



2006 annual report





institute for research on public policy

FINANCIAL HIGHLIGHTS OF THE OPERATING FUND

The IRPP operations have run at a surplus for the last three years.
(in thousands of dollars)

	2006	2005	2004
Revenues*	2,745	2,786	2,640
Expenses	2,717	2,736	2,534
Revenues over expenses	28	50	106

*Revenues consist of investment income approved for operations, revenue from publications and other revenue.

FINANCIAL HIGHLIGHTS OF THE ENDOWMENT FUND

(in thousands of dollars)

	2006	2005	2004
Total year-end market value	41,366	39,500	39,700



report of the chair of the board of directors

This is a time of transition for the IRPP. Hugh Segal is leaving us for the Senate, and **Mel Cappe** is joining us as president and CEO after a long and successful career in the Canadian public service.

Hugh Segal's energy, intelligence and indefatigable good humour have made his presidency at the IRPP a delight. He combines a passion for public policy with an extraordinary ability to communicate and relate to both decision-makers and the broader public.

He has also been a pleasure to work with. On behalf of the Board and staff, "thank you" is hardly enough. No one has given more and made us all feel better in the process. We know his understanding of Canada and the world and the issues facing us will continue to mark his contribution to public life.

In saying farewell to Hugh we also bid welcome to Mel Cappe. Mel has served as deputy minister, as Clerk of the Privy Council and as Canadian High Commissioner to the United Kingdom. His enthusiasm about the IRPP and what it represents has been clear from

the outset, and with his great range of interests in Canada and globally he will make a profound contribution to the IRPP and to Canadian public policy. We are delighted to have him with us.

Finally, as per the IRPP's tradition of nonpartisanship, I stepped down from the chair in April 2006 to join the leadership race for the Liberal Party of Canada. I have tremendously enjoyed my time as chair, and I am pleased to complete my term as a Board member, which finishes in June 2007.

Turning to other Board business, **Janice MacKinnon**, our vice-chair, has been elected for a three-year term as chair. Our new vice-chair, elected for a three-year term, is **Graham Scott**. Renewing for a second four-year term as a director and as chair of the Investment Committee is Kiki Delaney. Leaving the Board after eight years as a director and chair of the Research Committee is Denis Stairs, who will stay on as a non-Board member of the Research Committee. Finally, **Yvan Bourdeau**, CEO and head of the Investment Banking Group for BMO Nesbitt Burns, has agreed to join the Board as a director for a four-year term.

The Honourable Bob Rae, P.C., O.C., Q.C.
Chair

president's report

I submit my final report as president of the IRPP with a mixture of gratitude and sadness. The gratitude is for the seven years of collaboration and support that colleagues on staff and Board members – without exception – extended to me. As a result, we were able to make great progress on issues that are critical to Canada. The sadness comes from the realization that a great and extraordinary time in my own career, working with some of the brightest, most competent and collegial people in the world, has come to an end.

The IRPP and the people who make up its intellectual and governance networks – at home and abroad, in the private and the public sectors, in the academy and among practitioners of public policy – have taught me how to balance the mix between solid empirical research, open and well-informed debate, engaged practitioners, scholars and students, which is what determines the quality of a country's public policy. The IRPP is a unique vantage point from which – as a scholar, researcher, former public servant and media observer – I could participate constructively in the national debate. And, because the IRPP begins the elaboration of a research field without any pre-conceived ideological or partisan bias, its capacity to inform the debate without skewing the discussion unduly is unparalleled. Indeed, this is one of the most important features that sets the IRPP apart from many other research institutes in the public policy field.

Since June of 1999, when my first term as president began, the IRPP has held 124 policy **events**, including conferences, open forums, working lunches or breakfasts, book launches and policy symposia. I am particularly grateful that for many of these we were fortunate to have collaborated with key national and international institutions such as the Woodrow Wilson Center in Washington, DC, the OECD, the John Goodwin Tower Center for Political Studies at Southern Methodist University in Dallas, the Centre for Managing Security in Transitional Societies in the United Kingdom and El Colegio de México in Mexico City. In addition, we worked with leading Canadian intellectual centres such as the Trudeau Foundation in Montreal, the Global Studies Centre in Victoria, and many Canadian universities, including Dalhousie University, the University of New Brunswick, Université de Moncton (Centre for Research on Regional Development), McGill University (Centre for the Study of Canada), Université Laval, Queen's University, the University of Toronto (the Law School and the Munk Centre for International Studies), the

University of Manitoba, the University of Calgary, the University of British Columbia, and Simon Fraser University, to name a few. We have held events in most major Canadian cities: Halifax, Montreal, Quebec City, Ottawa, Toronto, Winnipeg, Calgary and Vancouver, and also cities elsewhere in North America such as Texas; Washington, DC; and Mexico City.

In terms of our output of **publications**, since I began as president we have published a total of 110 studies, including *Policy Matters*, *Choices*, Working Papers and monographs, in addition to the monthly *Policy Options*. In fiscal year 2005/06, we continued with the same intensity of both output and engagement. There were 620 references to the IRPP in the media, and we published 13 *Policy Matters* and *Choices*, 2 monographs, and several Working Papers and conference papers. In addition, we organized 23 events – in Vancouver, Toronto, Ottawa, Montreal and Quebec City. Downloads of material from our Web site, including *Policy Options* articles, hit some all time records. Specifically, there were 1,074,559 downloads, and a total of 263,378 unique visitors.

I am particularly pleased that the Canadian Priorities Agenda was successfully launched in January 2006, with a session that gathered practitioners and scholars to reflect on the public policy priorities in the future. The papers and results from that session were published in the **April-May bilingual edition of *Policy Options***. That the March issue carried an **interview with the new prime minister** (a former IRPP Board member), conducted by *Policy Options* editor L. Ian MacDonald – the first one-on-one interview since the January 2006 election – is a tribute to how close to the news cycle *Policy Options* has become under Mr. MacDonald's leadership.

There are few other places in the marketplace of ideas where one has the freedom, options, platform and potential impact afforded by the IRPP. This was underlined when we celebrated the **Institute's 30th anniversary in May 2002**, in the presence of the Right Honourable Adrienne Clarkson, in an auditorium full of public servants and leaders from the political, business, diplomatic and military world.

As I reflect on the broad sweep of activities since I began as president, the pipeline of work the incoming president, Mel Cappe, will inherit, and the challenges facing Canada and the larger world, there can be no doubt that IRPP is well placed to make a signal contribution going forward. Over the last seven years, Canadian policy on democratic reform, child care quality, health care waiting times, national security and defence, the evolution and re-structuring of fiscal, economic and social policy, the broad range of North American integration issues have been positively influenced by IRPP research and symposia.

The IRPP did superb work on national security and military interoperability. (This has now evolved into the **Defence, Diplomacy**

president's report

and Development research program, reflecting the challenges the Board agreed were facing Canada and the world.) The support of Denis Stairs, who chaired the Research Committee of the Board, Ann Fitz-Gerald of RMCS Shrivenham, in the UK, Don Macnamara of Queen's University and Joel Sokolsky of Royal Military College was fundamental to this thematic. I take no personal credit for any of this.

Outstanding scholars from Canada and abroad, rigorous referees and peer reviewers, and a superb mix of colleagues on staff all united to extend and expand the reach and impact of the IRPP. It was my great privilege to work with all of them, to benefit from their counsel, their rigour, their idealism and their practicality. I am delighted that the research pipeline is partially filled and, also, that the Board has wisely approved a budget for this fiscal year that allows the new president the freedom to begin his own path of innovation and initiative.

I want to express profound gratitude to all those who took my calls, agreed to undertake various research mandates, argued to improve the mandates I suggested, and performed both on time and on the mark in terms of intellectual rigour. I want especially to thank Monique Jérôme-Forget, MNA, who entered public life from the IRPP and from whom I inherited an outstanding staff and a very fiscally sound organization.

As my chair and boss for most of my time at the Institute, Bob Rae was an inexhaustible source of advice, mentoring, insight and balance. That he and I should be leaving both the chair's and the president's office simultaneously is a coincidence. That he should be striving to offer even greater service to his country and fellow Canadians does not surprise me one bit.

France St-Hilaire, serving as vice-president, research, and Suzanne Ostiguy McIntyre, as vice-president, operations, and secretary to the Board, really formed and sustained the intellectual and operational architecture of the Institute, and none of the significant outreach, output, impact and engagement the IRPP achieved during my time would have been possible without their forbearance, judgment, dedication and follow-through. In the end, an effective think tank is about more than ideas, initiatives and publications – it is about detail, budgetary coherence, administrative follow-through and, above all, intellectual and methodological coherence and rigour. France and Suzanne set the gold standard for execution in all these areas.

I hope you will permit me the indulgence of thanking my administrative assistant, Caterina Ciavaglia, who for most of the incoming calls and communications was a key point of contact. Over her career at the IRPP, she served as receptionist, book-keeper, *Policy Options* subscriptions manager and my assistant. As is often the case across the Institute, she often multi-tasked, right to the end of my time at the IRPP. While I have convinced her to come with me in my next role, her dedication to the Institute deserves more than a passing mention.

The Institute makes its transition to a new leadership at a fascinating time in both international and domestic policy developments. I congratulate the Search Committee and the Board on the outstanding calibre, experience, breadth and knowledge reflected in the new president, Mel Cappe. His vast experience as Clerk of the Privy Council and Canadian High Commissioner to the United Kingdom, and in a career that spans many government departments and the Bank of Canada, places him in a very privileged and unique group of Canadians. He will strengthen the IRPP in many ways. His appointment is inspired.

There is no doubt in my mind that the scope, depth and leverage of the IRPP and its rollout of analysis, research and public policy prescription and ideas over the next decade will, with the wonderful team to whom I owe so much, dwarf that of which I was privileged to be a part.



The Honourable
Hugh Segal, C.M.
President 1999-2006
Montreal



canada and the world

DEFENCE, DIPLOMACY, DEVELOPMENT

Research Director: Hugh Segal

In 2005-2006 military affairs and defence policy have occupied a prominent position in the national political spotlight. Canada's expanded deployment to the Kandahar region of Afghanistan has forced the country to evaluate the national and humanitarian interests in this region and how the Canadian forces can contribute to furthering them. The IRPP was active in promoting and informing this debate with an array of studies, speakers and conferences.

In advance of the major deployment to Afghanistan, the IRPP released several studies that sought to explain and examine Canada's 3-D (diplomacy, defence, development) policy in the area. Following a conference held in May 2005 at the University of Waterloo entitled "**Canada in Afghanistan: Assessing the 3-D Approach**," Julian Wright wrote a conference report that also looked critically at the early in-theatre successes and challenges of the Canada's 3-D strategy currently being implemented. Wright revisited the topic of 3-D in a January 2006 study, "**Lost In Transition: Canada and the Search for a 3-D Solution in Kosovo**." This paper, which coincided with a renewed international interest in the Balkans after the death of Slobodan Milosevic, serves as an apt reminder of the ongoing challenges that Canada and its allies face in their 3-D operations in the region.

Canada's international role in broader terms is the focus of *Geopolitical Integrity*, a collection of essays edited by research director Hugh Segal. This edited collection consolidates a series of papers that review the importance of a renewed commitment to our military and our national security and an more active role on the world stage. One of the central issues addressed in this book, the management and importance of civilian-military cooperation in overseas missions, became the central theme of the IRPP conference, "**Weak States, Sudden Disasters and Conflicts: The Challenge for Military/NGO Relations**." This June 2005 event proved to be a timely endeavour, occurring two months before the DART's earthquake relief deployment to Southern Asia and six months before the Provincial Reconstruction Team began its term in Kandahar.

The IRPP also investigated Canada's defence institutions and commands closer to home, the apparatus that enables the country to deploy its armed forces abroad. In September 2005, the Standing Senate Committee on National Security and Defence released a report detailing the shortcomings of Canada's current military. Recognizing the need for internal scrutiny, the IRPP co-sponsored a conference entitled "**The New Defence Agenda: Transforming National Defence Administration**." Research Director Hugh Segal also gave several addresses over the course of the year, which focused on improving the efficiency and direction of Canada's procurement process.

In an increasingly uncertain world, Canada will have to invest more time and resources in its defence and national security programs. The IRPP will continue to contribute to the debate surrounding the fundamental defence policy challenges as they develop, both at home and overseas.

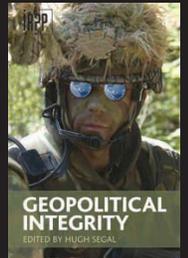
PUBLICATIONS

"Lost in Transition: Canada and the Search for a 3-D Solution in Kosovo"

Julian Wright
Policy Matters, January 2006

Geopolitical Integrity

Hugh Segal (ed.)
Monograph, April 2005



EVENTS

Working Lunch: "The Democracy Experiment in Iraq"

The Honourable Bob Rae
Date: February 13, 2006
Location: Toronto, Ontario

Conference: "The New Defence Agenda: Transforming National Defence Administration"

Co-sponsored by the IRPP
Date: April 6, 2005
Location: Ottawa, Ontario

Working Lunch: "Canada in the World: Where to Now?"

Michael Ignatieff
Date: November 28, 2005
Location: Toronto, Ontario

Conference: "Weak States and Sudden Disasters and Conflicts: The Challenge for Military/NGO Relations"

Date: June 7, 2005
Location: Ottawa, Ontario

Conference: "Integration in North America: Dialogue, Political Cooperation and Institutions"

Co-sponsored by the IRPP
Date: April 11-12, 2005
Location: Mexico City, Mexico



canada and the world

IMMIGRATION AND REFUGEE POLICY
Research Director: Geneviève Bouchard

Since September 11, Canada has adopted new antiterrorist measures and reinforced its security policy apparatus. For example, *The Immigration and Refugee Protection Act*, which entered into force in June 2002, allows the government to arrest, detain and expel foreigners on national security grounds. The introduction of security certificates, which authorize the unlimited detention of foreign nationals deemed to pose a security threat to Canada, is another example.

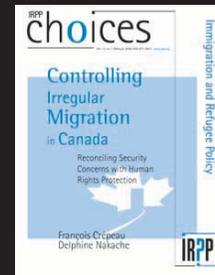
Some experts argue that these new measures erode the fundamental rights of foreigners, which are enshrined in the Canadian Charter of Rights and Freedoms. The challenges of ensuring that laws and policies respect both security and human rights concerns is attracting considerable attention in the media. A recent example is the Charkaoui case, in which Adil Charkaoui, a foreigner, was detained under a security certificate and was later granted the right to appeal by the Supreme Court.

These issues were explored in a study by François Crépeau and Delphine Nakache entitled **“Controlling Irregular Migration in Canada: Reconciling Security Concerns with Human Rights Protection.”** The authors examine the Canadian migration regime and the disparities between state migration controls, on the one hand, and provisions to protect fundamental rights, on the other. They argue that the courts will be key in the development of policies that reconcile these concerns. Following the release of the study, the IRPP held panel discussions in Montreal and Toronto as part of its working lunch series.

PUBLICATIONS

“Controlling Irregular Migration in Canada: Reconciling Security Concerns with Human Rights Protection”

François Crépeau, Delphine Nakache
Choices, February 2006



EVENTS

Working Lunch: “Controlling Irregular Migration: Reconciling Security Concerns with Human Rights Protection”

François Crépeau, Delphine Nakache, Susan Davis and Stéphane Roussel

Date: April 10, 2006

Location: Montreal, Quebec

Working Lunch: “Controlling Irregular Migration: Reconciling Security Concerns with Human Rights Protection”

François Crépeau, Delphine Nakache, Susan Davis and Wesley Wark

Date: April 4, 2006

Location: Toronto, Ontario



canada and the world

INTERNATIONAL DEMOCRATIC DEVELOPMENT
Research Director: George Perlin

The IRPP's research program on [International Democratic Development](#), launched in 2002, examines how Canada can contribute most effectively to the collective international effort to assist democratic development and also what are the best practices for delivery of this assistance.

The various publications from this program proved to be timely. In early 2005, the federal government issued its International Policy Statement (IPS). Good governance was one of the areas emphasized in the IPS, and this was defined to include democratization, human rights, and public-sector institution- and capacity-building. In practical terms, Canadian expertise was applied in 2005 in countries that face particular challenges on the road to democratic development. For example, the chief electoral officer of Canada, Jean-Pierre Kingsley, chaired the International Mission for Iraqi Elections, which assessed the electoral process for the October 2005 constitutional referendum and the December 2005 legislative elections in Iraq. A number of Canadian nongovernmental organizations (NGOs), including the Forum of Federations, have provided advice to the Iraqi authorities.

The IRPP published six studies in 2005/06 in this research program. Drawing on a range of perspectives, these studies raised important questions about the place democratic development occupies within Canadian foreign policy and the degree to which key Canadian values related to governance are reflected in our international activities.

As part of this program, IRPP organized a one-day workshop in Ottawa in August, 2005, which brought together NGO practitioners in the field of international assistance to good governance. The participants valued the opportunity to share some of the lessons they have learned in their various projects. A [report on the workshop was published on IRPP's Web site](#), along with an overview by George Perlin. At the same time, IRPP released two case studies, which provide important insights into the experience of Canadian aid practitioners and the problems they face.

As a result of discussions at the August workshop, a number of NGOs have held a series of meetings to establish a network to strengthen Canada's capacity to deliver effective programs in good governance, democratic development and human rights. The focus of the network, in which Professor Perlin is playing a major role, is to develop and provide support to integrated governance programming that will facilitate sustainable social, political and economic development through strengthening governance systems as a whole.

PUBLICATIONS

"The Role of NGOs in International Democratic Development"

Ann Masson, Robert Miller
Special Report, November 2005

"Hard Choices, Good Causes: Exploring Options for Canada's Overseas Democracy Assistance"

Lisa McIntosh Sundstrom
Policy Matters, September 2005



"The Democracy Canada Institute: A Blueprint"

Thomas S. Axworthy, Leslie Campbell,
David Donovan
Working Paper, May 2005

"Human Rights and Democracy: Issues for Canadian Policy in Democracy Promotion"

Nancy Thede
Policy Matters, May 2005

"Democracy and Peace-Building"

Jane Boulden
Policy Matters, April 2005

"Democracy and Economic Development"

David Gillies
Policy Matters, April 2005



economic growth and social progress

ECONOMIC POLICY AND GROWTH
Research Director: France St-Hilaire

Recent federal budgets have highlighted Canada's dramatic fiscal turnaround and remarkable financial performance in the international context. As a result of fiscal policies implemented in the mid-1990s, Canada is now the only G-7 country to have systematically recorded fiscal surpluses, and it now boasts the lowest net debt burden.

economic growth and social progress

ECONOMIC POLICY AND GROWTH

While these achievements have placed our country on a strong fiscal footing to face the economic and social repercussions of population aging, the reality is that other G-7 countries are still struggling with deficits, and on average they continue to see their debt burden rise. Whether and how they address their ongoing fiscal challenges and prepare for the inevitable demographic shifts will have profound implications, not only for their economies and societies, but also for capital formation and economic growth worldwide.

In order to examine these issues from an international perspective, IRPP, in conjunction with the John Goodwin Tower Center for Political Studies at Southern Methodist University and the Woodrow Wilson International Center, held an international symposium on fiscal sustainability in the G-7 last June. The two-day meeting in Washington was attended by academics and experts from each country and included leading practitioners from various central banks, finance ministries, the International Monetary Fund (IMF) and the European Commission. Following up on his earlier work describing the causes and effects of Canada's success, Tom Courchene presented the Canadian case study, and Kevin Lynch, former deputy minister of finance and executive director at the IMF, provided additional commentary. The [conference papers and the commentary](#) were posted on the Institute's Web site, and papers from the conference will be published in an international journal later this year.

EVENTS

Conference: "The Long-Term Budget Challenge: Public Finance and Fiscal Sustainability in the G-7"

Co-sponsored by the IRPP

Date: June 2-4, 2005

Location: Washington, DC

PUBLICATIONS

"Balanced Budgets: A Canadian Fiscal Value"

Thomas J. Courchene

June 2005

"Accountability and Federalism in the Era of Federal Surpluses: The Paul Martin Legacy, Part II"

Thomas J. Courchene

Working Paper, February 2006





economic growth and social progress

WORK-LIFE BALANCE AND FAMILY POLICY
Research Director: Sarah Fortin

This year was meant to be a turning point for childcare policy in Canada. It seemed like a national childcare network, which has been promised for over 20 years, would finally become a reality with the federal government's commitment in its spring 2005 budget to invest in \$5 billion over 5 years.

economic growth and social progress

WORK-LIFE BALANCE AND FAMILY POLICY

While Ottawa signed agreements with the provinces to that effect in the ensuing months, the fall of the minority Liberal government in November and the election of a minority Conservative government in January dramatically altered the direction of child care policy. The new government favoured direct payments to families over transfers to the provinces. Meanwhile, in Quebec, the provincial government was pushing for important reforms in the administration of its child care system, which met with strong opposition throughout the fall.

In midst of this highly controversial debate, the publication of **“Quality Counts! Assessing the Quality of Daycare Services Based on the Quebec Longitudinal Study of Child Development,”** first in French and then in English, sparked considerable public interest and media attention across Canada. Written by Christa Japel, Richard E. Tremblay and Sylvana Côté, this study sheds light on disturbing gaps in the quality of Quebec’s child care system.

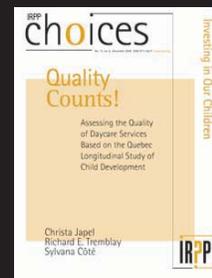
Quebec has been breaking new ground in child care policy since 1998, when it implemented its universal, regulated, affordable child care program. It is highly regarded by other provinces and advocates of child care, and its system, now counting 200,000 spaces, is often presented as a model. This IRPP study is a clear reminder that quantity is not enough, and puts the spotlight on the issue of quality. Among other findings, the authors report that children from less privileged socio-economic backgrounds are less likely to attend daycare, and those who do, attend settings where the quality is significantly lower than those attended by children from more privileged families.

Author Christa Japel and research director Sarah Fortin discussed these findings with media and other interested parties on several occasions to help sort out the challenges still facing Quebec and Canada relative to the care of young children. To further our appreciation of the issue, the IRPP organized a round table in collaboration with the Human Early Learning Partnership, a research institute based at the University of British Columbia. The March 2006 event, entitled “Early Childhood Development and Child Care: What Do We Know?” brought together child care policy experts from across Canada and was attended by more than 100 people.

PUBLICATIONS

“Quality Counts!”

Christa Japel, Richard E. Tremblay, Sylvana Côté
Choices, December 2005



“La qualité, ça compte!”

Christa Japel, Richard E. Tremblay, Sylvana Côté
Choices, October 2005

EVENTS

Round Table: “Early Childhood Development and Child Care: What Do We Know?”

Co-organized with the Human Early Learning Partnership

Date: March 27, 2006

Location: Vancouver, British Columbia





economic growth and social progress

HEALTH AND PUBLIC POLICY
Research Director: France St-Hilaire

Over the past several years, expert task forces, advisory councils and government-appointed commissions, at both the federal and provincial levels, have issued countless reports on health care reform. The issue nevertheless remains at the forefront of Canadians' concerns, and for good reason.

This is one area that defies simple solutions or the application of models used elsewhere, and the challenges presented by an aging population and technological advances only add to the layers of complexity and the difficulty in meeting expectations.

Health care policy is, therefore, an area where the IRPP has been and continues to be active. Over the past year our focus has been on exploring the use of evidence and empirical analysis to understand the impact of specific policy innovations on service delivery. The Institute teamed up with the Centre for Health Services and Policy Research, the John Deutsch Institute for the Study of Economic Policy, and the School of Policy Studies at Queen's University to organize a major multi-disciplinary conference held in Kingston, in November 2005. The sessions covered a number of broad issues from the effects of regionalization, de-listing services, and private health insurance, to human resource management, public health, drug pricing and insurance. A full session was devoted to the implications of the recent Supreme Court decision on *Chaoulli v. Quebec*. The conference papers have been posted on the Institute's Web site. They will be published jointly with the John Deutsch Institute in the coming year.

While deviating somewhat from the empirical research-based analyses IRPP normally publishes, *Riding the Third Rail: The Story of Ontario's Health Services Restructuring Commission, 1996-2000* is a detailed first-hand account of the commission's work by three people who were directly involved in the process: Duncan Sinclair, Mark Rochon and Peggy Leatt. Their thorough evaluation of this unique experiment in health care reform provides a comprehensive record of the lessons they learned, the insights they gathered and the knowledge and understanding of the system they acquired. As such, it may well prove useful in other circumstances and in other jurisdictions as the process of reforming the health care system continues.



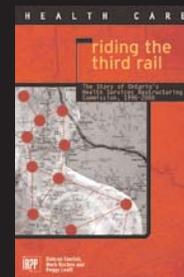
PUBLICATIONS

"Planning for the Next Pandemic Threat: Defining the Federal Role in Public Health Emergencies"

Kumanan Wilson, Harvey Lazar
Policy Matters, November 2005

Riding the Third Rail: The Story of Ontario's Health Services Restructuring Commission, 1996-2000

Duncan Sinclair, Mark Rochon, Peggy Leatt
Monograph, August 2005



EVENTS

Conference: "Health Services Restructuring: New Evidence and New Directions"

Date: November 17-18, 2005

Location: Kingston, Ontario

Organized with the John Deutsch Institute

Panel Discussion and Book Launch: "Riding the Third Rail: The Story of Ontario's Health Services Restructuring Commission, 1996-2000"

Date: August 18, 2005

Location: Toronto, Ontario

Duncan Sinclair, Mark Rochon, Peggy Leatt



economic growth and social progress

THE CANADIAN PRIORITIES AGENDA

Research Directors: France St-Hilaire, Jeremy Leonard
and Christopher Ragan (McGill University)

Since the work of the Macdonald Royal Commission 20 years ago, there have been few occasions for Canadians to engage in a comprehensive discussion of the country's economic and social prospects.

economic growth THE CANADIAN PRIORITIES AGENDA and social progress

Even the most recent federal election campaign, while revealing some clear differences between parties on a few specific policy proposals, offered little in the way of competing views regarding the major policy challenges facing Canada in the years ahead. The overall objective of the Canadian Priorities Agenda, a new project launched by the IRPP, is to initiate a broad-based and well-informed public debate on policy choices and priorities for Canada.

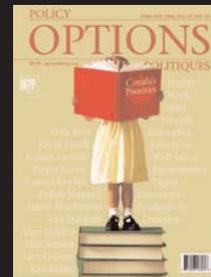
In the first phase of the project, in January 2006, the IRPP brought together a group of distinguished policy experts to identify Canada's most important policy challenges, based on their relative importance with respect to the country's economic and social well-being and the likelihood that they can be addressed through specific policy initiatives. The results of this meeting, along with each participant's choice of top three policy priorities and the underlying arguments, were published in the *April issue of Policy Options* as part of a cover package. Released the same week as the new Conservative government's Throne Speech, and a few weeks before it tabled its first budget, the special issue of the magazine received a lot of notice and was featured in *The Globe and Mail's* federal budget coverage. The policy challenges identified as part of this exercise will help define the Institute's research agenda for the second phase of the project in the coming year.

EVENTS

Agenda-Setters' Meeting: "Canadian Priorities Agenda"

January 2006

Montreal





governance in a new century

STRENGTHENING CANADIAN DEMOCRACY
Research Director: Geneviève Bouchard

Democratic reform has been an important issue in the political agendas of several Canadian provinces over the last few years. Most recently, British Columbia and Ontario adopted fixed election dates, and on May 17, 2005, BC held its election on a date set by law: a first in Canada. Henry Milner's study, "[Fixing Canada's Unfixed Election Dates: A Political Season to Reduce the Democratic Deficit](#)," explores this issue by asking the following question: "Would Canadian democracy be better served if Parliament and the other provinces adopted fixed voting dates, following the lead of BC?"

governance in a STRENGTHENING CANADIAN DEMOCRACY new century

The study reveals that of 40 democracies surveyed, only a quarter have unfixed election dates, which puts Canada at odds with most other democracies in the world. The author argues that adopting fixed election dates can be an important element in a comprehensive strategy to address the democratic deficit.

One of the most revealing signs of the democratic deficit is the sharp decline in the voter turnout that has occurred in many democracies. Canada is no exception: its voter turnout declined from 75 percent in 1988 to 64.9 percent in 2006. More importantly, the voter turnout among citizens under 30 is even lower than the Canadian average. A second study by IRPP Fellow Henry Milner looks at this problem, and makes a series of recommendations. Above all he advocates that more emphasis be placed on civic-education courses, to develop young people's political knowledge and thus increase their participation. He also examines other measures such as adopting proportional representation and lowering the voting age to 16.

The issue of civic participation was the central theme of a major conference, **"Responsibilities of Citizenship and Public Service: Crisis or Challenge?"** a collaboration between the IRPP and the Trudeau Foundation. More than 150 people from different backgrounds got together at Glendon College in Toronto to examine the premise that the strength of a society rests on the civic engagement of its citizens. Acknowledging the fact that the habit of voting is decreasing and that fewer people are willing to serve in government, religious groups, universities, foundations and other public organizations, participants attempted to answer the question: "Are Canada's positive social values sufficient to rekindle the flame of civic and public engagement, or have frustration, suspicion and cynicism become a real threat?" Several of the conference papers will be published in the coming months as part of *Strengthening Canadian Democracy*.

PUBLICATIONS

"The Reform of Democratic Institutions: What Do Political Candidates Think?"

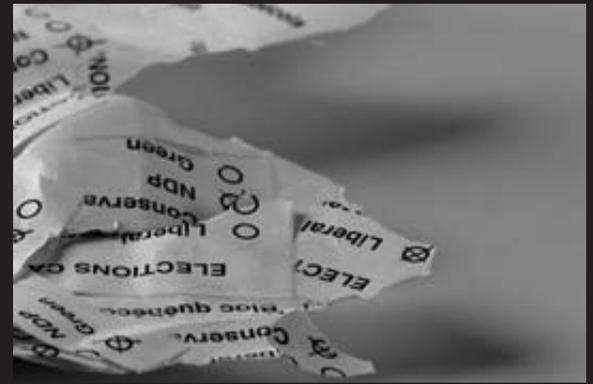
Jerome H. Black, Bruce M. Hicks
Policy Matters, March 2006

"Fixing Canada's Unfixed Election Dates: A 'Political Season' to Reduce the Democratic Deficit"

Henry Milner
Policy Matters, December 2005

"Are Young Canadians Becoming Political Dropouts? A Comparative Perspective"

Henry Milner
Choices, June 2005



governance in a STRENGTHENING CANADIAN DEMOCRACY new century

Examining the democratic deficit from a different perspective, Jerome H. Black and Bruce M. Hicks examine the results of surveys of candidates and of the general public in a March 2006 study. The results show that political candidates favour many democratic reforms, including fixed election dates and more free votes. There was more polarization on the issue of altering the electoral system. With respect to the population as a whole, the authors examine to what extent candidates' and the general population's views were in sync. The NDP and then the Green and Bloc candidates were most likely to be on-side with public opinion, and the Conservative candidates the least likely. In addition to pointing out interesting differences in the views of different parties, this paper provides additional evidence of the desire to reform Canadian democracy.

The Gomery Commission generated a lot of debate around democratic deficit in the country. The IRPP organized a roundtable to discuss the Commission's mandate and recommendations and the government's accountability legislation. Among the issues looked at were the evolution of the relationship (roles and responsibilities) between upper level civil servants and ministers and how the legislation might change that relationship. The event brought together several distinguished speakers, including James Ross Hurley (former constitutional advisor – Privy Council Office), Arthur Kroeger (former deputy minister), and Warren Allmand (former minister). Ned Franks (Queen's University) was the keynote speaker.

EVENTS

Debate: "The Reform of Democratic Institutions: What Do Political Candidates Think?"

Jerome H. Black, Bruce M. Hicks, William Cross and Henry Milner

Date: May 8, 2006

Location: Ottawa, Ontario

"Gomery Commission and Government Accountability: Mandate, Recommendations and Next Steps"

Chaired by Peter Aucoin

Date: April 27, 2006

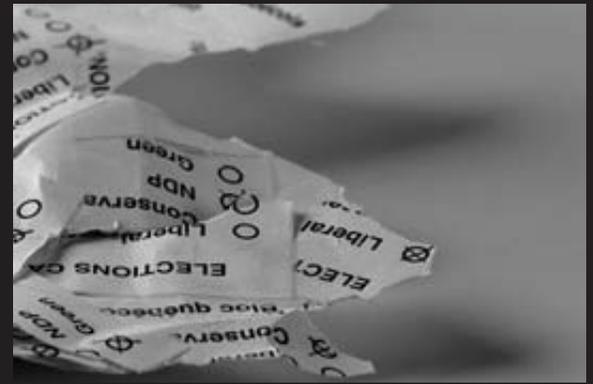
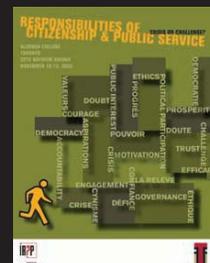
Location: Ottawa, Ontario

Conference: "Responsibilities of Citizenship and Public Service: Crisis or Challenge?"

Date: November 10-12, 2005

Location: Toronto, Ontario

Organized with the Trudeau Foundation





governance in a new century

CANADIAN FEDERALISM

Research Director: France St-Hilaire

The issue of federalism is as recurrent in Canadian policy debates as it is inevitable. This past year was no exception. Following his election in June 2004, Prime Minister Martin began his mandate with great fanfare by signing 10-year agreements with the provinces and territories on health care and equalization.

governance in a CANADIAN FEDERALISM new century

In providing long-sought stability and predictability in federal funding, the new transfer arrangements were expected to reverse more than two decades of acrimonious fiscal relations between the two orders of government. Instead, the new framework for equalization along with the bilateral offshore resources accords with two Atlantic provinces have given rise to renewed regional tensions. Other provinces have demanded similar treatment for their energy revenues, while Ontario has launched its “fiscal gap” campaign, questioning the extent and fairness of Ottawa’s activities in redistributing federal revenues across the country.

Meanwhile, the inner workings of fiscal federalism have been under extensive review with the work of two expert panels (the Expert Panel on Equalization and Territorial Formula Financing, established by the Federal Minister of Finance and the Council of the Federation’s Advisory Panel on Fiscal Imbalance), which seek to provide future directions for federal-provincial fiscal relations. Since fiscal federalism is one of the Institute’s long-standing areas of expertise, this has been a very busy time for us. In addition to taking part in the consultations of the two expert panels on several occasions, IRPP Senior Scholar Tom Courchene and Vice-President France St-Hilaire contributed to the debate with their own analyses and recommendations. Courchene’s prolific work on vertical and horizontal fiscal imbalance, the treatment of resource revenues and the mechanics of Equalization not only addresses all of the core issues, it has in some ways set the terms of the discussion. Through his writing, he has also provided a context for Ontario’s perspective and reminded us of the need to recognize the importance of cities in achieving the right fiscal balance.

This past year was therefore an opportune time for Canada to reflect on and share its experience as a federation in a constant state of flux. IRPP was pleased to host “The Canadian Roundtable on the Practice of Fiscal Federalism,” as part of “A Global Dialogue on Federalism,” a joint program of the Forum of the Federations and the International Association of Centers for Federal Studies (IACFS).

The Institute intends to remain active in the coming months as governments react to the reports of the expert panels and the new Conservative government lays out its proposals to address the issue of fiscal imbalance in a permanent fashion.



PUBLICATIONS

“Accountability and Federalism in the Era of Federal Surpluses: The Paul Martin Legacy, Part II”

Thomas J. Courchene
Working Paper, February 2006

“Resource Revenues and Equalization: Five-Province vs. National-Average Standards, Alternatives to the Representative Tax System, and Revenue-Sharing Pools”

Thomas J. Courchene
Working Paper, August 2005

“Citistates and the State of Cities: Political-Economy and Fiscal-Federalism Dimensions”

Thomas J. Courchene
Working Paper, June 2005

“Fiscal Gaps and Imbalances: The New Fundamentals of Canadian Federalism”

France St-Hilaire
Special Report, May 2005



governance in a new century

THE ART OF THE STATE

Research Director: Leslie Seidle

Respect for diversity is a defining Canadian value. The strength of most Canadians' openness and tolerance towards difference is a source of national pride that has a major impact on the activities of all governments, the private sector and civil society. Moreover, Canada's achievements in this area are recognized internationally, and some of our government programs have influenced policy-makers elsewhere.

governance in a THE ART OF THE STATE new century

That said, Canada, along with other democratic countries, faces challenges in the accommodation of diversity. Many Canadians support the principle that certain communities merit having “space” to protect their religion, language and culture. However, questions may arise if groups favour actions – perhaps sanctioned by their religion or traditions – that run counter to strongly held values such as gender equality. At the same time, socio-economic indicators for some recent immigrants and a significant proportion of Aboriginal people suggest there may be a gap between the principles underlying our commitment to diversity and the life chances of members of certain groups. While Canada has, so far, not witnessed the kind of divisive and sometimes violent incidents that have troubled some Western European countries, complacency is not a good basis for public policy.

Against this backdrop, the IRPP held its third “Art of the State” symposium, at Montebello, Quebec in October 2005. The program, centred on the theme “Diversity and Canada’s Future,” was developed by an advisory committee composed of Thomas Courchene (Queen’s University, and IRPP Senior Scholar), Keith Banting (Queen’s University), Will Kymlicka (Queen’s University), Daniel Salée (Concordia University) and Leslie Seidle (IRPP Senior Research Associate). The symposium was co-chaired by Thomas Courchene and Keith Banting, and Wanda Wuttunee (University of Manitoba). Informed by 15 thoughtful papers and presentations, academics and practitioners examined Canada’s approaches to recognizing and accommodating diversity – including instruments of shared citizenship – and their capacity to respond to new pressures and concerns. Four of the papers focused on approaches to diversity in other countries and the critiques that have emerged within their societies. The proceedings of “The Art of the State III” conference are being edited by Keith Banting, Thomas Courchene and Leslie Seidle.

Prior to the Montebello conference, Tariq Ramadan, a distinguished international scholar who has played a leading role in the debate on Muslims in the West, gave a thoughtful and timely presentation in Montreal on the question of Muslim youth and Western societies.

EVENT

Conference: “The Art of the State III: Diversity and Canada’s Future”

Date: October 13-15, 2005

Location: Montebello, Quebec

PUBLICATION

The Art of the State III Belonging? Diversity, Recognition and Shared Citizenship in Canada



26

recherche
en politiques
publiques

Français

1470 Peel, Suite 200, Montréal, Québec, Canada H3A 1T1 T: 514-985-2461 F: 514-985-2559 irpp@irpp.org

irpp.org

Webmaster: Jeremy Leonard

The IRPP's Web site enjoyed another record year in 2005/06, and growth in site traffic accelerated considerably compared with last year. In the 12 months ending March 31, 2006, www.irpp.org welcomed nearly 265,000 visitors (38 percent more than in 2004-05), consisting primarily of government officials and policy-makers, journalists, professors and students.

They downloaded over 1.1 million documents and publications. About 50 percent of the downloads were *Policy Options* articles, 20 percent *IRPP Choices* and *IRPP Policy Matters* studies, 15 percent working papers and conference papers, and the remaining 15 percent were news releases, summaries, speeches and other documents.

The IRPP's monthly newsletter *Thinking Ahead*, introduced in February 2005, is the primary reason for the strong increase in site traffic. The electronic version is sent to our large e-distribution list (which typically adds at least 25 new subscribers per month) as well as to MPs and senators, allowing them to click directly to information and publications.

The Web site saw two major improvements in 2005/06, one cosmetic and the other substantive. In August 2005, the home page was redesigned to be visually more appealing and provide easier access to research programs and events. In September 2005, a search engine was added for *Policy Options* articles, allowing visitors to search more than 1,300 articles published since July 1997 by date, author and policy area. Judging from demand for the service to date, it promises to join the FastTrak publication search engine as a valuable tool for Internauts.

The IRPP is heartened by a survey of site visitors carried out in the summer of 2005 that revealed over 80 percent found the information on the site useful, timely and easy to find. Nonetheless, Webmaster Jeremy Leonard continues to strive for improvement in www.irpp.org as it evolves as a primary tool for disseminating information on the IRPP's research, publications and events.

PUBLICATIONS

Thinking Ahead





policy options

Editor: L. Ian MacDonald
Associate Editor: Sarah Fortin

It was another banner year for *Policy Options*. The March issue was a seminal work on the 2006 electoral campaign, with 18 articles and nearly 100 pages on the election. This included Stephen Harper's **first exclusive interview** as prime minister in a Q&A with *Policy Options* editor L. Ian MacDonald.

The interview was picked up by the *National Post*, *Ottawa Citizen* and *Montreal Gazette*, among other newspapers, and was downloaded more than 4,000 times from www.irpp.org in the month of March. The election issue smashed all previous readership numbers on our Web site, with some 85,000 pdf article downloads in March alone. It continued to be our top draw on the Web throughout the spring quarter, as traffic to the IRPP site in March surged to 160,000 article downloads. These figures represent a 60 percent increase in online readership, which had been previously risen about 50 percent over last year.

With the election issue, *Policy Options* achieved another important breakthrough – moving to full colour for the first time in the history of the magazine since its founding by Tom Kent in 1980. The significant costs of the decision to move to full colour have been covered by goodwill and representational advertising from corporations and industry associations interested in having their message in Canada’s premier public policy newsmagazine. We thank them for their support. Their messages are reaching Canada’s decision-makers.

This year, for the second year, we published a fully bilingual issue; on **Canada’s public policy priorities**. The issue received widespread notice, including a two-page centrefold in *The Globe and Mail’s* federal budget coverage.

Throughout the year, associate editor Sarah Fortin and editor L. Ian MacDonald conducted many interviews with French and English-language media based on our work at *Policy Options* and IRPP. Thanks to our team, and especially to Chantal Letourneau.

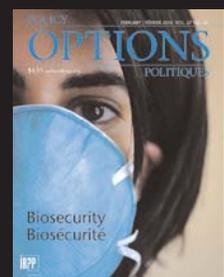
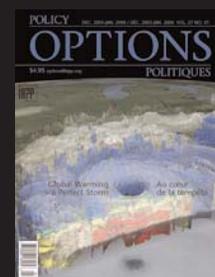
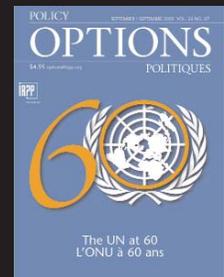
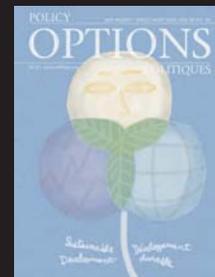
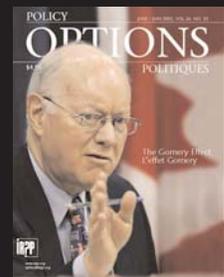
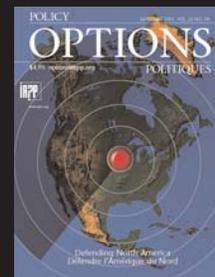


EVENTS

Working Breakfast: “Policy Options Analyses of the Federal Election Results and the New Government”

Date: March 30, 2006

Location: Ottawa, Ontario



Canada's economy is a world bea

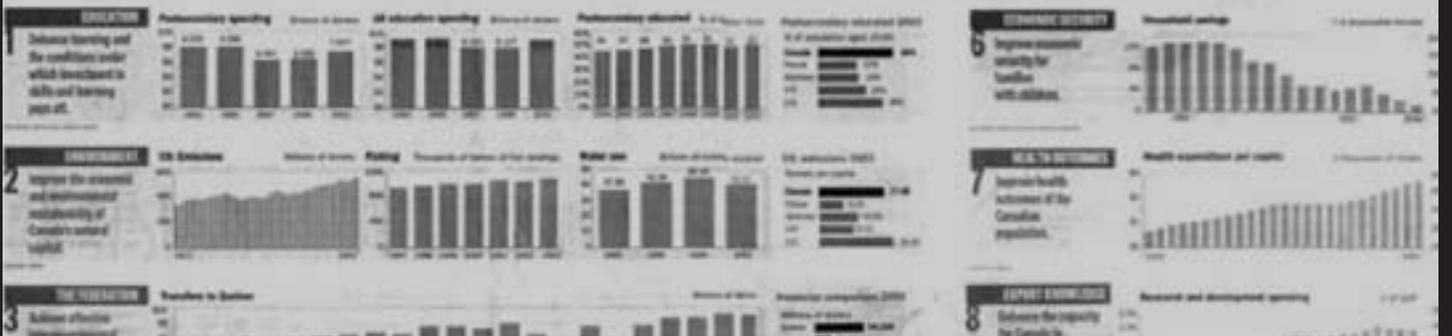
Why it's humming along

Over the past decade, the Canadian economy has hummed along, generating large surpluses for the federal government and driving up income. It formed the foundation for yesterday's budget from the new Conservative government. Each chart shows Canada's performance over the past are being along with the average for the 30 democracies that make up the Organization for Economic Co-operation and Development.



How to keep it that way

The challenges that face the country are numerous. Much of Canada's recent success has been the result of using our existing workforce better. Increased productivity will be needed if Canadians are to get richer. As an exercise in priority setting, the Institute for Research in Public Policy. They were each asked to identify the top three challenges facing the nation, and then met at a one-day session to narrow the choices to an era. The charts below outline their top 30 selections. The picks are ranked in order of unanimity, with enhancement of learning getting the support. For the full list of who voted for what and why, visit [irpp.org](#) and look for the Policy Options link on the home page.



irpp in the news

Communications Director: Jackson Wightman

Media interest in the IRPP and its work is one indication of the Institute's impact on the public discourse. This year the IRPP continued to be the subject of considerable media attention, thanks to its first-rate, timely research and a strong communications team.

In 2005/06, the IRPP garnered 620 media hits, for an average of 1.7 hits per day. More impressive is the quality of the media hits the Institute is now generating, specifically the placement of op eds. For this reporting period, the Institute placed 124 op ed pieces in papers across the country. This represents a significant increase, more than double last year's record. *Policy Options*, continues to generate a large amount of media-relevant material. Of particular note was L. Ian MacDonald's interview with Stephen Harper in the March issue. A major coup for the Institute, this interview was the first granted to a journalist by the new prime minister, and it ran across the country, in the *National Post* and five other Can West metro papers.

A few studies and events merit mention for the amount of media attention they received. Henry Milner's *Fixing Canada's Unfixed Election Dates* (*IRPP Policy Matters* December 2005), generated 16 op ed placements under the author's byline. In May 2005, Thomas Courchene's analysis of Ontario's vertical and fiscal imbalance was discussed in 14 articles. The publication of "*La Qualité, ça compte!*," a *Choix IRPP* by Christa Japel, Richard Tremblay and Sylvana Côté, which reported the results of a study of daycare in Quebec, generated a total of 8 print and nonprint media items. With respect to events, the IRPP-Trudeau Foundation conference in November 2005, "*Responsibilities of Citizenship and Public Service*," was covered in 27 media items.

In the final analysis, the quantity and quality of media coverage that the Institute received in 2005/06 demonstrates that it continues to have a profound influence upon the public debate in this country.

APPOINTMENTS AND DEPARTURES

The IRPP was sad to see the departure of Jasmine Sharma, who was the Institute's director of communications and public relations for two years. We wish her all the best in her new challenges at the Canadian Institute for Health Research in Ottawa. We welcome Jackson Wightman, our new communications director. We also welcome Hugh Meighen and Grant Holly, our new research assistants.



To the Directors of the
Institute for Research on Public Policy

We have audited the statement of financial position of the Institute for Research on Public Policy as at March 31, 2006, and the statements of operations and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as of March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

May 12, 2006
Montreal, Quebec

financial statements

STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCEYEAR ENDED MARCH 31, 2006
(IN THOUSANDS OF DOLLARS)

	2006	2005
	\$	\$
Revenue		
Investment income approved for operations (Note 3)	2,422	2,333
(Deficiency) excess of actual net investment income over investment income approved for operations (Note 3)	(382)	2,523
Total investment income, net	2,040	4,856
Publications	134	81
Other	189	370
	2,363	5,307
Expenses		
General research and support services	2,275	2,247
<i>Policy Options Magazine</i>	296	278
Publication costs	104	176
Interest	6	5
Amortization of capital assets	35	28
	2,716	2,734
(Deficiency) excess of revenue over expenses	(353)	2,573
Fund balance, beginning of year	35,986	33,413
Fund balance, end of year	35,633	35,986

financial statements

STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31, 2006
(IN THOUSANDS OF DOLLARS)

	2006	2005
	\$	\$
Assets		
Current assets		
Cash	10	74
Term deposits and treasury bills	69	68
Accounts receivable		
Accrued income	134	140
Other	204	180
Prepaid expenses	51	57
	468	519
Marketable securities (Note 4)	35,691	35,837
Capital assets (Note 5)	59	93
	36,218	36,449
Liabilities		
Current liabilities		
Bank indebtedness (Note 6)	14	72
Accounts payable and accrued liabilities	114	120
Deferred revenue (Note 7)	78	62
Retirement allowance and sabbatical liability	379	-
	585	254
Retirement allowance and sabbatical liability	-	209
	585	463
Fund balance		
Invested in capital assets	59	93
Internally restricted (Note 8)	35,574	35,893
	35,633	35,986
	36,218	36,449

financial statements

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2006
(IN THOUSANDS OF DOLLARS)

	2006 \$	2005 \$
Cash flows from operating activities		
(Deficiency) excess of revenue over expenses	(353)	2,573
Adjustments for:		
Gain on sale of investments	(520)	(3,115)
Amortization of capital assets	35	28
Retirement allowance and sabbatical liability	170	84
Changes in non-cash working capital items		
Accounts receivable	(18)	(7)
Prepaid expenses	6	(7)
Accounts payable and accrued liabilities	(6)	(57)
Deferred revenue	16	(23)
	(670)	(524)
Cash flows from financing and investing activities		
Purchase of capital assets	(1)	(66)
Purchase of investments	(17,909)	(52,925)
Sale of investments	18,575	53,580
	665	589
Net (decrease) increase in cash position	(5)	65
Cash position, beginning of year	70	5
Cash position, end of year	65	70
Represented by:		
Cash	10	74
Term deposits and treasury bills	69	68
Bank indebtedness	(14)	(72)
	65	70

financial statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF DOLLARS)

1. Description of organization

The Institute for Research on Public Policy (the "Institute") is an independent, national, not-for-profit organization. Its mission is to improve public policy in Canada by promoting and contributing to a policy process that is more broadly based, informed and effective. The Institute is incorporated under the *Canada Business Corporations Act* as a not-for-profit organization and is a registered charity under the *Income Tax Act*.

2. Significant accounting policies

These statements have been prepared in accordance with Canadian generally accepted accounting principles, using the deferral method of accounting for contributions.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue recognition

Restricted contributions relating to operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the fund balance.

Publication costs

Publication costs are expensed as incurred.

Capital assets

Capital assets are recorded at cost. Amortization is computed using the straight-line method at rates calculated to amortize the cost of the assets less their residual value over their estimated useful lives. Computer and office equipment are amortized on the straight-line basis over three and five years, respectively. Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Investments

Investments are evaluated annually and are written down when there is a decrease in value that is other than temporary.

Gains or losses on disposal of investments are calculated on the average cost basis.

Appropriations

The Board of Directors of the Institute may, at its discretion, appropriate to the Endowment Fund all or a portion of any operating surplus.

3. Investment income

The Operating Fund retains for its use investment revenue equivalent to 6% (2005 - 5%) of the average market value of the Endowment Fund at the end of the three preceding years. Under this formula, the Board of Directors has made available to the Operating Fund an amount of \$2,280,300 (2005 - \$1,947,317). In addition, the Board of Directors approved the use of \$142,000 (2005 - \$385,697) for the current year's operations from the Operating Fund accumulated surplus for a total of \$2,422,300 (2005 - \$2,333,014). As at March 31, 2006, the Operating Fund accumulated surplus was \$83,000 (2005 - \$142,000), which consists of the excess of revenues approved for operations over expenses plus an interfund transfer for a retirement allowance funded by the Endowment Fund.

Investment income earned consists of the following:

	2006	2005
	\$	\$
Income earned on resources held for endowment	1,721	1,938
Gain on sale of investments, net	520	3,115
Investment management and custodial fees	(201)	(197)
	<u>2,040</u>	<u>4,856</u>

4. Marketable securities

	2006		2005	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Bonds	17,589	17,786	17,251	17,773
Stocks	18,102	23,335	18,586	21,629
	<u>35,691</u>	<u>41,121</u>	<u>35,837</u>	<u>39,402</u>

financial statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF DOLLARS)

5. Capital assets

	2006		2005
	Cost	Accumu- -lated amorti- zation	Net book value
	\$	\$	\$
Computer equipment	333	293	40
Office equipment	111	92	19
Leasehold improvements	63	63	-
	<u>507</u>	<u>448</u>	<u>59</u>
			93

6. Bank indebtedness

A Canadian chartered bank has provided the Institute with a line of credit of \$500,000 at the prime lending rate. As security for any borrowings under the line of credit, a letter of undertaking has been provided to the lender confirming that the Endowment Fund investments are not subject to any encumbrances which would make them unavailable to service the Institute's debt.

As of March 31, 2006, none of the line of credit has been used as the bank indebtedness results solely from outstanding cheques.

7. Deferred revenue

Deferred revenue in the Operating Fund relates to the following:

	2006	2005
	\$	\$
Fourth Decade Fund ^(a)	61	46
<i>Policy Options</i> subscriptions	17	16
	<u>78</u>	<u>62</u>

^(a) The Fourth Decade Fund represents amounts received and restricted for purposes specified by the donors. These amounts will generally be recognized as revenue within a twelve-month period in which the expenses related to such specified projects are incurred.

8. Restrictions on Fund balance

The assets of the Endowment Fund have been internally restricted by the Board of Directors of the Institute, stipulating that these assets are to be managed permanently to support the operating activities of the Institute. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

9. Commitments

The Institute has entered into operating leases relating to equipment and office premises. The amounts due in each of the next five years are as follows:

	\$
2007	76,182
2008	79,767
2009	78,874
2010	71,710
2011	71,710

10. Financial instruments

Financial risks

The Institute is subject to market risk on its marketable securities which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The concentration of risk is minimized because of the Institute's diversification of its investment portfolio.

The Institute is also exposed to financial risk arising from fluctuations in foreign exchange and interest rates in relation to its investment in marketable securities. The Institute does not use derivative instruments to manage its exposure to these risks.

Fair value

The fair value of marketable securities are disclosed in Note 4. The fair values of other monetary assets and liabilities approximate their carrying values.

11. Comparative figures

Certain figures for 2005 have been reclassified in order to conform with the presentation adopted in the current year.