$74 per barrel for 2023, about US$6 to US$7 per barrel higher on average than in EFU 2021. Going forward, crude oil prices were expected to remain higher than in EFU 2021 by about US$3 per barrel on average per year.

While private sector economists forecast the average for 2022 as lower than prices exhibited in the last several weeks, current price levels are operating in an environment of both high volatility and uncertainty. The alternative economic scenarios developed by the Department provide a useful illustration of how a sustained increase in commodity prices could affect the overall economic and fiscal outlook.

As a result of this strength in both domestic inflation and crude oil prices, the outlook for GDP inflation (the broadest measure of economy-wide price inflation) has been revised up significantly to 3.7 per cent in 2022 compared to 2.4 per cent in EFU 2021. Going forward, the GDP inflation outlook was expected to be broadly in line with the EFU 2021 outlook.

As a result of these developments, the level of nominal GDP (the broadest measure of the tax base) was expected to be higher than projected in EFU 2021 by about $41 billion per year over the 2021-26 period.

The outlook for short- and long-term interest rates has been revised up in the February 2022 survey by about 30 and 10 basis points, respectively, over the 2021-26 period compared to EFU 2021.

Table A1.1

Average Private Sector Forecasts

Per cent, unless otherwise indicated

	2021	2022	2023	2024	2025	2026	2021-2026
Real GDP growth[1]							
2021 *Economic and Fiscal Update*	4.5	4.2	2.8	2.0	1.8	1.8	2.8
Budget 2022	4.6	3.9	3.1	2.0	1.9	1.8	2.9
GDP inflation[1]							
2021 *Economic and Fiscal Update*	8.0	2.4	1.5	1.9	1.9	1.9	2.9
Budget 2022	8.2	3.7	1.7	1.8	1.9	1.9	3.2
Nominal GDP growth[1]							
2021 *Economic and Fiscal Update*	12.8	6.7	4.3	3.9	3.7	3.8	5.9
Budget 2022	13.1	7.7	4.8	3.9	3.8	3.7	6.2
Nominal GDP level (billions of dollars)[1]							
2021 *Economic and Fiscal Update*	2,488	2,656	2,771	2,879	2,987	3,100	
Budget 2022	2,496	2,689	2,819	2,929	3,040	3,153	
Difference between EFU 2021 and Budget 2022	8	33	48	50	53	53	41
3-month treasury bill rate							
2021 *Economic and Fiscal Update*	0.1	0.5	1.2	1.6	1.9	2.0	1.2
Budget 2022	0.1	0.8	1.7	2.0	2.1	2.1	1.5
10-year government bond rate							
2021 *Economic and Fiscal Update*	1.4	1.9	2.3	2.5	2.7	2.9	2.3
Budget 2022	1.4	2.0	2.4	2.6	2.8	3.0	2.4
Exchange rate (US cents/C$)							
2021 *Economic and Fiscal Update*	80.0	80.6	80.7	80.4	80.4	80.6	80.5
Budget 2022	79.8	79.9	80.2	80.5	80.4	80.1	80.2
Unemployment rate							
2021 *Economic and Fiscal Update*	7.6	6.1	5.7	5.7	5.6	5.7	6.1
Budget 2022	7.4	5.8	5.5	5.5	5.5	5.5	5.8
Consumer Price Index inflation							
2021 *Economic and Fiscal Update*	3.3	3.1	2.3	2.1	2.1	2.0	2.5
Budget 2022	3.3	3.9	2.4	2.2	2.1	2.0	2.6
U.S. real GDP growth							
2021 *Economic and Fiscal Update*	5.6	3.9	2.6	1.9	1.8	1.8	2.9
Budget 2022	5.7	3.8	2.6	2.0	1.8	1.9	3.0
West Texas Intermediate crude oil price ($US per barrel)							
2021 *Economic and Fiscal Update*	68	73	68	66	65	63	67
Budget 2022	68	80	74	70	68	66	71

Note: Forecast averages may not equal average of years due to rounding. Numbers may not add due to rounding.

[1] Figures have been restated to reflect the historical revisions in the Canadian System of National Accounts.

Sources: Statistics Canada; for the 2021 *Economic and Fiscal Update*, Department of Finance Canada November 2021 survey of private sector economists, which has been adjusted to incorporate the actual results of the National Accounts for the third quarter of 2021 released on November 30, 2021; for Budget 2022, Department of Finance Canada February 2022 survey of private sector economists, which has been adjusted to incorporate the actual results of the National Accounts for the fourth quarter of 2021 released on March 1, 2022.

1.2 Fiscal Projections

The fiscal outlook presented in this budget is based on the economic projections presented above. The tables that follow present changes to the fiscal outlook since EFU 2021, including the impact of government policy actions taken since EFU 2021 and measures in this budget, year-to-date financial results, and the improved economic outlook.

Changes to the Fiscal Outlook Since EFU 2021

Table A1.2
Economic and Fiscal Developments and Policy Actions and Measures
billions of dollars

	Projection					
	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Budgetary balance – EFU 2021	**-144.5**	**-58.4**	**-43.9**	**-29.1**	**-22.7**	**-13.1**
Economic and fiscal developments since EFU 2021	36.1	14.3	11.7	7.5	8.5	7.4
Budgetary balance before policy actions and measures	**-108.5**	**-44.1**	**-32.3**	**-21.6**	**-14.2**	**-5.8**
Policy actions since EFU 2021	-3.1	-1.3	-0.6	0.6	0.4	0.3
Budget 2022 measures (by chapter)						
1. Making Housing More Affordable	*-0.7*	-2.0	-2.2	-2.1	-2.2	-1.0
2. A Strong, Growing, and Resilient Economy	0.0	-0.3	-1.4	-1.2	-1.3	-1.3
reprofiling infrastructure investments	0.1	0.2	0.8	1.2	2.0	2.1
3. Clean Air and a Strong Economy	0.0	-1.3	-2.2	-3.0	-2.9	-3.0
4. Creating Good Middle Class Jobs	0.0	-0.8	-1.3	-1.4	-1.2	-1.2
5. Canada's Leadership in the World	0.0	-1.7	-1.5	-1.9	-2.0	-2.3
6. Strong Public Health Care	-1.3	-0.7	-0.8	-1.3	-1.4	-1.6
7. Moving Forward on Reconciliation	-0.2	-2.5	-2.0	-1.9	-1.9	-2.0
8. Safe and Inclusive Communities	0.0	-0.2	-0.4	-0.4	-0.3	-0.3
9.1 Tax Fairness	0.0	2.0	3.3	3.6	3.7	3.9
9.2 Effective Government	0.0	0.0	0.7	1.7	2.7	3.7
Total – Budget 2022 measures	**-2.2**	**-7.4**	**-7.1**	**-6.7**	**-4.8**	**-3.0**
Budgetary balance	**-113.8**	**-52.8**	**-39.9**	**-27.8**	**-18.6**	**-8.4**
Budgetary balance (% of GDP)	-4.6	-2.0	-1.4	-0.9	-0.6	-0.3
Federal debt (% of GDP)	46.5	45.1	44.5	43.8	42.8	41.5

Economic and Fiscal Developments Since EFU 2021

Table A1.3
Economic and Fiscal Developments Since EFU 2021
billions of dollars

	Projection					
	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Economic and fiscal developments by component[1]						
Change in budgetary revenues						
(1.1) Income taxes	19.1	12.0	8.9	6.9	7.9	8.1
(1.2) Excise taxes/duties	1.6	1.9	2.0	2.0	2.2	2.7
(1.3) Proceeds from the pollution pricing framework	0.1	0.2	0.1	0.0	0.0	0.0
(1.4) Other revenues[2]	3.1	1.3	1.9	3.2	3.3	1.9
(1) Total budgetary revenues	**24.0**	**15.4**	**12.9**	**12.2**	**13.4**	**12.7**
Change in program expenses						
(2.1) Major transfers to persons	3.9	1.2	-0.9	-1.4	-1.6	-1.7
(2.2) Major transfers to other levels of government	0.4	-0.4	-0.5	-1.0	-1.2	-1.2
(2.3) Proceeds from the pollution pricing framework returned	0.0	-0.3	-0.1	0.0	-0.1	0.0
(2.4) Direct program expenses	8.2	0.4	2.2	-0.7	-0.5	-0.3
(2) Total program expenses, excluding net actuarial losses	**12.5**	**0.9**	**0.6**	**-3.2**	**-3.3**	**-3.2**
(3) Net actuarial losses (gains)	0.0	-1.1	-0.2	0.0	-0.3	-0.2
(4) Public debt charges	-0.4	-1.0	-1.6	-1.5	-1.2	-1.9
(5) Total economic and fiscal developments	**36.1**	**14.3**	**11.7**	**7.5**	**8.5**	**7.4**

[1] A negative number implies a deterioration in the budgetary balance (lower revenues or higher spending). A positive number implies an improvement in the budgetary balance (higher revenues or lower spending).

[2] Includes Employment Insurance premiums, Digital Services Tax and Underused Housing Tax in this table only for presentation purposes.

The outlook for budgetary revenues has improved relative to EFU 2021 reflecting significant upward revisions to economic projections, as well as stronger-than-anticipated year-to-date monthly fiscal results.

- Driven by an improvement in the outlook for corporate profitability and the labour market, income tax revenues are projected to be higher by roughly $10.5 billion per year on average over the forecast horizon.
- The outlook for excise taxes and import duty revenues has been revised up due to strong monthly results and a better outlook for taxable consumption.

- Proceeds from the federal pollution pricing framework that arise from the provinces and territories that are a part of the federal backstop are projected to be higher, largely due to a slight improvement in projections of economic growth. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.
- Projected other revenues, such as those resulting from sales of goods and services, investments and loans, interest and penalties, and Crown corporations' net profits, have been revised upwards over the forecast horizon. In 2021-22, the improvement largely reflects higher enterprise Crown corporation profits as a result of the improved economic outlook and lower anticipated provisions for losses relative to what was previously assumed in their corporate plans. Over the remainder of the forecast horizon, higher projected interest rates also lift enterprise Crown revenues, as well as interest and penalty revenues.

Program expenses, particularly major transfers to persons and direct program expenses, are projected to be significantly lower in 2021-22 relative to EFU 2021, largely reflecting improved economic projections, as well as lower anticipated departmental spending, in part from reduced COVID-related program expenses.

- Over the remainder of the forecast horizon, the outlook for major transfers to persons has been revised upwards to reflect the impact of higher expected CPI inflation, to which the Canada Child Benefit and elderly benefit rates are indexed.
- Relative to EFU 2021, major transfers to other levels of government are projected to be lower in 2021-22, primarily because Fiscal Stabilization claims from provinces related to 2020-21 are now expected to be received in 2022-23. In the outer years of the forecast, expenses have been revised upwards as a result of the stronger economic outlook, as the Canada Health Transfer and Equalization payments are indexed to growth in nominal GDP.
- Direct program expenses have been adjusted downward in 2021-22 through 2023-24, relative to the EFU 2021 forecast, due primarily to re-estimation of pandemic-related public health supports and slower departmental spending. This effect is partially offset by an increase in the forecast of wage and rent subsidy programs in 2021-22 resulting from worse economic conditions in hard-hit industries (e.g. lower sales in service and retail industries) relative to previous expectations. In all other years of the projection period, direct program expenses are modestly higher relative to EFU 2021, reflecting revised departmental spending plans.

Net actuarial losses, which represent changes in the measurement of the government's obligations for pensions and other employee future benefits accrued in previous fiscal years, are expected to be slightly higher across the horizon relative to EFU 2021, reflecting updated demographic and economic assumptions used in estimating these amounts.

Relative to EFU 2021, public debt charges have increased in 2021-22 due to the impacts of higher inflation on Real Return Bonds. Over the remainder of the forecast, public debt charges are higher due to the increased outlook for short- and long-term interest rates as forecast by private sector economists. That being said, as outlined further in the Overview, public debt charges as a share of GDP remain below the average of the last two decades over the forecast period, despite the large extraordinary borrowing necessitated by COVID-19.

Summary Statement of Transactions

Table A1.4
Summary Statement of Transactions
billions of dollars

		Projection					
	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Budgetary revenues	**316.4**	**394.4**	**408.4**	**429.5**	**450.8**	**475.1**	**496.0**
Program expenses, excluding net actuarial losses	608.5	473.0	425.4	430.4	439.2	453.1	463.3
Public debt charges	20.4	24.9	26.9	32.9	37.0	39.8	42.9
Total expenses, excluding net actuarial losses	**628.9**	**497.9**	**452.3**	**463.3**	**476.2**	**492.9**	**506.1**
Budgetary balance before net actuarial losses	**-312.4**	**-103.5**	**-43.9**	**-33.8**	**-25.5**	**-17.8**	**-10.2**
Net actuarial losses	-15.3	-10.3	-8.9	-6.1	-2.4	-0.8	1.8
Budgetary balance	**-327.7**	**-113.8**	**-52.8**	**-39.9**	**-27.8**	**-18.6**	**-8.4**
Financial Position							
Total liabilities	1,652.2	1,803.8	1,819.5	1,854.8	1,907.6	1,949.2	1,976.1
Financial assets[1]	502.4	541.3	504.3	496.5	518.0	537.4	553.0
Net debt	1,149.8	1,262.5	1,315.1	1,358.2	1,389.6	1,411.8	1,423.1
Non-financial assets	101.1	101.7	101.5	104.7	108.2	111.8	114.7
Federal debt	**1,048.7**	**1,160.8**	**1,213.7**	**1,253.6**	**1,281.4**	**1,300.0**	**1,308.4**
Per cent of GDP							
Budgetary revenues	14.3	15.8	15.2	15.2	15.4	15.6	15.7
Program expenses, excluding net actuarial losses	27.6	18.9	15.8	15.3	15.0	14.9	14.7
Public debt charges	0.9	1.0	1.0	1.2	1.3	1.3	1.4
Budgetary balance	-14.9	-4.6	-2.0	-1.4	-0.9	-0.6	-0.3
Federal debt	47.5	46.5	45.1	44.5	43.8	42.8	41.5

Note: Totals may not add due to rounding

[1]The projected level of financial assets for 2021-22 includes an estimate of other comprehensive income.

Outlook for Budgetary Revenues

Table A1.5
The Revenue Outlook
billions of dollars

		Projection					
	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Income tax revenues							
Personal income tax	174.8	189.4	197.3	205.7	214.7	225.5	236.1
Corporate income tax	54.1	72.8	68.4	69.9	72.5	76.8	79.5
Non-resident income tax	8.1	10.3	10.9	11.5	12.0	12.4	13.0
Total	237.0	272.5	276.6	287.1	299.2	314.7	328.6
Excise tax and duty revenues							
Goods and Services Tax	32.4	44.0	47.8	49.5	51.2	52.8	54.7
Customs import duties	4.3	5.1	5.5	5.9	6.2	6.5	6.9
Other excise taxes/duties	10.3	11.1	12.0	12.5	12.6	12.7	12.8
Total	47.0	60.2	65.3	67.9	69.9	72.0	74.4
Other taxes	0.0	0.0	0.2	0.9	0.9	1.0	1.0
Total tax revenues	283.9	332.7	342.1	355.9	370.0	387.8	404.1
Proceeds from the pollution pricing framework	4.4	6.7	8.2	10.2	12.3	14.2	16.2
Employment Insurance premium revenues	22.4	23.8	25.8	28.0	30.4	32.2	33.3
Other revenues							
Enterprise Crown corporations	-10.5	12.3	10.1	9.5	9.9	11.2	12.4
Other programs	14.1	17.8	20.4	23.5	25.4	26.6	26.5
Net foreign exchange	2.2	1.2	1.7	2.4	2.8	3.1	3.5
Total	5.7	31.2	32.3	35.4	38.1	40.9	42.3
Total budgetary revenues	**316.4**	**394.4**	**408.4**	**429.5**	**450.8**	**475.1**	**496.0**
Per cent of GDP							
Total tax revenues	12.9	13.3	12.7	12.6	12.6	12.8	12.8
Proceeds from the pollution pricing framework	0.2	0.3	0.3	0.4	0.4	0.5	0.5
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.1	1.1
Other revenues	0.3	1.3	1.2	1.3	1.3	1.3	1.3
Total budgetary revenues	14.3	15.8	15.2	15.2	15.4	15.6	15.7

Note: Totals may not add due to rounding.

Table A1.5 above provides an overview of projected budgetary revenues by major component.

Income Tax Revenues

Personal income tax revenues—the largest component of budgetary revenues at 55.2 per cent in 2020-21—are projected to increase to $189.4 billion in 2021-22, or 8.4 per cent, largely reflecting the robust recovery in household income (including labour income and employment). For the remainder of the forecast, personal income tax revenue growth averages 4.5 per cent, in line with projected nominal GDP growth.

Corporate income tax revenues are projected to increase by 34.6 per cent, to $72.8 billion in 2021-22, propelled by broad-based gains across industry sectors. Beyond this, corporate income tax revenues are expected to retreat by -6.1 per cent, in 2022-23, and then grow at an average rate of 3.9 per cent per year. This reflects the corporate profit outlook, which falls in 2022-23 due to a projected stabilization of commodity prices and the absence of one-time factors influencing growth in 2021-22, such as the release of pandemic-related loss provisions in the financial sector.

Overall, as a result of both higher commodity prices and a faster overall economic recovery than originally anticipated, corporate income tax revenues for 2021-22 are forecast to be 45 per cent higher than their pre-pandemic level in 2019-20.

Income taxes paid by non-residents on Canadian-sourced income, notably dividends and interest payments, are expected to grow to $10.3 billion in 2021-22, or 27 per cent, driven by robust corporate profit and investment income growth. Over the remainder of the forecast horizon, growth in non-resident income tax revenues is expected to average 4.8 per cent reflecting the outlook for corporate profits, dividends and interest rates.

Excise Tax and Duty Revenues

Goods and Services Tax (GST) revenues are projected to rebound to $44 billion in 2021-22, or 35.7 per cent, from a very weak 2020-21 outcome that was the result of the temporary pandemic driven shutdown of large portions of the retail sector and the reduction in revenues due to the cost of the one-time enhanced GST credit payment. Over the remainder of the projection period, GST revenues are forecast to grow by 4.4 per cent per year, on average, reflecting the outlook for taxable consumption.

Customs import duties are projected to increase 19.1 per cent in 2021-22, due to the economic recovery and the reduced demand for remissions of duties due to lower-than-expected imports of personal protective equipment and other medical goods. Customs import duty revenue is then estimated to grow at an average annual rate of 6.3 per cent, driven by projected growth in imports.

Other excise taxes and duties are expected to increase to $11.1 billion in 2021-22, or 8.4 per cent, as demand recovers, before softening to growth of an average annual rate of 2.9 per cent over the remainder of the projection period, reflecting expected consumption growth of motive fuels and tobacco products, in particular.

Other taxes include revenues from the Underused Housing Tax announced in Budget 2021. Revenues from this tax are projected to be $0.2 billion in 2022-23.

Proceeds From the Pollution Pricing Framework

Proceeds from the pollution pricing framework represent the direct proceeds from the federal fuel charge and the Output-Based Pricing System in jurisdictions in which the federal carbon pollution pricing system applies. Growth in the proceeds from the federal pollution pricing framework will be driven primarily by the increase in the carbon price over the fiscal planning horizon.[1] All direct proceeds from the pollution pricing framework are returned to the jurisdictions where they were collected, with a majority of proceeds returned directly to Canadians through Climate Action Incentive payments.

Employment Insurance Premium Revenues

Employment Insurance (EI) premium revenues are projected to grow at 6.9 per cent over the horizon due to the significant projected improvement in the labour market, with the unemployment rate expected to fall to 5.5 per cent, a historically low level. The two-year freeze in premium rates is scheduled to end in 2023, returning to a premium rate-setting structure under current legislation that balances accumulated spending from the account over seven years. Premium rates are assumed to increase gradually from $1.58 in 2022 to $1.73 per $100 insurable earnings (see Box A1.1 for details of the outlook for the EI Operating Account). As a result of the faster and swifter recovery in the labour market over the last year, which led to both increased revenues as Canadians returned to work and reduced expenditures from less demand for Employment Insurance, this forecast represents a 10 cent improvement (reduction) in premiums compared to Budget 2021, which estimated a long-term premium rate of $1.83 as of 2028. If achieved, this rate would still be 15 cents lower than the $1.88 premium rate in 2015.

1 The carbon price trajectory reflects annual increases of $15/tonne, from $50/tonne, beginning in 2023-24, as set out in the *Update to the Pan-Canadian Approach to Carbon Pollution Pricing 2023-30*, released in August 2021.

Box A1.1 Employment Insurance Operating Account

Employment Insurance Operating Account Projections

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027			
EI premium revenues	22.4	23.8	25.8	28.0	30.4	32.2	33.3			
EI benefits[1]	33.7	39.0	31.3	24.4	24.8	25.4	26.3			
EI administration and other expenses[2]	2.5	2.9	2.1	2.0	2.0	2.0	2.0			
	2020[3]	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
EI Operating Account annual balance	-6.4	-21.5	-10.8	0.7	3.7	5.3	5.8	5.7	5.7	4.7
EI Operating Account cumulative balance	-1.3	-22.8	-33.6	-32.9	-29.2	-23.8	-18.0	-12.3	-6.6	-1.9[4]
Projected premium rate (per $100 of insurable earnings)	1.58	1.58	1.58	1.63	1.68	1.73	1.73	1.73	1.73	1.73

1 EI benefits include regular EI benefits, sickness, maternity, parental, compassionate care, fishing and work-sharing benefits, and employment benefits and support measures. EI benefits exclude EI-Emergency Response Benefit costs in line with the government's commitment to credit the EI Operating Account.

2 The remaining EI costs relate mainly to administration and are included in direct program expenses.

3 Values for 2020 are actual data. Values for 2021 and future years are a projection.

4 The EI Operating Account cumulative balance does not reach exactly zero at the end of the seven-year period as projected EI rates are rounded to the nearest whole cent per $100 of insurable earnings, in accordance with the *Employment Insurance Act*.

The Employment Insurance (EI) Operating Account operates within the Consolidated Revenue Fund. As such, EI-related revenues and expenses that are credited and charged to the Account, respectively, in accordance with the *Employment Insurance Act*, are consolidated with those of the government, and impact the budgetary balance. For consistency with the EI premium rate, which is set on a calendar-year basis with the objective of having the Account break even over time, the annual and cumulative balances of the Account are also presented on a calendar-year basis.

The EI Operating Account is expected to record annual deficits from 2020 to 2022 as a result of the increase in EI benefits (excluding the Emergency Response Benefit) and the temporary freeze on EI premiums through 2022. The Account is then projected to record annual surpluses due to projected increases in the premium rate, which are expected to rise in 5 cent increments, consistent with the legislated limit, until reaching $1.73. The increases reflect the practice of the break-even rate-setting mechanism that started with the setting of the 2017 premium rate.

Other Revenues

Other revenues consist of three broad components: net income from enterprise Crown corporations; other program revenues from returns on investments, proceeds from the sales of goods and services, and other miscellaneous revenues; and net foreign exchange revenues.

- Enterprise Crown corporation revenues are projected to rebound by $22.8 billion in 2021-22 and then decline slightly in 2022-23 and 2023-24 as the impact of one-time factors recedes—in particular, the impact of Bank of Canada programs introduced during COVID-19, including purchases of Government of Canada securities on the secondary market to support liquidity in financial markets. Beyond this, growth averages 9.1 per cent annually reflecting the outlooks presented in corporate plans of respective enterprise Crown corporations.
- Other program revenues are affected by consolidated Crown corporation revenues, interest rates, inflation, and exchange rate movements (which affect the Canadian-dollar value of foreign-denominated assets). These revenues are projected to increase by 26 per cent in 2021-22, primarily due to:
    - An increase in interest and penalty revenue since waivers provided as part of the government's COVID-19 response in 2020-21, which reduced that year's revenue, are no longer in effect; and,
    - A projected increase in revenue from sales of goods and services (e.g., VIA Rail revenue, fees for passports and visas, and wireless spectrum auction revenue).
- Over the remainder of the forecast horizon, other program revenues are projected to continue to grow largely as a result of increased interest rates and revenue from sales of goods and services.
- Net foreign exchange revenues, which consist mainly of returns on Canada's official international reserves held in the Exchange Fund Account, are volatile and sensitive to fluctuations in foreign exchange rates and foreign interest rates. Assets in the Exchange Fund Account are mainly invested in debt securities of sovereigns and their agencies, and are held to aid in the control and protection of the external value of the Canadian dollar and to provide a source of liquidity for the government, if required. These revenues are projected to decrease in the near term due to lower gains on sales of investments, but increase over the remainder of the forecast horizon as a result of growth in reserves and higher projected interest rates.

Outlook for Program Expenses

Table A1.6

The Expense Outlook

billions of dollars

	2020–2021	Projection 2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Major transfers to persons							
Elderly benefits	58.5	61.0	68.2	73.6	78.0	82.6	87.2
Employment Insurance benefits[1]	58.4	39.0	31.3	24.4	24.8	25.4	26.3
COVID-19 income support for workers[2]	55.8	17.7	0.4	0.0	0.0	0.0	0.0
Canada Child Benefit[3]	27.4	26.3	25.2	26.6	27.6	28.5	29.4
Total	200.1	144.0	125.1	124.6	130.4	136.4	142.9
Major transfers to other levels of government							
Canada Health Transfer	45.9	45.1	45.2	49.1	51.8	53.9	56.0
Canada Social Transfer	15.0	15.5	15.9	16.4	16.9	17.4	17.9
Equalization	20.6	20.9	21.9	23.8	25.1	26.1	27.1
Territorial Formula Financing	4.2	4.4	4.6	4.9	5.1	5.2	5.4
Canada Community-Building Fund	4.3	2.3	2.3	2.4	2.4	2.5	2.5
Home care and mental health	1.3	1.5	1.2	1.2	1.2	1.2	1.2
Canada-wide early learning and child care[4]	0.0	2.9	4.5	5.6	6.6	7.9	7.9
Other fiscal arrangements[5]	15.4	-5.2	-5.6	-6.5	-6.8	-7.1	-7.5
Total	106.7	87.4	90.0	96.9	102.2	107.2	110.5
Proceeds from the pollution pricing framework returned	4.6	4.1	8.0	11.9	12.4	14.3	16.2
Direct program expenses							
Canada Emergency Wage Subsidy	80.2	20.9	0.0	0.0	0.0	0.0	0.0
Other transfer payments	98.0	94.2	86.3	83.7	81.3	81.3	79.1
Operating expenses[6]	119.1	122.4	116.0	113.4	112.9	113.8	114.5
Total	297.2	237.5	202.2	197.1	194.2	195.2	193.6
Total program expenses, excluding net actuarial losses	**608.5**	**473.0**	**425.4**	**430.4**	**439.2**	**453.1**	**463.3**
Net actuarial losses (gains)	15.3	10.3	8.9	6.1	2.4	0.8	-1.8
Per cent of GDP							
Major transfers to persons	9.1	5.8	4.7	4.4	4.5	4.5	4.5
Major transfers to other levels of government	4.8	3.5	3.3	3.4	3.5	3.5	3.5
Direct program expenses	13.5	9.5	7.5	7.0	6.6	6.4	6.1
Total program expenses	27.6	18.9	15.8	15.3	15.0	14.9	14.7

Note: Totals may not add due to rounding.

1 EI benefits include regular EI benefits, sickness, maternity, parental, compassionate care, fishing and work-sharing benefits, and employment benefits and support measures. Remaining EI costs relate mainly to administration and are part of operating expenses. This includes the portion of payments for the Emergency Response Benefit charged to the EI Operating

Account in 2019-20 and 2020-21, but there is no impact on the EI Operating Account as a credit has been made in 2020-21.

[2] Includes the Canada Emergency Response Benefit, the Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, the Canada Recovery Sickness Benefit, and the Canada Worker Lockdown Benefit.

[3] Includes the Child Disability Benefit and residual payments for the Universal Child Care Benefit, now replaced by the Canada Child Benefit.

[4] Canada-wide early learning and child care transfer payments to provinces and territories exclude funding for Indigenous early learning and child care, which are included in the other transfer payments line. Funding of $25 million over 2021-22 and 2022-23 to support child care centres to improve their physical accessibility was reclassified from major transfers to other levels of government to other transfer payments, with no impact on total program expenses.

[5] Other fiscal arrangements include the Quebec Abatement (Youth Allowances Recovery and Alternative Payments for Standing Programs); payments under the Canada-Nova Scotia Arrangement on Offshore Revenues; and potential Fiscal Stabilization payments. It also includes certain COVID-19 response measures such as the Safe Restart Agreement, Safe Return to Class Fund, the COVID-19 Essential Workers Support Fund, and Canada's COVID-19 Immunization Plan. In addition, it also includes funding to support transit and improve housing supply and affordability.

[6] This includes capital amortization expenses.

Table A1.6, above, provides an overview of the projection for program expenses by major component. As shown in the outlook, total program expenses as a share of GDP will continue to track downward, reflecting prudent and responsible fiscal management and a more normal trend in spending post-pandemic.

Program expenses consist of four main categories: major transfers to persons, major transfers to other levels of government, proceeds from the pollution pricing framework returned, and direct program expenses.

Major Transfers to Persons

Major transfers to persons consist of elderly benefits, Employment Insurance (EI) benefits, the Canada Child Benefit, and the COVID-19 income supports for workers.

Elderly benefits are projected to reach $61 billion in 2021-22, up 4.2 per cent. Over the forecast horizon, elderly benefits are forecast to grow by 7.4 per cent on average annually. Growth in elderly benefits is due to the increasing population of seniors and projected consumer price inflation, to which benefits are fully indexed, as well as the 10 per cent increase to Old Age Security payments for pensioners 75 and over on an ongoing basis as of July 2022, announced in Budget 2021.

EI benefits are projected to decrease to $39 billion in 2021-22, largely reflecting the expiration of temporary COVID-related EI measures and a lower unemployment rate. EI benefits are expected to fall further to $24.4 billion by 2023-24 as a result of the projected improvement in the labour market and grow at an average of 2.5 per cent annually thereafter.

The Canada Emergency Response Benefit was introduced as part of Canada's COVID-19 Economic Response Plan to provide immediate assistance to Canadians. In September 2020, when this program ended, the government continued to support Canadians with the Canada Recovery Benefit, the Canada Recovery Sickness Benefit, and the Canada Recovery Caregiving Benefit. While the Canada Recovery Benefit ended on October 23, 2021, the government extended the sickness and caregiving benefits until May 7, 2022 and introduced the Canada Worker Lockdown Benefit. The Canada Worker Lockdown Benefit remains available for workers who face direct work interruptions due to public health lockdowns until May 7, 2022. These income support programs for workers are expected to cost $17.7 billion in 2021-22, decreasing to $0.4 billion in 2022-23 as the recovery strengthens and temporary programs end.

Canada Child Benefit (CCB) payments are projected to decrease 3.8 per cent to $26.3 billion in 2021-22, largely reflecting the phasing out of 2020-21 temporary top-up transfer. CCB benefits will decline further in 2022-23 due to the phasing out of the temporary supplement for families with young children introduced in the 2020 Fall Economic Statement. Over the remainder of the forecast horizon, CCB payments are expected to grow at an average annual rate of 3.9 per cent, reflecting forecasted recipient growth and consumer price inflation, to which the benefits are indexed.

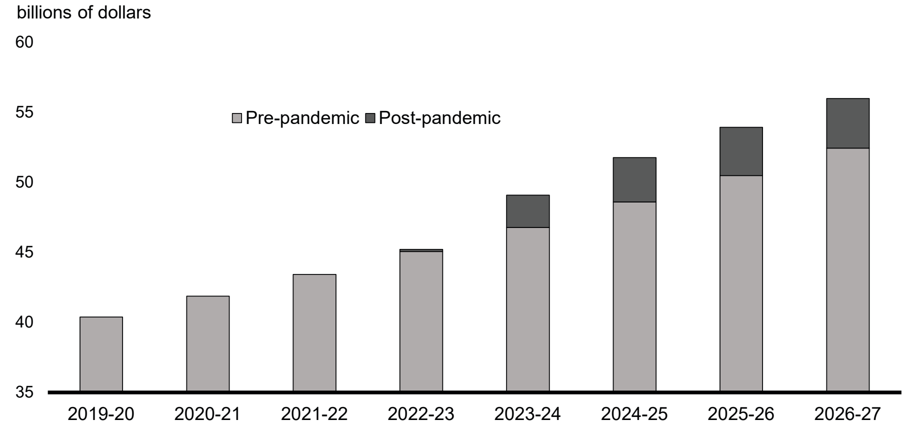
Major Transfers to Other Levels of Government

Major transfers to other levels of government include the Canada Health Transfer (CHT), the Canada Social Transfer (CST), Equalization, Territorial Formula Financing, and the Canada Community-Building Fund, as well as significant COVID-related payments made to provinces and territories such as the Safe Restart Agreement and the Safe Return to Class Fund, among others. In 2021-22, these transfers are expected to decrease by 18.1 per cent to $87.4 billion, as transfers to provinces and territories normalized following the unprecedented level of support provided during the height of the pandemic.

Including the $2 billion top-up announced by the government on March 25, 2022, to address the backlog of surgeries and procedures, total CHT support is projected to be $45.1 billion in 2021-22. Beginning in 2022-23, the CHT is projected to grow from $45.2 billion to $56 billion in 2026-27, in line with a three-year moving average of nominal GDP growth, with funding guaranteed to increase by at least 3 per cent per year.

As a result of both the formula's protection against down-side risk in the event of a recession (3 per cent floor), as well as the up-side from being linked to nominal GDP, provinces and territories are expected to receive $12 billion more in Canada Health Transfer payments over the next 5 years than originally forecast prior to the pandemic.

Chart A1.1
Pre- vs. Post-Pandemic Canada Health Transfer Forecast



Note: Pre-pandemic forecast represents the CHT forecast from the 2019 *Economic and Fiscal Update*. Two additional years have been extrapolated based on the gross domestic product forecast used in the Update.
Sources: Department of Finance Canada calculations (December 2019 forecast and March 2022 forecast).

The CST is legislated to grow at 3 per cent per year. Canada Community-Building Fund payments are indexed at 2 per cent per year, with increases applied in $100 million increments. Home care and mental health transfers are projected to be $1.5 billion in 2021-22, before stabilizing at $1.2 billion starting in 2022-23. Canada-wide early learning and child care transfer payments are expected to increase from $2.9 billion in 2021-22 to $7.9 billion in 2026-27, which includes the proposed Budget 2022 funding of $625 million over four years, beginning in 2023-24, to Employment and Social Development Canada for an Early Learning and Child Care Infrastructure Fund.

Proceeds From the Pollution Pricing Framework Returned

Proceeds from the pollution pricing framework returned represent the return of direct proceeds from the federal fuel charge and Output Based Pricing System to the jurisdiction from which they were collected. Proceeds from the pollution pricing framework returned are expected to be $4.1 billion in 2021-22, increasing to $16.2 billion by 2026-27, reflecting the increase in direct proceeds resulting from a higher price on carbon pollution.

Direct Program Expenses

Direct program expenses consist of the Canada Emergency Wage Subsidy, other transfer payments administered by departments, and operating expenses.

- Other transfer payments administered by departments are projected to decrease across the budgetary horizon from $94.2 billion in 2021-22 to $79.1 billion in 2026-27. The decline is steepest from 2021-22 to 2022-23, reflecting the phasing out of pandemic support programs. This trend is somewhat offset by measures announced in this budget, including funding to support investments in clean transportation and energy, such as the Zero-Emission Vehicles and the Low Carbon Economy Fund, and new housing supply.
- Operating expenses reflect the cost of doing business for more than 100 government departments, agencies, and Crown corporations. Operating expenses are forecasted to reach $122.4 billion in 2021-22 and decline to $112.9 billion in 2024-25, as pandemic-related expenses for procurement of vaccines, personal protective equipment, therapeutics, and rapid testing kits wind down. Operating expenses are then expected to grow modestly to $114.5 billion in 2026-27.

Net Actuarial Losses

Net actuarial losses, which represent changes in the measurement of the government's obligations for pensions and other employee future benefits, are expected to gradually decline over the forecast horizon, from a projected loss of $10.3 billion in 2021-22 to a projected net actuarial gain of $1.8 billion in 2026-27, reflecting higher expected interest rates used to measure the present value of the obligations.

Financial Source/Requirement

The financial/source requirement measures the difference between cash coming in to the government and cash going out. In contrast, the budgetary balance is presented on a full accrual basis of accounting, meaning that government revenues and expenses are recorded when they are earned or incurred, regardless of when the cash is received or paid.

Table A1.7 provides a reconciliation of the two measures, starting with the budgetary balance. Non-budgetary transactions shown in the table reflect the reversal of certain revenues and expenses included in the budgetary balance that have no impact on cash flows in the year, such as the amortization of non-financial assets, and the addition of changes in asset and liability balances that have no accrual impact in a year but do result in the inflow or outflow of cash, such as the payment of accounts payable. An increase in a liability or decrease in an asset represents a financial source, whereas a decrease in a liability or increase in an asset represents a financial requirement. The sum of the budgetary balance and changes in asset and liability balances reflected under non-budgetary transactions is equal to the government's net source of (+), or requirement for (-), cash.

Table A1.7
The Budgetary Balance, Non-Budgetary Transactions and Financial Source/ Requirement
billions of dollars

		Projection					
	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Budgetary balance	**-327.7**	**-113.8**	**-52.8**	**-39.9**	**-27.8**	**-18.6**	**-8.4**
Non-budgetary transactions							
Pensions and other accounts	16.9	11.8	10.4	6.7	2.1	-0.1	-3.1
Non-financial assets	-9.5	-0.6	0.2	-3.2	-3.5	-3.7	-2.9
Loans, investments and advances							
Enterprise Crown corporations	5.5	-12.7	-6.5	-9.2	-9.2	-9.9	-8.3
Other	-31.9	-1.8	-3.0	24.8	-3.8	-3.6	-1.8
Total	-26.4	-14.5	-9.5	15.7	-13.0	-13.5	-10.1
Other transactions							
Accounts payable, receivable, accruals and allowances	19.9	16.7	-25.0	-1.0	-1.7	-2.6	-2.9
Foreign exchange activities	12.3	-5.2	-8.2	-8.1	-7.9	-4.1	-4.1
Total	32.2	11.5	-33.2	-9.1	-9.5	-6.7	-6.9
Total	**13.2**	**8.2**	**-32.0**	**10.0**	**-23.9**	**-23.9**	**-22.9**
Financial source/requirement	**-314.6**	**-105.6**	**-84.9**	**-29.9**	**-51.8**	**-42.5**	**-31.3**

As shown in Table A1.7, a financial requirement is projected in each year over the forecast horizon, largely reflecting financial requirements associated with the projected budgetary balance and projected growth in financial assets. Reflecting an overall better fiscal outlook and less need for cash, the total financial requirement for 2021-22 of $105.6 billion is approximately $50.2 billion lower than forecast in EFU 2021 and about $85 billion lower than forecast in Budget 2021.

A financial source is projected for pensions and other accounts for 2021-22 to 2024-25. Pensions and other accounts include the activities of the Government of Canada’s employee pension plans and those of federally appointed judges and Members of Parliament, as well as a variety of other employee future benefit plans, such as health care and dental plans, and disability and other benefits for veterans and others. The financial source for pensions and other accounts reflects the difference between non-cash pension and benefit expenses recorded as part of the budgetary balance to reflect the value of benefits earned by employees during a fiscal year and the annual cash outflows for benefit payments. Financial requirements are projected for 2025-26 and 2026-27, as the balance of the government’s liabilities for pension and other accounts is expected to decline.

Financial requirements for non-financial assets mainly reflect the difference between cash outlays for the acquisition of new tangible capital assets and the amortization of capital assets included in the budgetary balance. They also include disposals of tangible capital assets and changes in inventories and prepaid expenses. Financial requirements are projected from 2023-24 to 2026-27, reflecting forecast net growth in non-financial assets.

Loans, investments and advances include the government's investments in enterprise Crown corporations, including Canada Mortgage and Housing Corporation, Export Development Canada, the Business Development Bank of Canada, and Farm Credit Canada. They also include loans, investments and advances to national and provincial governments and international organizations, and under government programs, including the Canada Emergency Business Account (CEBA). The projected financial source for loans, investments and advances in 2023-24 is due to the expected repayment of CEBA loans, reflecting the recent extension of the forgiveness repayment date from December 31, 2022 to December 31, 2023.

In general, loans, investments and advances are expected to generate additional revenues for the government in the form of interest or additional net profits of enterprise Crown corporations, which partly offset debt charges associated with these borrowing requirements. These revenues are reflected in projections of the budgetary balance.

Other transactions include the payment of tax refunds and other accounts payable, the collection of taxes and other accounts receivable, the conversion of other accrual adjustments included in the budgetary balance into cash, as well as foreign exchange activities. Projected cash requirements from 2022-23 to 2026-27 mainly reflect the payment of accounts payable and forecast increases in the government's official international reserves held in the Exchange Fund Account.

Alternative Economic Scenarios

While the macroeconomic inputs of the February 2022 survey of private sector economists continue to provide a reasonable basis for fiscal planning, the economic outlook is clouded by a number of key uncertainties.

Notably, Russia's invasion of Ukraine, and related economic and financial sanctions, created a negative global supply shock that is pushing up commodity prices and inflation. The Canadian economy is less exposed to the economic fallout than other regions (e.g., Europe) given our limited trade links to Russia and Ukraine and Canada's position as a net exporter of many commodities now in short supply. On the other hand, the conflict and the resulting sanctions disrupted global trade, led to tighter financial conditions, and put additional pressures on already stretched supply chains. Further, increased uncertainty around geopolitical risks could lead to more cautious behaviour by consumers and businesses. Overall, the net impact on economic activity is highly uncertain and depends on the path forward for global growth, commodity prices, and global interest rates. All of these drivers are intrinsically linked to the duration and impacts of the supply shock.

Beyond the conflict, further uncertainties continue to obscure the outlook, including the impact of the COVID-19 resurgence in China and other regions on supply chains, the effects of supply and labour shortages on inflation, and the impact of rising interest rates on the Canadian economy. On the other hand, Canada's solid underlying fundamentals, including improved balance sheets and elevated profits, could also boost consumer spending and business investment by more than expected.

The Department of Finance actively engages with external economists to assess risks and uncertainties to the outlook. To illustrate the effects of unusually high uncertainty around the Russian invasion of Ukraine and its spillovers, the Department has considered two alternative economic scenarios to the private sector projections. Notably, the scenarios consider a wide range of views on the potential fallout from Russia's invasion of Ukraine, including on the outlook for crude oil prices. Beyond the next two years, projections for crude oil prices are largely consistent with oil futures (i.e. a benign scenario for oil supply disruptions with crude oil prices easing back to pre-conflict levels). The scenarios also recognize that, while higher commodity prices should trigger investment in the oil and gas sector, the response is unlikely to be as strong as in past commodity booms given that supply disruptions – not stronger global demand – are behind the run-up in prices.

Heightened Impact Scenario

This scenario considers the economic repercussions of a drawn-out conflict in Ukraine with surging commodity prices, prolonged supply-chain disruptions, and more rapid monetary policy tightening. The result is weaker economic activity and temporarily stronger inflation.

- Supply disruptions resulting from a reduction in Russian energy exports lead to a spike in commodity prices, with WTI crude oil prices reaching a peak of US$180 in the second quarter of 2022.
- In response to higher inflation, global interest rates rise higher and more quickly than anticipated, with Canada's three-month treasury bill rate up by almost 50 basis points on average per year compared to the February survey, contributing to weaker growth.
- Higher energy bills and weaker confidence substantially reduce consumption while ongoing supply shortages and trade disruptions hold back activity, leading to a sharp slowdown in global economic growth, potentially tipping some regions into recession (e.g., Europe).
- With a sharp slowdown in global economic activity, and a recession in some parts of the world, global crude oil prices moderate quickly and converge to the February survey by the second half of 2023.
- Weaker global activity reduces demand for Canadian products generally. Overall, growth in real GDP for 2023 as a whole remains slightly positive, though substantially lower than in the baseline forecast.Despite improved terms of trade, energy-related investment and exports remain relatively muted (compared to the February survey) due to lower global activity and uncertainty about longer-term demand for fossil fuels.
- Altogether, Canada sees significantly weaker real GDP growth in 2022 and 2023 compared to the February survey (close to 2 percentage points lower on average per year), while the unemployment rate is 0.7 percentage point higher in 2022, reflecting spillovers from global supply disruptions and higher interest rates.
- Despite slower growth compared to the February survey, higher domestic and commodity prices push up GDP inflation and nominal GDP in the near term before it falls below the survey in 2024 amid easing commodity prices and weaker economic growth. Initially, nominal GDP is $126 billion higher than the survey in 2022. The difference in nominal GDP shrinks to $18 billion in 2023 and turns below the survey level by around $23 billion on average per year over the last three years of the forecast horizon. Notably, this temporary spike in nominal GDP drives a temporary improvement to the budgetary balance and the debt-to-GDP ratio.

Moderate Impact Scenario

This scenario considers a de-escalation of tensions in Ukraine and a world in which supply disruptions from the conflict and pandemic are smaller than expected while global demand remains resilient along with an easing of geopolitical tensions. Although commodity prices and inflation spike immediately following Russia's invasion of Ukraine, the global economy successfully adapts to COVID-19 risks and pivots to more secure commodity suppliers, reducing inflationary pressures as geopolitical tensions ease.

- After peaking at almost US$100 in the first quarter of 2022, global crude oil prices fall quickly but remain slightly above the February survey over the forecast horizon, limiting inflationary pressures compared to the *Heightened Impact* scenario, and thus the loss of consumers' purchasing power.
- This leads to a smaller drag on global growth, as well as a smaller increase in interest rates (up by 20 basis points on average per year compared to the February survey) needed to bring inflation back to target without derailing the economic expansion.
- At the same time, Canadian commodity producers make full use of current spare capacity and increase investment, albeit not commensurate to the rise in energy prices. This along with improved sentiment provides a boost to economic growth. Increased activity in the sector also supports employment growth and real incomes, pushing up spending on domestically-produced goods and services.
- Altogether, Canada sees stronger real GDP growth in 2022 and 2023 compared to the February survey, supported by Canada's strong underlying fundamentals, increased activity in commodity sectors, and faster adjustments to the supply shock.
- With higher commodity prices and stronger real GDP growth, nominal GDP remains well above the February survey over the entire forecast horizon. Altogether, nominal GDP is about $77 billion higher than the February survey outlook on average per year.

Table A1.8
Department of Finance Alternative Scenarios
Per cent, unless otherwise indicated

	2022	2023	2024	2025	2026	2022-2026
Real GDP Growth						
Budget 2022	3.9	3.1	2.0	1.9	1.8	2.5
Heightened Impact Scenario	2.8	0.4	2.0	2.4	2.2	2.0
Moderate Impact Scenario	4.3	4.0	2.1	1.8	1.7	2.8
GDP Inflation						
Budget 2022	3.7	1.7	1.8	1.9	1.9	2.2
Heightened Impact Scenario	9.7	0.4	0.5	1.3	1.6	2.7
Moderate Impact Scenario	5.4	1.8	1.5	1.8	1.9	2.5
Nominal GDP Growth						
Budget 2022	7.7	4.8	3.9	3.8	3.7	4.8
Heightened Impact Scenario	12.8	0.8	2.5	3.7	3.8	4.7
Moderate Impact Scenario	10.0	5.8	3.6	3.6	3.6	5.3
Nominal GDP Level ($ billions)						
Budget 2022	2,689	2,819	2,929	3,040	3,153	
Heightened Impact Scenario	2,815	2,837	2,908	3,015	3,130	
Moderate Impact Scenario	2,746	2,905	3,011	3,119	3,232	
Difference between Budget 2022 and Heightened Impact Scenario	126	18	-21	-25	-22	15
Difference between Budget 2022 and Moderate Impact Scenario	57	86	82	79	79	77
Unemployment Rate						
Budget 2022	5.8	5.5	5.5	5.5	5.5	5.5
Heightened Impact Scenario	5.9	6.2	6.1	6.0	5.9	6.0
Moderate Impact Scenario	5.6	5.2	5.2	5.3	5.3	5.3
3-month Treasury Bill Rate						
Budget 2022	0.8	1.7	2.0	2.1	2.1	1.7
Heightened Impact Scenario	1.5	2.3	2.4	2.3	2.3	2.2
Moderate Impact Scenario	1.1	1.9	2.2	2.2	2.3	1.9
CPI Inflation						
Budget 2022	3.9	2.4	2.2	2.1	2.0	2.5
Heightened Impact Scenario	6.3	2.7	1.8	2.0	2.0	3.0
Moderate Impact Scenario	5.7	2.9	1.9	2.0	2.0	2.9
WTI Crude Oil Price ($US/barrel)						
Budget 2022	80	74	70	68	66	72
Heightened Impact Scenario	126	79	70	68	66	82
Moderate Impact Scenario	89	79	74	72	69	77

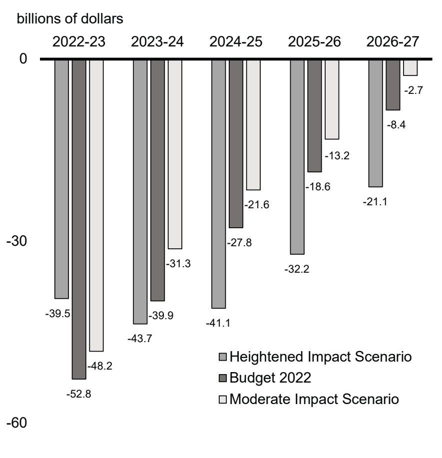
Sources: Department of Finance Canada February 2022 survey of private sector economists, which has been adjusted to incorporate the actual results of the National Accounts for the fourth quarter of 2021 released on March 1, 2022; Department of Finance Canada calculations.

The potential impact of these increased uncertainties on the projected federal deficit and debt-to-GDP ratio is shown in Charts A1.2 and A1.3 below. The relative change in economic activity under both scenarios would be expected to affect tax revenues, and expenses such as Employment Insurance benefits, and major health and social transfer payments to provinces.

- In the *Heightened Impact* scenario, the budgetary balance worsens in all years except 2022-23, due to lower revenues stemming from the economic deterioration. In the first year, the near-term improvement in nominal GDP, driven by commodity prices, dominates and more than offsets the increase in expenses.
- In the *Moderate Impact* scenario, revenue is projected to experience a broad-based increase reflecting greater income, profits, and employment, and lower use of income supports, partially offset by higher health and social transfers.

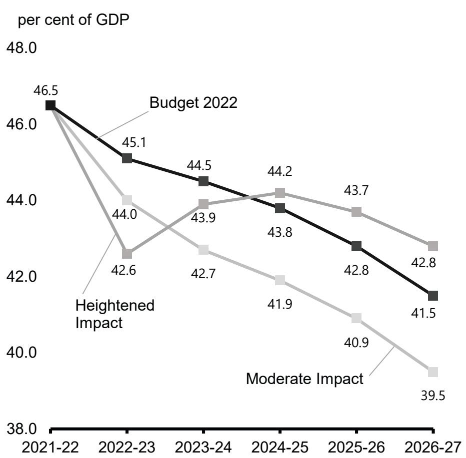
In total, the *Heightened Impact* scenario could be expected to add about $6 billion on average to the deficit across the horizon, and the federal debt-to-GDP ratio would would be 1.3 percentage points higher, at 42.8 per cent, by 2026-27. In the *Moderate Impact* scenario, the deficit would be reduced by $6.1 billion on average across the projection, and the federal debt-to-GDP ratio would fall to 39.5 per cent by 2026-27, 2 percentage points below the Budget 2022 projection.

Chart A1.2
Deficit Under Alternative Economic Scenarios



Source: Department of Finance Canada calculations.

Chart A1.3
Federal Debt-to-GDP Ratio Under Alternative Economic Scenarios



Source: Department of Finance Canada calculations.

Supplementary Information

Sensitivity of Fiscal Projections to Economic Shocks

Changes in economic assumptions affect the projections for revenues and expenses. The following tables illustrate the sensitivity of the budgetary balance to a number of economic shocks relative to the baseline Budget 2022 projections, which already incorporate forecast changes in levels to these components over the budget horizon:

- A one-year, 1-percentage-point decrease in real GDP growth driven equally by lower productivity and employment growth.
- A decrease in nominal GDP growth resulting solely from a one-year, 1-percentage-point decrease in the rate of GDP inflation (assuming that the Consumer Price Index moves in line with GDP inflation).
- A sustained 100-basis-point increase in all interest rates.

These sensitivities are generalized rules of thumb that assume any decrease in economic activity is proportional across income and expenditure components, and are meant to provide a broad illustration of the impact of economic shocks on the outlook for the budgetary balance. The sensitivity analysis conducted in this section has been presented routinely in budgets since 1994, and is separate from the scenarios for a faster or slower recovery presented earlier in this annex. Actual economic shocks may have different fiscal impacts. For example, they may be concentrated in specific sectors of the economy or cause different responses in key economic variables (e.g., GDP inflation and CPI inflation may have different responses to a given shock).

Table A1.9
Estimated Impact of a One-Year, 1-Percentage-Point Decrease in Real GDP Growth on Federal Revenues, Expenses and Budgetary Balance
billions of dollars

	Year 1	Year 2	Year 5
Federal revenues			
Tax revenues			
Personal income tax	-2.7	-2.9	-3.3
Corporate income tax	-0.6	-0.7	-0.9
Goods and Services Tax	-0.4	-0.4	-0.5
Other	-0.2	-0.2	-0.2
Total tax revenues	-3.9	-4.1	-4.9
Employment Insurance premiums	-0.1	-0.2	-0.2
Other revenues	-0.1	-0.1	-0.1
Total budgetary revenues	-4.1	-4.3	-5.1
Federal expenses			
Major transfers to persons			
Elderly benefits	-0.1	0.0	0.0
Employment Insurance benefits	1.0	1.0	1.1
Canada Child Benefit	0.1	0.2	0.2
Total major transfers to persons	1.0	1.2	1.3
Other program expenses	-0.2	-0.3	-0.6
Public debt charges	0.0	0.2	0.6
Total expenses	0.8	1.1	1.3
Budgetary balance	-5.0	-5.4	-6.4

A 1-percentage-point decrease in real GDP growth proportional across income and expenditure components reduces the budgetary balance by $5.0 billion in the first year, $5.4 billion in the second year, and $6.4 billion in the fifth year (Table A1.9).

- Tax revenues from all sources fall by a total of $3.9 billion in the first year. Personal income tax revenues decrease as employment and the underlying tax base fall. Corporate income tax revenues fall as output and profits decrease. GST revenues decrease as a result of lower consumer spending associated with the fall in employment and personal income.
- EI premium revenues are relatively unchanged, as the EI premium rate is bound by the 5-cent maximum annual increase for the majority of the baseline forecast. EI revenues would typically rise as a result of this shock, as the EI premium rate increases under the seven-year break-even mechanism, adjusting to offset the increase in benefits such that the EI Operating Account balances over time.

- Expenses rise, mainly reflecting higher EI benefits (due to an increase in the number of unemployed) and higher public debt charges (reflecting a higher stock of debt due to the lower budgetary balance). This rise is partially offset by lower other program expenses, primarily the Canada Health Transfer and Equalization, as the decline in real GDP is reflected in nominal GDP, to which these payments are indexed.

Table A1.10
Estimated Impact of a One-Year, 1-Percentage-Point Decrease in GDP Inflation on Federal Revenues, Expenses and Budgetary Balance
billions of dollars

	Year 1	Year 2	Year 5
Federal revenues			
Tax revenues			
Personal income tax	-2.6	-2.5	-2.7
Corporate income tax	-0.6	-0.7	-0.9
Goods and Services Tax	-0.4	-0.4	-0.5
Other	-0.2	-0.2	-0.2
Total tax revenues	-3.8	-3.7	-4.3
Employment Insurance premiums	0.0	-0.1	-0.2
Other revenues	-0.1	-0.1	-0.1
Total budgetary revenues	-3.9	-3.9	-4.6
Federal expenses			
Major transfers to persons			
Elderly benefits	-0.4	-0.8	-0.9
Employment Insurance benefits	-0.1	-0.1	-0.2
Canada Child Benefit	0.1	-0.1	-0.2
Total major transfers to persons	-0.5	-1.0	-1.4
Other program expenses	-0.6	-0.7	-1.7
Public debt charges	-0.6	0.1	0.2
Total expenses	-1.7	-1.6	-2.9
Budgetary balance	-2.2	-2.3	-1.8

A 1-percentage-point decrease in nominal GDP growth proportional across income and expenditure components, resulting solely from lower GDP inflation (assuming that the CPI moves in line with GDP inflation), lowers the budgetary balance by $2.2 billion in the first year, $2.3 billion in the second year, and $1.8 billion in the fifth year (Table A1.10).

- Lower prices result in lower nominal income and, as a result, personal income tax revenues decrease. As the parameters of the personal income tax system are indexed to inflation, the fiscal impact is smaller than under the real shock. For the other sources of tax revenue, the negative impacts are similar under the real and nominal GDP shocks.
- EI premium revenues decrease in response to lower earnings.
- Other revenues decline slightly as lower prices lead to lower revenues from the sales of goods and services.
- Partly offsetting lower revenues are the declines in the cost of statutory programs that are indexed to CPI inflation, such as elderly benefit payments, which puts downward pressure on federal program expenses. In addition, other program expenses are also lower as certain programs are linked directly to growth in nominal GDP, such as the Canada Health Transfer and Equalization.
- Public debt charges decline in the first year due to lower costs associated with Real Return Bonds.

Table A1.11
Estimated Impact of a Sustained 100-Basis-Point Increase in All Interest Rates on Federal Revenues, Expenses and Budgetary Balance
billions of dollars

	Year 1	Year 2	Year 5
Federal revenues	-1.4	0.2	2.4
Federal expenses	3.7	6.1	9.3
Of which: public debt charges	3.7	6.1	9.3
Budgetary balance	-5.1	-5.9	-6.9

A 1 per cent increase in interest rates decreases the budgetary balance by $5.1 billion in the first year, $5.9 billion in the second year, and $6.9 billion in the fifth year (Table A1.11). Higher interest rates directly impact estimated public debt charges on marketable debt in two ways. First, interest costs increase as existing debt matures and is refinanced at higher rates. Second, rising rates increase the expected cost of future borrowing needs. Public debt charges are estimated based on the current expectations for future changes in interest rates, which are subject to change based on economic conditions.

It is important to note that interest rates also directly affect other government revenues and expenses and that they typically do not change in isolation. That is, with higher interest rates, the government would realize some offsetting benefits, including:

- Higher revenues from the government's interest-bearing assets, which are recorded as part of other revenues;
- Corresponding downward adjustments that reduce the valuations of public sector pensions and employee benefits obligations, which are not incorporated in the table above; and,
- Higher government tax revenues if interest rate increases were due to stronger economic growth (also not included in the table above).

Even with a 1 per cent increase in interest rates, public debt charges are sustainable and would remain near historic lows as a proportion of GDP. Further discussion of public debt charges can be found in the Overview (Chart 27), which also compares forecasted increases in interest rates and borrowing costs over the budget horizon to historical trends.

Policy Actions Taken Since the 2021 *Economic and Fiscal Update*

Since 2016, the government has provided a transparent overview of all policy actions taken between budgets and updates. These measures, listed in Table A1.12, ensure that Canadians are continually well served by the programs they rely on and that government operations carry on as usual.

Table A1.12
Policy Actions Since the 2021 *Economic and Fiscal Update*
millions of dollars

	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Finishing the Fight Against COVID-19	**3,619**	**1,503**	**447**	**-126**	**-26**	**1**
Support for Proof of Vaccination — International Travel	28	1	1	1	1	1
Funding provided to Immigration, Refugees and Citizenship Canada, the Canada Border Services Agency, and the Public Health Agency of Canada to cover federal costs associated with implementing verifiable proof of vaccination tools at Canadian borders.						
Rapid Test Kits	3,500	0	0	0	0	0
Funding to support the procurement of rapid test kits to help curb the transmission of the COVID-19 virus. This could include the procurement of additional rapid test kits, treatments or therapeutics, or biomedical assets, including associated logistics and operational costs.						
COVID-19 Testing Capacity and Border Operations	650	350	0	0	0	0
Less: Funds Previously Provisioned in the Fiscal Framework	*-650*	*0*	*0*	*0*	*0*	*0*
Funding to enhance COVID-19 testing capacity and border operations, in particular related to the Omicron variant, in order to continue to protect Canadians and limit the spread of COVID-19. Funding also supports the Safe Voluntary Isolation Sites program.						
Temporary Accommodations for Asylum Seekers	88	0	0	0	0	0
Funding provided for Immigration, Refugees and Citizenship Canada to provide temporary lodging sites in 2021-22 for asylum seekers arriving without a suitable COVID-19 quarantine plan or alternative accommodation options.						
Supporting the Ongoing Delivery of Employment Insurance	0	448	0	0	0	0
Funding provided in 2022-23 to maintain Service Canada's capacity to meet service standards for processing EI claims and to answer Canadians' enquiries about their EI claims in a timely manner.						
Regional Relief and Recovery Fund Adjustments	3	0	0	0	0	0
Less: Funds Sourced From Existing Departmental Resources	*-6*	*0*	*0*	*0*	*0*	*0*
Funding adjustment for the Atlantic Canada Opportunities Agency to enable a greater use of repayable contributions as part of the Regional Relief and Recovery Fund.						

	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Extension of the Short-Term Compensation Fund for Canadian Audiovisual Productions	0	150	0	0	0	0
Funding provided to Telefilm Canada to extend the Short-Term Compensation Fund until March 31, 2023 to mitigate the lack of insurance coverage for COVID-19 production stoppages in the Canadian audiovisual industry. This one-year program extension was announced on February 11, 2022.						
COVID-19 Benefits and the Guaranteed Income Supplement (GIS), 2021 and Future Years	0	333	120	3	0	0
Funding provided to Employment and Social Development Canada pursuant to Bill C-12 (*An Act to amend the* Old *Age Security Act*), which received Royal Assent on March 3, 2022. These changes ensure that seniors who received pandemic benefits in 2021 or future years will not have their GIS or Allowance benefits affected.						
Canada Worker Lockdown Benefit	942	18	0	0	0	0
Less: Funds Previously Provisioned in the Fiscal Framework	*-942*	*0*	*0*	*0*	*0*	*0*
As announced on October 21, 2021, the Canada Worker Lockdown Benefit was introduced to support Canadians who are unable to work as a result of public health lockdowns in their region. Between December 19, 2021 and March 12, 2022, the benefit was temporarily expanded to include workers in regions where capacity-limiting restrictions of 50 per cent or more were in effect, during the peak of the Omicron wave. The benefit is set to end on May 7, 2022.						
Expanding Access to the Local Lockdown Program	1,320	0	0	0	0	0
Less: Funds Previously Provisioned in the Fiscal Framework	*-1,320*	*0*	*0*	*0*	*0*	*0*
As announced on December 22, 2021, this measure expanded access to the Local Lockdown Program from December 19, 2021 to February 12, 2022 to include employers subject to capacity-limiting restrictions of 50 per cent or more and with current-month revenue declines of at least 25 per cent. On February 9, 2022, this measure was extended until March 12, 2022.						
Extending the Repayment Deadline for the Canada Emergency Business Account (CEBA)	6	221	326	-130	-27	0
The repayment deadline for CEBA loans to qualify for partial loan forgiveness was extended by one year to December 31, 2023, for eligible borrowers in good standing.						
Government Operations, Fairness, and Openness	**49**	**53**	**53**	**54**	**55**	**56**
Prince Edward Island Potato Wart Response Plan[1]	25	0	0	0	0	0
Less: Funds Sourced From Existing Departmental Resources	*-7*	*0*	*0*	*0*	*0*	*0*
Funding provided to Agriculture and Agri-Food Canada to support Prince Edward Island potato producers affected by trade disruptions relating to the potato wart outbreak, as announced on December 20, 2021. Funding is aimed at supporting the diversion of surplus potatoes, including help to redirect surplus potatoes to organizations addressing food insecurity and support for the environmentally sound disposal of surplus potatoes. Funding also seeks to support marketing activities and will help industry to develop long-term strategies to manage future challenges.						

	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Implementing Tax Measures and Advancing Policy Priorities	6	17	17	18	18	18
Funding provided to the Department of Finance Canada to support increased expertise and analytical capacity to advance key priorities, including the design and implementation of a broad range of new and complex tax measures, Indigenous policy advancement, and work in emerging economic, social, and fiscal policy areas. Funding will also stabilize and secure the department's information technology and other core operational functions.						
Supporting Essential Goods and Services Within Federal Correctional Facilities	0	12	12	12	12	12
Funding adjustments for the Correctional Service of Canada to reflect non-discretionary cost increases for goods and services it uses, including electricity, water, food, prescription drugs, and contracted medical services for inmates.						
Supporting the National Day for Truth and Reconciliation	18	19	19	20	21	21
Funding for the Treasury Board Secretariat to address federal public service costs associated with the statutory holiday—the National Day for Truth and Reconciliation.						
Supporting Judicial Compensation and Benefits	7	5	5	5	5	5
Funding for the Courts Administration Service, Office of the Commissioner for Federal Judicial Affairs, and Office of the Registrar of the Supreme Court of Canada, to implement all of the recommendations from the sixth Quadrennial Commission on Judicial Compensation and Benefits' report, as announced on December 29, 2021.						
Growth, Innovation, Infrastructure, and the Environment	**39**	**11**	**0**	**0**	**0**	**0**
Emergency Response to the MV *Schiedyk* shipwreck	33	0	0	0	0	0
Funding for Fisheries and Oceans Canada to recover the costs expended for the response operation to remove pollutants from the sunken shipwreck MV *Schiedyk*. The Canadian Coast Guard worked with partners to remove heavy fuel oil inside the sunken ship and manage any residual pollutants in the surrounding area to protect the marine environment in Nootka Sound, British Columbia.						
Funding for the Canadian Transportation Agency	0	11	0	0	0	0
Funding proposed for the Canadian Transportation Agency to address operating pressures related to the Agency's broadened authorities and activities. This will enable the Agency to continue to provide timely dispute resolution services to Canadians when they are unable to resolve issues directly with service providers.						
Support for Ottawa Businesses Impacted by Illegal Blockades	20	0	0	0	0	0
Less: Funds Previously Provisioned in the Fiscal Framework	*-14*	*0*	*0*	*0*	*0*	*0*
Funding provided to the Federal Economic Development Agency for Southern Ontario to support eligible downtown Ottawa businesses who have suffered losses due to illegal blockades, as announced on February 19, 2022.						

	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Labour Markets, Health, Safety, and Economic Prosperity of Canadians	**253**	**191**	**74**	**0**	**0**	**0**
First Nations Emergency Response and Recovery	194	0	0	0	0	0
Funding for Indigenous Services Canada to support First Nations in responding to and recovering from emergencies.						
2021-22 Adjustment to the Grant for the Canada-Quebec Accord on Immigration	47	0	0	0	0	0
Funding provided to Immigration, Refugees and Citizenship Canada for the annual adjustment to the payment to Quebec under the Canada-Quebec Accord on immigration.						
Supporting Access to Post-Secondary Education for At-Risk and Indigenous Youth	0	18	0	0	0	0
Funding for Employment and Social Development Canada to ensure a continuity in financial and mentorship supports provided by Pathways to Education Canada and Indspire.						
Reducing Veterans Disability Benefit Wait-Times	0	85	74	0	0	0
Less: Funds Previously Provisioned in the Fiscal Framework	*0*	*-19*	*0*	*0*	*0*	*0*
Funding for Veterans Affairs Canada to continue working on reducing disability benefit applications wait-times. Offsets include funding provided in Budget 2021 to extend temporary disability adjudicators hired in 2018 for an additional year.						
AgriRecovery Response for B.C. Floods	12	108	0	0	0	0
Funding for Agriculture and Agri-Food Canada to support the creation of a $120 million AgriRecovery response initiative to help agricultural producers recover from flood damages in British Columbia.						
Trade, International Relations, and Security	**17**	**-50**	**-29**	**-16**	**-23**	**-41**
World Expo Osaka 2025	0	5	11	21	17	0
Funding provided to Global Affairs Canada for Canada's participation in the next World Expo event, which will be held in Osaka in 2025.						
Global Affairs Canada Adjustments for Non-Discretionary Cost Fluctuations	17	32	47	50	47	47
Less: Projected Savings	*0*	*-87*	*-87*	*-87*	*-87*	*-87*
Funding provided to Global Affairs Canada for non-discretionary cost increases, such as changes in exchange rates and inflation, affecting missions abroad. This will allow Canada's missions to continue delivering a high standard of service to support the needs of Canadians.						
Extension of Special Envoy on Preserving Holocaust Remembrance	1	0	0	0	0	0
Less: Funds Sourced From Existing Departmental Resources	*-1*	*0*	*0*	*0*	*0*	*0*
An extension for the appointment of the Honourable Irwin Cotler as Canada's Special Envoy on Preserving Holocaust Remembrance and Combatting Anti-Semitism for a term of up to one year.						

	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Tax and Financial Sector Policy	**24**	**496**	**280**	**120**	**-195**	**-140**
Expanding Immediate Expensing to a Broader Range of Taxpayers	-10	420	265	110	-210	-155
As announced on February 4, 2022, the government proposed to expand eligibility for the immediate expensing measure announced in Budget 2021 to include unincorporated businesses and certain partnerships. Technical amendments were also proposed in relation to certain passenger vehicles (i.e., Class 10.1 assets).						
Luxury Tax	34	140	140	145	145	145
Less: Projected Revenues	*0*	*-79*	*-140*	*-145*	*-145*	*-145*
Budget 2021 proposed the introduction of a tax on the sale of new luxury cars and aircraft with a retail sale price over $100,000, and new boats over $250,000, effective as of January 1, 2022. The tax would be calculated at the lesser of 20 per cent of the value above these price thresholds or 10 per cent of the full value of the luxury vehicle, aircraft or vessel. On March 11, 2022, the Department of Finance Canada launched a public consultation on draft legislative proposals to implement the proposed tax framework. Subject to Parliamentary approval, this tax would now come into effect on September 1, 2022.						
Changes to the Automobile Deduction Limits	0	15	15	10	15	15
On December 23, 2021, the government announced changes to the automobile deduction limits that would apply in 2022: (1) the ceiling applicable to capital cost allowances (CCA) for zero-emission passenger vehicles was increased from $55,000 to $59,000, before tax, in respect of vehicles (new and used) acquired on or after January 1, 2022; (2) the ceiling applicable to CCA for passenger vehicles was increased from $30,000 to $34,000, before tax, in respect of vehicles (new and used) acquired on or after January 1, 2022; and (3) the ceiling applicable to deductible leasing costs was increased from $800 to $900 per month, before tax, for new leases entered into on or after January 1, 2022.						
(Net) Fiscal Impact of Non-Announced Measures Since Budget 2021	-855	-895	-211	-588	-222	-215
The net fiscal impact of measures that are not announced is presented at the aggregate level, and would include provisions for anticipated Cabinet decisions not yet made (including the use of such provisions from previous budgets or updates) and funding decisions related to national security, commercial sensitivity, contract negotiations, and litigation issues.						
Net Fiscal Impact – Total Policy Actions Taken Since the 2021 *Economic and Fiscal Update*	**3,147**	**1,310**	**614**	**-556**	**-412**	**-339**

Note: Totals may not add due to rounding.

[1]Funding profile has since been revised to $19 million in 2021-22 and $6 million in 2022-23.

Canada's COVID-19 Economic Response Plan

Since March 2020, the government has committed over $350 billion—16.0 per cent of 2020 GDP—to support Canadians through the pandemic, with major investments in health care, procuring vaccines and personal protective equipment, in income support, and responding to businesses' urgent needs. Altogether, these investments by the federal government represent approximately eight out of every ten dollars provided in Canada to fight COVID-19 and support Canadians.

Table A1.13 below updates the overview of Canada's COVID-19 Economic Response Plan detailed in Chapters 1 and 2 of the 2020 *Fall Economic Statement*, with new COVID response measures taken since then, up to and including Budget 2022.

Table A1.13
Canada's COVID-19 Economic Response Plan – Detailed Overview

		Net Fiscal Impact (Accrual)			
	Impact Value[1]	**2019–2020**	**2020–2021**	**2021–2022**	**Future Years[2]**
Protecting Health and Safety					
Safe Restart Agreement	19,909	-	19,909	-	-
Safe Return to Class	2,000	-	2,000	-	-
Vaccines and Therapeutics	14,340	-	7,520	6,530	826
PPE and Medical Equipment	5,352	200	3,331	1,821	289
Long-Term Care	1,340	-	824	516	1
Helping Health Care Systems Recover	4,000	-	4,000	-	-
Canada's COVID-19 Immunization Plan	1,000	-	1,000	-	-
Rapid Tests - Provinces, Territories and Workplaces	1,450	-	-	1,450	-
Therapeutics	1,000	-	-	1,000	1,000
Other Public Health Support	12,839	382	6,831	5,272	578
Rapid Test Kits[3]	3,500			3,500	
COVID-19 Testing Capacity and Border Operations[3]	650	-	-	650	350
Of which: amount provisioned in EFU 2021 for Omicron variant response[4]	*650*	-	-	*650*	-
Support for Proof of Vaccination — International Travel[3]	34	-	-	29	4
Reducing the Backlogs of Surgeries and Procedures[5,6]	2,000	-	-	2,000	-
Total - Protecting Health and Safety	**69,414**	**582**	**45,414**	**22,767**	**3,047**
Of which:					
Policy Actions in EFU 2021[4]	*63,880*	*582*	*45,414*	*17,239*	*2,694*
Policy Actions Since EFU 2021 (net)	*3,534*	-	-	*3,529*	*354*
Policy Actions in Budget 2022	*2,000*	-	-	*2,000*	-

	Impact Value[1]	Net Fiscal Impact (Accrual) 2019–2020	2020–2021	2021–2022	Future Years[2]
Direct Support Measures					
Canada Emergency Wage Subsidy	**101,050**	**-**	**80,166**	**20,884**	**-**
EFU 2021	100,495	-	80,166	20,329	-
Revised estimate	101,050	-	80,166	20,884	-
Difference	555	-	-	555	-
Canada Emergency Rent Subsidy and Lockdown Support	**7,930**	**-**	**4,045**	**3,885**	**-**
EFU 2021	8,015	-	4,045	3,970	-
Revised estimate	7,930	-	4,045	3,885	-
Difference	-85	-	-	-85	-
Canada Emergency Response Benefit	**70,671**	**6,505**	**64,166**	**-**	**-**
EFU 2021	70,671	6,505	64,166	-	-
Enhancements to Employment Insurance	**13,133**	**-**	**3,240**	**9,893**	**2,954**
EFU 2021	13,133	-	3,240	9,893	2,954
Canada Recovery Benefit[6]	**28,324**	**-**	**14,442**	**13,875**	**76**
EFU 2021[6]	28,661	-	14,442	14,212	76
Revised estimate[6]	28,324	-	14,442	13,875	76
Difference	-338	-	-	-338	-
Canada Recovery Sickness Benefit[6]	**1,479**		**419**	**960**	**115**
EFU 2021[6]	1,383	-	419	864	115
Revised estimate[6]	1,479	-	419	960	115
Difference	96	-	-	96	-
Canada Recovery Caregiver Benefit[6]	**4,620**		**1,967**	**2,333**	**341**
EFU 2021[6]	5,273	-	1,967	2,986	341
Revised estimate[6]	4,620	-	1,967	2,333	341
Difference	-653	-	-	-653	-
Canada Workers Lockdown Benefit[3]	**960**	**-**	**-**	**942**	**18**
Of which: amount provisioned in EFU 2021 for Omicron variant response	*942*	**-**	**-**	*942*	**-**
Canada Emergency Business Account – Incentive[7]	**15,167**	**-**	**13,085**	**2,082**	**-**
EFU 2021	14,076	-	13,085	992	-
Revised estimate	15,167	-	13,085	2,082	-
Difference	1,090	-	-	1,090	-
Targeting Supports for Deeply Affected Businesses[6]	**6,075**	**-**	**-**	**5,655**	**420**
EFU 2021[6]	3,185	-	-	3,010	175
Local Lockdown Program – Expanded Eligibility (announced December 22, 2021 and February 9, 2022)[3,6]	1,320	-	-	1,320	-
Revised estimate[6]	6,075	-	-	5,655	420
Difference[6]	*1,570*	-	-	*1,325*	*245*

		Net Fiscal Impact (Accrual)			
	Impact Value[1]	2019–2020	2020–2021	2021–2022	Future Years[2]
Of which: amount provisioned in EFU 2021 for Omicron Variant response	*2,645*	-	-	*2,645*	-
Other Direct Support Measures (EFU 2021)	33,401	106	28,151	3,771	2,157
Remaining EFU 2021 provision for Omicron Variant response	263	-	-	263	-
Total - Direct Support Measures	**282,790**	**6,611**	**209,681**	**64,279**	**6,081**
Of which:					
Policy Actions in EFU 2021[4]	*282,143*	*6,611*	*209,681*	*63,877*	*5,818*
Impact of re-estimated costs	*2,235*	-	-	*1,990*	*245*
Policy Actions Since EFU 2021 (net)	*-1,588*	-	-	*-1,588*	*18*
Total-Protecting Health and Safety and Direct Support Measures	**352,204**	**7,193**	**255,095**	**87,046**	**9,128**
Tax and Customs Duty Payment Liquidity (in FES 2020)	**85,050**	**56**	**2,938**	**15**	**-5**
Business Credit Availability Program and Other Credit Liquidity Support	**80,122**	**-**	**5,073**	**3,602**	**2,666**
Of which:					
Policy Actions in EFU 2021	*80,571*	-	*5,073*	*4,051*	*2,666*
Impact of re-estimated costs	*-449*	-	-	*-449*	-
Total- COVID-19 Economic Response Plan	**517,376**	**7,249**	**261,753**	**90,663**	**11,789**
Of which:					
Policy Actions in EFU 2021[6,8]	*511,644*	*7,249*	*261,753*	*85,182*	*11,173*
Impact of re-estimated costs	*1,786*	-	-	*1,541*	*245*
Policy Actions since EFU 2021 (net)[6]	*1,946*	-	-	*1,940*	*371*
Policy Actions in Budget 2022	*2,000*	-	-	*2,000*	-

Note: Numbers may not add due to rounding.

[1] The impact value reflects projected cash expenditures and liquidity support over the 2019-20 to 2021-22 period. Measures listed in footnote 6 also include projected expenditures in 2022-23 (totalling $2.8 billion). The impact value is higher than the fiscal (budgetary) impact on an accrual basis, owing to cash-accrual accounting differences, and the fact that some of these measures relate to loans and tax deferrals, for which only provisions for potential losses, and forgone interest and penalties would affect the budgetary balance, respectively. Of note, these figures do not include all adjustments to spending profiles that may have occurred since they were announced, as a result of operational requirements (for instance, timing of actual payments, particularly for health expenditures).

[2] 2022-2023 to 2025-2026.

[3] Announced since the Economic and Fiscal Update 2021.

[4] $150 million of the amount provisioned in EFU 2021 for Omicron variant response has been reclassified to Protecting Health and Safety from Direct Support Measures.

[5] Cash expenditure to be recorded in 2022-23.

[6] Impact value of Reducing the Backlogs of Surgeries and Procedures, Recovery Benefits and Targeting Supports for Deeply Affected Businesses include costs in 2022-2023 for extensions announced since Budget 2021 as programs are available until May 7, 2022.

[7] Cost revisions to the Canada Emergency Business Account estimates reflect largely a revision to the loan provisioning methodology on the stock of loans.

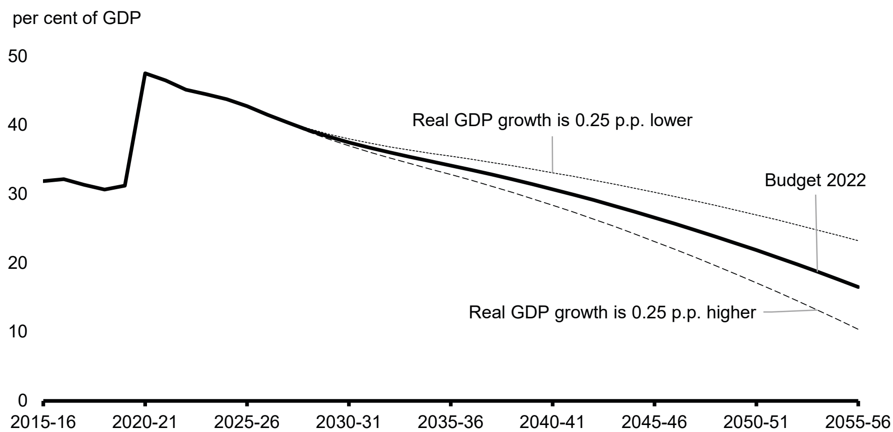
1.3 Long-Term Economic and Fiscal Projections

Long-Term Debt Projections

As with any projection that extends over several decades, the long-term debt-to-GDP ratio projection presented in this budget is subject to a high degree of uncertainty and is sensitive to assumptions. It should not be viewed as a prediction of the future, but instead as a modelling scenario based on a set of reasonable economic and demographic assumptions, assuming no future changes in policies.

Building on the Budget 2022 forecasts, the long-term fiscal projection continues to indicate that federal public finances are sustainable beyond the usual budget forecast horizon, as demonstrated by a continuously declining debt-to-GDP ratio (Chart A1.4). This is despite adverse demographic trends, assumed modest future productivity growth rates, and projected increases in interest rates. As discussed in more detail in the next section, this conclusion is also robust to some changes in assumptions, including, for example, the projected growth rate of real GDP.

Chart A1.4
Long-Term Projections of the Federal Debt



Note: Alternative simulations assume higher/lower real GDP growth starting in 2027.
Sources: Statistics Canada; Department of Finance Canada

Budget 2022 is taking critical steps to advance the government's long-term objectives of building a stronger and more resilient economy by reinvesting in areas that drive long-term growth while maintaining long-term fiscal sustainability. The government's commitment to unwinding COVID-19-related deficits and reducing the federal debt-to-GDP ratio over the medium term will help ensure that fiscal room remains available to face future challenges and the risks that are not accounted for in this projection. These include, among others, climate change, the transition to net-zero, recessions, new pandemics, and deglobalization.

Methodology and Key Assumptions

To form the long-term economic projections, the medium-term (2022 to 2026) economic forecast presented in this budget is extended to 2055 using the long-term economic projection model of the Department of Finance Canada.

In this model, annual real GDP growth depends on labour productivity growth, which is calibrated over its 1974-2019 historical average (1 per cent), and labour input growth, which is based on demographic projections produced by the Centre for Demography at Statistics Canada using assumptions provided by the Department of Finance Canada and projections for the labour force participation rate and average hours worked using econometric models developed by the Department. Assuming a constant 2 per cent annual rate for GDP inflation, nominal GDP is projected to grow by an average of 3.7 per cent per year from 2027 to 2055 (Table A1.14).

Table A1.14
GDP Growth Projection, Average Annual Growth Rates
per cent, unless otherwise indicated

	1970–2021	2022–2026	2027–2055
Real GDP growth	**2.6**	**2.5**	**1.7**
Contributions of (percentage points):			
Labour supply growth	1.5	1.4	0.7
Working-age population	1.5	1.4	0.9
Labour force participation	0.2	-0.5	-0.2
Unemployment rate	-0.1	0.4	0.0
Average hours worked	-0.2	0.1	0.0
Labour productivity growth	1.1	1.1	1.0
Nominal GDP growth	**6.8**	**4.8**	**3.7**

Notes: Contributions may not add up due to rounding. The productivity growth assumption represents a change from previous practice where projected productivity growth was based on the slightly longer 1970-2019 average (1.2 per cent).

Sources: Statistics Canada; Department of Finance Canada calculations.

The long-term fiscal projections are obtained through an accounting model in which each revenue and expense category is modelled as a function of its underlying demographic and economic variables, with the relationships defined by a mix of current government policies and assumptions. The key assumptions are:

- All tax revenues as well as direct program expenses grow with nominal GDP.
- The Canada Health Transfer, Canada Social Transfer, and Equalization grow with their respective legislated escalators. The remaining federal transfers to other levels of government, depending on the transfer, grow with nominal GDP, the targeted populations and inflation, or current legislation.

- Old Age Security program and children's benefits grow with the targeted populations and inflation. Employment Insurance (EI) benefits grow in line with the number of beneficiaries and the growth in average weekly earnings. The EI premium rate grows according to current program parameters.
- The effective interest rate on interest-bearing federal debt is assumed to gradually increase from about 2.4 per cent in 2026–27 to 3.3 per cent by the mid-2040s and to remain broadly stable around this level thereafter.

The sensitivity analysis below shows that the long-term fiscal projections are robust to some changes to these assumptions (Tables A1.15 and A1.16). It also confirms that government policies aimed at increasing labour force participation, immigration, and productivity could further help improve fiscal sustainability going forward.

Table A1.15
Description of Alternative Assumptions[1]
alternative assumption less baseline

	Baseline[2]	High	Low
Demographic:			
Fertility rate (average births per woman)	1.6 births	+0.5 births	-0.5 births
Immigration (per cent of population)	0.9	+0.25 p.p.	-0.25 p.p.
Life expectancy at 65	22.6 years	+3 years	-3 years
Economic:			
Total labour force participation rate (per cent)	61.5	+2.0 p.p.	-2.0 p.p.
Average weekly hours worked	33.3 hours	+1.0 hour	-1.0 hour
Unemployment rate (per cent)	5.5	+1.0 p.p.	-1.0 p.p.
Labour productivity (per cent)	1.0	+0.25 p.p.	-0.25 p.p.
Interest rates (per cent)	3.2	+1.0 p.p.	-1.0 p.p.

Note: p.p. = percentage point.

[1] These alternative assumptions are applied starting in 2027 except for changes in life expectancy, which are gradually applied over the projection horizon.

[2] Baseline shown as the average over the period 2027 to 2055.

Table A1.16

Budgetary Balance and Debt in 2055–56 under Alternative Assumptions

per cent of GDP

	Baseline		High		Low	
	Budgetary Balance	Debt	Budgetary Balance	Debt	Budgetary Balance	Debt
Demographic:						
Fertility rate	0.5	16.5	0.3	19.9	0.7	13.0
Immigration	0.5	16.5	0.9	10.8	0.0	23.5
Life expectancy at 65	0.5	16.5	0.2	19.9	0.8	13.7
Economic:						
Total labour force participation rate	0.5	16.5	0.8	11.8	0.2	22.0
Average weekly hours worked	0.5	16.5	0.8	12.2	0.2	21.5
Unemployment rate	0.5	16.5	0.4	18.1	0.6	15.0
Labour productivity	0.5	16.5	1.0	10.2	0.0	23.4
Interest rates	0.5	16.5	0.0	25.0	0.8	9.9

Annex 2
Debt Management Strategy

Introduction

The *2022-23 Debt Management Strategy* sets out the Government of Canada's objectives, strategy, and borrowing plans for its domestic and foreign debt program and the management of its official reserves.

The *Financial Administration Act* (FAA) requires that the Minister of Finance table, in each House of Parliament, a report on the anticipated borrowing to be undertaken in the fiscal year ahead, including the purposes for which the money will be borrowed and the management of the public debt, no later than 30 sitting days after the beginning of the fiscal year. The *2022-23 Debt Management Strategy* fulfills this requirement.

Since the beginning of the pandemic, the government has been successful in maximizing long bond issuance to fund COVID-19-related debt. This year's debt management strategy continues to implement this strategic direction, first outlined in the 2020 *Economic and Fiscal Snapshot*.

Objectives

For 2022-23, the government will maintain its long-term emphasis in the debt management strategy. This prudent approach aims to lower future annual refinancing and provides predictability in public debt charges.

The fundamental objectives of debt management are to raise stable and low-cost funding to meet the financial requirements of the Government of Canada and to maintain a well-functioning market for Government of Canada securities.

The government will closely monitor financial markets and may adjust issuance in response to shifts in market demand and/or changes to financial requirements. Having access to a well-functioning government securities market contributes to lower costs and less volatile pricing for the government, ensuring that funds can be raised efficiently over time to meet the government's financial requirements. Moreover, to support a liquid and well-functioning market for Government of Canada securities, the government strives to promote transparency and consistency.

Outlook for Government of Canada Debt

Prudent fiscal management means Canada continues to have an enviable fiscal position relative to international peers, with the lowest net debt-to-GDP ratio in the G7. Rating agencies have indicated that Canada's effective, stable, and predictable policymaking and political institutions, economic resilience and diversity, well-regulated financial markets, and its monetary and fiscal flexibility contribute to Canada's strong current credit ratings: Moody’s (Aaa), S&P (AAA), DBRS (AAA), and Fitch (AA+).

Planned Borrowing Activities for 2022-23

The projected sources and uses of borrowings for 2022-23 are presented in Table A2.1. The comparison of actual sources and uses of borrowings against projections will be reported in the *Debt Management Report for 2022-23*. This document will be released soon after the *Public Accounts of Canada 2022*, which provides detailed accounting information on the government’s interest-bearing debt.

Sources of Borrowings

The aggregate principal amount of money to be borrowed by the government in 2022-23 is projected to be $435 billion, about 80 per cent of which is composed of existing debt that is maturing and being refinanced. This level of borrowing is consistent with the maximum borrowing amount of $1,831 billion set out in the *Borrowing Authority Act* and the approved Governor in Council Order that set the annual borrowing limit for 2022-23 at $513.3 billion.

Uses of Borrowings

The government's borrowing needs are driven by the refinancing of debt and projected incremental financial requirements. The size of the program reflects both requirements to refinance domestic debt of $369 billion as well as the projected financial requirement of $85 billion. Borrowings for domestic needs will be sourced from domestic wholesale markets (Table A2.1).

The government has maintained higher cash balances during the COVID-19 pandemic to be prepared for uncertain spending needs such as emergency supports for people and businesses. These cash balances are expected to be reduced during 2022-23 to offset some of the government's financial requirements, as part of a general shift in the return to normal government operations.

Despite record borrowings to support Canadians and the economy during the COVID-19 pandemic, public debt charges are projected to remain sustainable at $26.9 billion for 2022-23, representing 1 per cent of GDP. Interest rates are forecasted to increase slightly throughout the forecast horizon, resulting in public debt charges rising to $42.9 billion, or 1.4 per cent of GDP by 2026-27. This is still substantially lower than the average cost of financing debt over the last two decades, even with a significantly higher public debt because of COVID-19. As a share of total government revenue, debt charges are projected to sit at approximately 8.6 per cent by 2026-27, similar to the level in 2014-15.

Actual borrowings for the year may differ due to uncertainty associated with economic and fiscal projections, the timing of cash transactions, and other factors such as changes in foreign reserve needs and Crown corporation borrowings. To adjust for these unexpected changes in financial requirements, debt issuance can be altered during the year, typically through changes in the issuance of treasury bills.

In addition, the government will closely monitor market conditions and may adjust issuance for treasury bills and bonds in response to shifts in market demand.

Table A2.1
Planned/Actual Sources and Uses of Borrowings for Fiscal Year 2022-23
$ Billions

Sources of borrowings	
Payable in Canadian Currency	
Treasury bills[1]	213
Bonds	212
Total payable in Canadian currency	425
Payable in foreign currencies	10
Total sources of borrowings	**435**
Uses of borrowings	
Refinancing needs	
Payable in Canadian Currency	
Treasury bills	187
Bonds	182
Retail debt	0
Total payable in Canadian currency	369
Payable in foreign currencies	9
Total refinancing needs	**378**
Financial requirement	
Budgetary balance	53
Non-budgetary transactions	
Pension and other accounts	-10
Non-financial assets	0
Loans, investments and advances	10
Of which:	
Enterprise Crown corporations	*7*
Other	*3*
Other transactions[2]	33
Total financial requirement	**85**
Total uses of borrowings	**463**
Change in other unmatured debt transactions[3]	0
Net increase or decrease (-) in cash	-28

Source: Department of Finance Canada calculations.
Notes: Numbers may not add due to rounding. In the uses of borrowings section, a negative sign denotes a financial source.
1 Treasury bills are rolled over, or refinanced, a number of times during the year. This results in a larger number of new issues per year than the stock of outstanding at the end of the fiscal year, which is presented in the table.
2 Other transactions primarily comprise the conversion of accrual transactions to cash inflows and outflows for taxes and other accounts receivable, provincial and territorial tax collection agreements, amounts payable to taxpayers and other liabilities, and foreign exchange accounts.
3 Includes cross-currency swap revaluation, unamortized discounts on debt issues, obligations related to capital leases, and other unmatured debt, where this refers to in the table.

2022-23 Borrowing Program

Canada will continue, as much as possible, to fund the remaining COVID-19-related debt through long-term issuance. This strategic direction will provide security and stability to the government balance sheet by lowering annual debt refinancing needs and providing more predictability in public debt charges.

The share of bond issuances with a maturity of 10 years or greater will remain high, at 35 per cent of total issuances (Table A2.2). The government will continue issuance of the ultra-long 50-year bond for 2022-23. Accordingly, the Average Term to Maturity of the government's market debt is expected to increase from just over 5 years at the end of June 2020 to nearly 7 years by the end of 2022-23.

In the decade prior to the pandemic, on average about 20 per cent of the bonds issued by the government were issued at maturities of 10 years or greater. Over the course of 2021-22, federal government allocations of long bonds was about 45 per cent. The government is now proposing to target about 35 per cent in long bond issuance in 2022-23 to fund the remaining COVID-19-related debt through long-term issuance while also maintaining a well-functioning market in other issuance sectors.

As was the case last year, this target may be adjusted in response to shifts in market demand and/or changes to financial requirements.

Table A2.2
Gross Bond Issuances by Maturity
$ Billions, end of fiscal year

	2021-22 Previous Year		2022-23 Planned		10 Year Average[1]
	Issuance	Share of Bond Issuance	Issuance	Share of Bond Issuance	Share of Bond Issuance
Short (2, 3, 5-year sectors)	136	53%	132	62%	80%
Long (10-year+)	114	45%	75	35%	20%
Green bonds	5	2%	5[2]	2%	-
Gross Bond Issuance	**255**	**100%**	**212**	**100%**	**100%**

Note: Numbers may not add due to rounding.
[1]The average of the previous 10 fiscal years (2011-12 through 2020-21).
[2] Target issuance, subject to expenditure availability and market conditions.

Composition of Market Debt

The total stock of market debt is projected to reach $1,291 billion by the end of 2022-23 (Table A2.3).

Table A2.3
Change in Composition of Market Debt
$ Billions, end of fiscal year

	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Estimated	2022-23 Projected
Domestic bonds[1]	569	597	879	1,031	1,063
Treasury bills	134	152	219	187	213
Foreign debt	16	16	15	14	15
Retail debt	1	1	0	0	0
Total market debt	**721**	**765**	**1,114**	**1,232**	**1,291**

Sources: Bank of Canada; Department of Finance Canada calculations.
Note: Numbers may not add due to rounding.
[1] Includes additional debt that accrues during the fiscal year as a result of the inflation adjustments to Real Return Bonds.

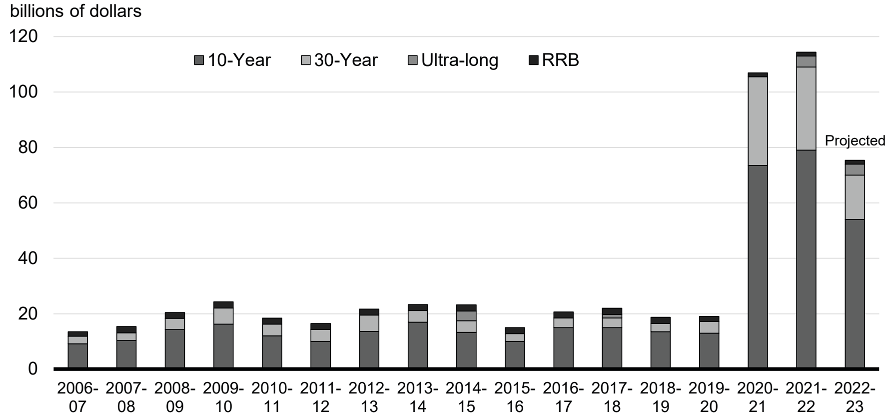
Gross debt issuance will fall in 2022-23 compared to 2021-22, reflecting lower financial requirements (Table A2.4). However, the level of issuance of bonds with a term to maturity of 10 years or more is planned to remain high by historical standards (Chart A2.1).

Table A2.4
Projected Gross Issuance of Bonds and Bills for 2022-23
$ Billions, end of fiscal year

	2020-21 Actual	2021-22 Estimated	2022-23 Planned
Treasury bills	**219**	**187**	**213**
2-year	129	67	74
3-year	56	29	24
5-year	82	40	34
10-year	74	79	54
30-year	32	30	16
Real Return Bonds	1	1	1
Ultra-long	-	4	4
Green bonds	-	5	5[1]
Total bonds	**374**	**255**	**212**
Total gross issuance	**593**	**442**	**425**

Sources: Bank of Canada; Department of Finance Canada calculations.
Notes: Numbers may not add due to rounding. The share of issuance per bond sector is relative to total bond issuance.
[1] Target issuance, subject to expenditure availability and market conditions

Chart A2.1
Government of Canada Issuance of Long-term Bonds



Source: Department of Finance Canada calculations.

Treasury Bill Program

Bi-weekly issuance of 3-, 6-, and 12-month maturities are planned for 2022-23, with auction sizes planned to be largely within the $14 billion to $26 billion range. The government targets an increase in the year-end stock of treasury bills to $213 billion by the end of 2022-23, from an estimated $187 billion on March 31, 2022. This approach is intended to support a liquid and well-functioning market for Canadian federal government treasury bills, which helps investors, as a whole, who need access to short-term, interest-bearing securities in lieu of cash.

This approach is also informed by consultations with market participants held in October 2021. Market participants indicated that treasury bills were currently in high demand due to excess cash in the financial markets, both from domestic and international investors. Market participants noted that treasury bill issuance could be increased but should definitely not be decreased in the event of lower financial requirements. A detailed summary of these consultations can be found online at: https://www.bankofcanada.ca/2021/12/summary-comments-fall-2021-debt-management-strategy-consultations.

Cash management bills (i.e., short-dated treasury bills) help manage government cash requirements in an efficient manner. These instruments will also be used in 2022-23 when needed.

2022-23 Bond Program

Annual gross bond issuance is planned to be about $212 billion in 2022-23, $43 billion lower than the $255 billion issued for 2021-22 (Table A2.4). This approach balances liquidity requirements in both the treasury bill and core benchmark bond sectors, while also satisfying the government's objective of funding COVID-19-related debt through long-term issuance.

Maturity Date Cycles and Benchmark Bond Target Range Sizes

For 2022-23, benchmark sizes will be lower in many sectors relative to 2021-22, reflecting the decreased overall issuance in bonds (Table A2.5).

Table A2.5
Maturity Date Patterns and Benchmark Size Ranges[1]
$ Billions

	Feb.	Mar.	Apr.	May	June	Aug.	Sept.	Oct.	Nov.	Dec.
2-year	16-20			16-20		16-20			16-20	
3-year			10-14					10-14		
5-year		16-20					16-20			
10-year					18-32					18-32
30-year[2]										25-40
Real Return Bonds[2,3]										8-12
Ultra-long[4]										N/A

Source: Department of Finance Canada calculations.
Note: These amounts do not include coupon payments.
[1] Actual annual issuance may differ.
[2] The 30-year nominal bond and Real Return Bond do not mature each year or in the same year as each other.
[3] Benchmark size range includes estimate for inflation adjustment, while planned annual issuance does not.
[4] There is currently no benchmark size set for the 50-year ultra-long bond, which matures on December 1, 2064.

Bond Auction Schedule

In 2022-23 there will be quarterly auctions of 2-, 3-, 5-, 10-, 30-, and 50-year bonds. Some of these bonds may be issued multiple times per quarter. The number of planned auctions in 2022-23 for each sector is shown in Table A2.6. The actual number of auctions for 2022-23 may be different from the planned number due to unexpected changes in borrowing requirements or shifts in market demand.

Table A2.6
Number of Planned Auctions for 2022-23
$ Billions

Sector	Planned Bond Auctions
2-year	17
3-year	8
5-year	8
10-year	14
30-year	8
Real Return Bonds	4
Ultra-long[1]	4

Source: Department of Finance Canada
Note: These amounts do not include coupon payments.
[1] Issuances for ultra-long bonds will take the format of a modified auction.

The dates of each auction will continue to be announced through the Quarterly Bond Schedule, which is published on the Bank of Canada's website prior to the start of each quarter (https://www.bankofcanada.ca/markets/government-securities-auctions/calls-for-tenders-and-results/bond-auction-schedule/).

Federal Green Bond Program

To support the growth of the sustainable finance market in Canada, in March 2022 the government published a green bond framework and issued its inaugural federal green bond, delivering on commitments made in Budget 2021.

The inaugural issuance of $5 billion received strong demand from green bond investors. Canada's inaugural green bond issuance, the largest Canadian dollar green bond offering in Canadian history, saw strong demand from green and socially minded investors, who represented 72 per cent of buyers.

Consistent with Canada's green bond framework, the government plans to release the allocation report for its inaugural green bond in 2022-23 and the first impact report will follow. Additionally, another green bond issuance is planned for 2022-23. Future decisions on size, tenor, and timing of the next green bond issuance will take into consideration views from market participants and the availability of eligible green expenditures.

The ongoing success of Canada's green bond program will involve a whole-of-government approach via continued support from federal departments that develop and deliver Canada's programs to meet climate and environmental objectives.

Management of Canada’s Official International Reserves

The Exchange Fund Account, managed by the Minister of Finance on behalf of the Government of Canada, represents the largest component of Canada’s official international reserves. It is a portfolio of Canada’s liquid foreign exchange reserves and special drawing rights (SDRs) used to aid in the control and protection of the external value of the Canadian dollar and provide a source of liquidity to the government, if needed. In addition to the Exchange Fund Account, Canada’s official international reserves include Canada’s reserve position held at the International Monetary Fund.

The government borrows to invest in liquid reserves, which are maintained at a level at or above 3 per cent of nominal GDP. Net funding requirements for 2022-23 are estimated to be around US$16 billion, but may vary as a result of movements in foreign interest rates and exchange rates.

Foreign debt is used exclusively to provide funding for Canada’s official international reserves. The anticipated rise in foreign funding in fiscal year 2022-23 is required to fund the increase in the reserves level and the maturing liabilities.

The mix of funding sources used to finance the liquid reserves in 2022-23 will depend on a number of considerations, including relative cost, market conditions, and the objective of maintaining a prudent foreign-currency-denominated debt maturity structure. Potential funding sources include a short-term US-dollar paper program (Canada bills), medium-term notes, cross-currency swaps involving the exchange of Canadian dollars for foreign currency to acquire liquid reserves, and the issuance of global bonds.

Further information on foreign currency funding and the foreign reserve assets is available in the *Report on the Management of Canada’s Official International Reserves* (https://www.canada.ca/en/department-finance/services/publications/official-international-reserves.html) and in *The Fiscal Monitor* (https://www.canada.ca/en/department-finance/services/publications/fiscal-monitor.html).

Cash Management

The core objective of cash management is to ensure that the government has sufficient cash available at all times to meet its operating requirements.

At this time, the government’s cash is entirely on deposit with the Bank of Canada, including operational balances and balances held for prudential liquidity. Periodic updates on the liquidity position are available in *The Fiscal Monitor* (https://www.canada.ca/en/department-finance/services/publications/fiscal-monitor.html).

Prudential Liquidity

The government holds liquid financial assets in the form of domestic cash deposits and foreign exchange reserves to safeguard its ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed. The government's overall liquidity levels are managed to normally cover at least one month of net projected cash flows, including coupon payments and debt refinancing needs.

Borrowing Authority

In spring of 2021, in response to pressure created by the COVID-19 pandemic, the Government of Canada invoked section 46.1(c) of the FAA to borrow under extraordinary circumstances. The borrowing that ensued totals approximately $8.4 billion and has occurred between March 23, 2021, and May 6, 2021, inclusively.

Since then, the government has reported to Parliament on the extraordinary amounts borrowed through the *2021-22 Extraordinary Borrowing Report to Parliament*, which was tabled in Parliament on May 25, 2021.

Given that the period of extraordinary borrowing has ended, and that the government has reported on it to Parliament, the government is proposing to introduce legislation to treat this amount as regular borrowings and to cause it to be counted against the *Borrowing Authority Act* maximum amount. This is consistent with the approach taken in fall 2020, when a similar tranche of extraordinary borrowing was completed and subsequently consolidated into the overall borrowing limit.

Additionally, the government is proposing to amend the FAA to no longer treat this amount as extraordinary borrowing for the purpose of reporting requirements under the FAA and to simplify the legislative reporting requirements associated with extraordinary borrowing amounts in the annual *Debt Management Report* to only require that the amounts be reported as at the fiscal year-end. This ensures a consistent and transparent approach for reporting and understanding the government's overall borrowing activity.

Annex 3
Legislative Measures

This annex includes a number of measures (other than tax-related measures) that would be implemented through legislation.

Subject of the Measure	Proposed Legislative Action
Strengthening the Federal Pension Framework	In Budget 2022, the government proposes to amend the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act* to improve the sustainability and long-term security of federally regulated pensions for all plan members and retirees through improved governance and administration and new frameworks for solvency reserve accounts and variable payment life annuities.
A Fairer Banking Complaints Handling System for Canadians	In Budget 2022, the government proposes to introduce legislative amendments to the *Bank Act* and the *Financial Consumer Agency of Canada Act* to provide for a single, non-profit external complaints handling body (ECB) in banking and to strengthen the ECB system.
Financial Sector Legislative Measures	In Budget 2022, the government proposes to amend the *Bank Act*, *Insurance Companies Act, Trust and Loan Companies Act,* and *Canada Deposit Insurance Corporation Act* to facilitate access to capital for property and casualty insurance companies, ensure that approval requirements for financial sector transactions apply regardless of how they are structured, adjust the time-limited permissions of the investment regime to ensure they are used appropriately, strengthen governance at the Canada Deposit Insurance Corporation, and update proxy solicitation provisions for certain financial institutions.
Strengthening the Anti-Money Laundering Regime	In Budget 2022, the government proposes to develop legislative changes to strengthen the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, *Criminal Code*, and other legislation, to enhance the ability of authorities to detect, deter, investigate, and prosecute financial crimes as well as ensure that the government is well placed to manage emerging threats outside the scope of the current AML/ATF Regime and has the tools necessary to preserve financial integrity and economic security.

Subject of the Measure	Proposed Legislative Action
Amendments to the *Copyright Act*	In Budget 2022, the government proposes to introduce amendments to the *Copyright Act* to extend the general term of copyright protection from 50 to 70 years after the life of the author as agreed under the Canada-United States-Mexico Agreement. The government is committed to ensuring that the *Copyright Act* protects all creators and copyright holders. As such, the government will also work to ensure a sustainable educational publishing industry, including fair remuneration for creators and copyright holders, as well as a modern and innovative marketplace that can efficiently serve copyright users.
Lunar Gateway	In Budget 2022, the government proposes to introduce legislative amendments to the *Criminal Code* and the *Government Employees Compensation Act*, make consequential amendments to other Acts, and introduce new legislation necessary to enable Canada's participation in the Lunar Gateway. Canada is one of the countries planning the Lunar Gateway—a space station in lunar orbit that will serve a variety of purposes including as a laboratory and, eventually, a stepping stone for voyages to Mars.
Annual Regulatory Modernization	On March 31, 2022, the second Annual Regulatory Modernization Bill, which includes legislative amendments to remove outdated regulatory requirements and allow for the updating of regulations, was tabled in the Senate.
Amendments to the *Competition Act*	In Budget 2022, the government proposes to introduce legislative amendments to the *Competition Act* as a preliminary step in modernizing the competition regime.
The *College of Patent Agents and Trademark Agents Act*	In Budget 2022, the government proposes to make legislative amendments to the *College of Patent Agents and Trademark Agents Act* to better enable directors of the College to prioritize the public interest and to improve the efficiency of the College's operations. The College is mandated to regulate the intellectual property agent profession in the public interest.
Renewing and Expanding the Oceans Protection Plan	In Budget 2022, the government proposes to introduce legislative amendments to the *Canada Shipping Act* to include all types of pollution and enable the proactive management of marine emergencies, and to the *Marine Liability Act* and the *Bill of Lading Act* to clarify the liability and compensation regime for ship-source incidents.

Subject of the Measure	**Proposed Legislative Action**
Amendments to the *Financial Administration Act* to Support the Canadian Digital Service	In Budget 2022, the government proposes to introduce amendments to the *Financial Administration Act* to enable the Canadian Digital Service to provide its digital platform services more broadly, including to other jurisdictions in Canada, and to clarify its responsibilities under the *Privacy Act* and *Access to Information Act* with respect to the services it provides.
Amendments to the *Service Fees Act*	In Budget 2022, the government proposes to introduce amendments to the *Service Fees Act* to clarify existing requirements, improve transparency, and reduce administrative burden on departments in their effort to modernize regulatory charges and service fees.
Strengthening Canada's Trade Remedy and Revenue Systems	In Budget 2022, the government proposes to introduce amendments to the *Special Import Measures Act* and the *Canadian International Trade Tribunal Act* to strengthen Canada's trade remedy system and improve access for workers. The government also proposes to introduce amendments to the *Customs Act* to allow for electronic assessments and payments and clarify importer liability to address revenue leakage risks.
Canada Growth Fund	In Budget 2022, the government proposes to introduce legislation or legislative amendments to establish the Canada Growth Fund as a new government investment fund, to invest in projects that will catalyze private capital to invest, when it would not otherwise, in Canada's climate transition.
First Nations Land Management Act	In Budget 2022, the government proposes to replace the *First Nations Land Management Act* with the Framework Agreement on First Nation Land Management Act, concise legislation that will give force of law to the Framework Agreement on First Nation Land Management and make consequential amendments to other Acts to reflect this change.
Anishinabek Nation Governance Agreement	In Budget 2022, the government proposes to enact the Anishinabek Nation Governance Agreement Act and make related and consequential amendments to other Acts.
Prohibiting the Promotion of Antisemitism	In Budget 2022, the government proposes to amend the *Criminal Code* to prohibit the communication of statements, other than in private conversation, that willfully promote antisemitism by condoning, denying or downplaying the Holocaust.

Subject of the Measure	Proposed Legislative Action
Extending Temporary Supports for Seasonal Workers	In Budget 2022, the government proposes to amend the *Employment Insurance Act* to extend the rules of a temporary measure that provides 5 additional weeks to seasonal workers in targeted regions, until October 2023.
Improving the Employment Recourse Process	In Budget 2022, the government proposes to amend the *Employment Insurance Act* and the *Department of Employment and Social Development Act* to enable the creation of the new EI Boards of Appeal, replacing the EI appeals process under the Social Security Tribunal General Division.
COVID19 Benefit Integrity	In Budget 2022, the government proposes to amend the *Canada Emergency Response Benefit Act* and the *Canada Emergency Student Benefit Act* in order to provide the Canada Revenue Agency with the authority to establish and collect debts, on a weekly basis, due to overlapping weeks of payments in situations where a worker has accessed more than one benefit at once.
Modernizing Labour Market Transfer Agreements	In Budget 2022, the government proposes to amend Part II of the *Employment Insurance Act* to broaden eligibility and the types of interventions funded under the Labour Market Development Agreements with provinces and territories.
Supporting Judicial Compensation and Benefits	In Budget 2022, the government proposes to amend the *Judges Act,* the *Federal Courts Act,* and the *Interpretation Act* to implement the recommendations from the sixth Quadrennial Commission on Judicial Compensation and Benefits' report.
Increasing the Capacity of Superior Courts	In Budget 2022, the government proposes to amend the *Judges Act*, the *Federal Courts Act*, and the *Tax Court of Canada Act* to add 24 new superior court positions, including new Associate Chief Justices for the Court of Queen's Bench for Saskatchewan and for the Court of Queen's Bench of New Brunswick.
Allowing Use of Canada Revenue Agency-collected Data for Canada Pension Plan Analysis and Evaluation	In Budget 2022, the government proposes to make legislative amendments to the Canada Pension Plan legislation to allow the use of Canada Revenue Agency-collected data by Employment and Social Development Canada when performing policy analysis, reporting, and evaluation functions for the Canada Pension Plan. Access to this data would support the government's commitment to evidence-based policy development and GBA Plus analysis.

Subject of the Measure	Proposed Legislative Action
Legislative Changes to Canada Pension Plan	In Budget 2022, the government proposes to make technical changes to the Canada Pension Plan legislation to ensure the correct calculation of eligibility and benefits for a small number of individuals qualifying for the Post-Retirement Disability Benefit and the child-rearing and disability drop-ins. These changes will ensure that the eligibility and calculation of these benefits is consistently applied for all individuals.
Government Annuities Improvement Act	In Budget 2022, the government proposes to make an amendment to the *Government Annuities Improvement Act* to reduce duplicative audit requirements. Canadians and annuitants would continue to have access to information on the program through the Public Accounts and the actuarial reports published by the Office of the Chief Actuary.
Old Age Security 75+ One-Time Payment	In Budget 2022, the government proposes to amend the *Old Age Security Act* to clarify that the one-time payment made in August 2021 to seniors age 75 and older will be exempted from the income test for the Guaranteed Income Supplement and Allowances. This amendment corrects a reference error resulting from the passage of the *Budget Implementation Act, 2021, No. 1*.
Exemptions From the *Service Fees Act* for Certain Service Fees Under the *Immigration and Refugee Protection Act*	In Budget 2022, the government proposes to amend the *Immigration and Refugee Protection Act* to exempt the following four fees from the *Service Fees Act*: Authorization to Return to Canada, Determination of Rehabilitation (Criminality and Serious Criminality), Restoration of Temporary Resident Status, and Temporary Resident Permit.
Improving Express Entry	In Budget 2022, the government proposes to amend the *Immigration and Refugee Protection Act* to provide the Minister of Immigration, Refugees and Citizenship Canada with authority to use Ministerial Instructions to help select those candidates who best meet Canada's labour market needs from among the growing pool of candidates who wish to become permanent residents through the Express Entry System.
Clean Drinking Water and Better Infrastructure for First Nations Communities	In Budget 2022, the government affirms its commitment to introduce legislation that would repeal the *Safe Drinking Water for First Nations Act* and work with First Nations to develop a replacement. The government also intends to amend the *Income Tax Act* to exclude the income of the Safe Drinking Water Trust established under the Safe Drinking Water Class Action Settlement Agreement from taxation.

Subject of the Measure	Proposed Legislative Action
Improving the Citizenship Program	In Budget 2022, the government proposes to amend the *Citizenship Act* to enable automated and machine-assisted processing, and the collection and use of biometric information.
Securing the Integrity of Canada's Asylum System	In Budget 2022, the government proposes to amend the *Immigration and Refugee Protection Act* to allow Immigration, Refugees and Citizenship Canada to require electronic submission of asylum claims.
Amending the *Corrections and Conditional Release Act*	In Budget 2022, the government proposes to introduce amendments to the *Corrections and Conditional Release Act* (Act) that will prohibit the Correctional Service of Canada from placing inmates, who are suspected of concealing contraband in the vaginal cavity, in dry cells. This measure will bring the Act into compliance with the *Canadian Charter of Rights and Freedoms*.
Leveraging Transit Funding to Build More Homes	On March 25, 2022, the government tabled a bill to authorize the Minister of Finance to provide up to $750 million to provinces and territories to address municipal and other transit shortfalls and needs and to support housing supply and affordability. The government intends to proceed with this measure.
Elimination of the Canadian Pacific Railway Tax Exemption	Budget 2022 announces the government's intention to introduce legislation that will, retroactive to August 29, 1966, eliminate the Canadian Pacific Railway Company (CPR)'s purported tax exemption under Clause 16 of the 1880 agreement between Canada and CPR's founders, annexed to *An Act respecting the Canadian Pacific Railway* (1881), and extinguish any potential federal liability that may arise directly or indirectly from the elimination of the purported tax exemption. This measure is expected to enhance the fairness and integrity of Canada's tax system.
Reducing the Backlogs of Surgeries and Procedures	On March 25, 2022, the government tabled a bill to amend the *Federal-Provincial Fiscal Arrangements Act* to provide up to $2 billion to provinces and territories on a per capita basis through the Canada Health Transfer. This measure is to support provinces and territories in continuing to address health system concerns, in particular to reduce the pandemic induced backlog of surgeries and procedures. The government intends to proceed with this measure.
Beneficial Ownership Registry	In Budget 2022, the government proposes to amend the *Canada Business Corporations Act* to implement a publicly accessible beneficial ownership registry of corporations governed under the Act by 2023.

Subject of the Measure	Proposed Legislative Action
Borrowing Authority Administrative Amendments	In Budget 2022, the government proposes to introduce administrative amendments to the *Borrowing Authority Act*, and the *Financial Administration Act* (FAA) as required, to roll in extraordinary borrowing from spring 2021 into the borrowing authority maximum amount and no longer treat this amount as extraordinary borrowing for the purpose of reporting requirements. The government also proposes to amend the FAA to simplify the legislative reporting requirements associated with extraordinary borrowing amounts in the annual *Debt Management Report* to only require that the amounts be reported as at the fiscal year-end.
Strengthening Supports for Workers Experiencing Miscarriage or Stillbirth	In Budget 2022, the government announces its intention to amend the *Canada Labour Code* in the coming year to further support federally regulated employees who experience a miscarriage or stillbirth.
Supporting the Modern Senate	In Budget 2022, the government proposes to make amendments to the *Parliament of Canada Act* and consequential amendments to other related Acts to recognize and support greater independence and non-partisanship in the Senate. The government will continue to take steps to support and protect Canada's democratic institutions and processes, including through legislation when necessary.
Strengthening Sanctions Implementation	In Budget 2022, the government proposes to introduce legislation that would clarify the ability of the Minister of Foreign Affairs to seize and cause the forfeiture and disposal of assets held by sanctioned individuals and entities.
A Ban on Foreign Investment in Canadian Housing	In Budget 2022, the government proposes to introduce new legislation to prohibit certain foreign entities and individuals who are not Canadian citizens or permanent residents from acquiring non-recreational, residential property in Canada for a period of two years. Refugees and other individuals fleeing international crises are to be exempted from the prohibition. International students on the path to permanent residency would also be exempt in certain circumstances, as would individuals on work permits who are residing in Canada.

Subject of the Measure	Proposed Legislative Action
Supporting Implementation of 10 Days of Paid Sick Leave for Federally Regulated Workers	In Budget 2022, the government proposes to introduce minor amendments to the *Act to Amend the Criminal Code and the Canada Labour Code* (Bill C-3) to support timely and effective implementation of 10 days of paid medical leave for workers in the federally-regulated private sector.
Public Sector Pension Plan Governance	In Budget 2022, the government proposes to amend the *Public Sector Pension Investment Board Act* to increase the size of the board of directors of the Public Sector Pension Investment Board.