



*Institute for  
Research on  
Public Policy*

*Institut de  
recherche  
en politiques  
publiques*

Annual Report 2002-2003

## IRPP's Mission

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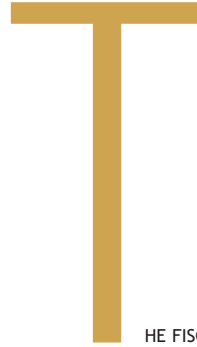
FOUNDED IN 1972, the Institute for Research on Public Policy is an independent, national, nonprofit organization.

IRPP seeks to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations.

IRPP's independence is assured by an endowment fund, to which federal and provincial governments and the private sector have contributed.



# Report of the Chair of the Board of Directors



THE FISCAL YEAR, 2002-03, my second as Chair of the Board of Directors, has been a full and interesting one for me and for the IRPP. Incorporating the events and celebrations around the 30th anniversary of the IRPP's founding in April 1972, it was a year of retrospection as we looked afresh at some of the events of the past 30 years through the eyes of some important Canadian policy leaders of the period, during the very successful 30th anniversary lectures series. It was also a year of celebration and pride as the IRPP reflected on its evolution into Canada's premier independent public policy think tank. I had the pleasure of being the master of ceremonies at the crowning 30th anniversary event, a gala dinner at the Museum of Civilization in Hull attended by Her Excellency, the Right Honourable Adrienne Clarkson, Governor General of Canada. On that occasion, we recognized five great public policy figures, and made a contribution to future public policy practice by raising funds for four IRPP internships. Three interns were hired in 2002-03, and the fourth completed her term in summer 2003.

The year 2002-03 was also a year of new directions, as the IRPP launched an important new Nexus research initiative, *Shaping Canada's Future: Immigration and Refugee Policy*. The tragic events of September 11, 2001, which created the new security imperatives that are currently driving much research at the IRPP, were commemorated in the September 2002 issue of *Policy Options*. One research area, Courts and Legislatures, has concluded, and the Social Union will conclude in the coming year.

Turning to Board business, Miller Ayre, Yves Guérard, Philip Orsino, Peter White and Alfred Wirth are retiring at the ends of their second terms, and Robbie Shaw is stepping down. On behalf of the IRPP's Board and staff, I would like to thank them all for their tremendous contributions to the Institute's research agenda and strategic direction. Special thanks go to Peter White, who served as Chair for his first term. Germaine Gibara has agreed to serve as Vice-Chair for a second term, and John Helliwell will also serve a second term on the Board. I thank them both.

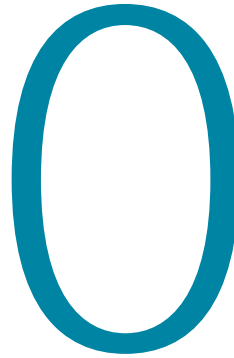
The IRPP is also very pleased to welcome five new Directors to its Board: Fred Gorbet, Janice MacKinnon, Guy Saint-Pierre, Bernard Shapiro and Kent Weaver. I thank them for agreeing to serve on the Board and look forward to collaborating with them to enhance the IRPP's presence and contribution to Canadian public policy debates.

Finally, on behalf of the board, I would like to thank the Institute's President, Hugh Segal, for his tireless pursuit of excellence and relevance in the Canadian public policy sphere and his unfailing ability to continue to raise the Institute's profile across Canada. I congratulate him and the Institute's excellent staff for all their hard work and enthusiasm. I look forward to another year of insightful contributions by the IRPP.

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



## Message from the President



ON APRIL 11, 1972 THE LETTERS PATENT WERE FILED FOR a new Canadian research institute, the Institute for Research on Public Policy - l'Institut de recherche politique (which became l'Institut de recherche en politiques publiques, in 1992) – and the IRPP was born! The idea for the Institute came out of the federal government under Pierre Elliot Trudeau, who, along with the provincial governments, injected the seed money. Largely due to the leadership and fundraising talents of John Black Aird, the Institute's second Chair, an endowment fund was created based on contributions from the private sector and various foundations. This fund has been instrumental in ensuring the Institute's independence, hence the 30th anniversary slogan, "An independent voice for better public policy."

The IRPP's 30th was feted in several ways in 2002. In a very successful series of lectures held in different Canadian cities over the course of the year, various watersheds in public policy were highlighted. In this way the Institute reflected on major policy developments over the last three decades in order to capitalize on lessons of the past.

The series kicked off on February 20, 2002, in Ottawa, with the Honourable Monique Bégin who, as minister of National Health and Welfare from 1977 to 1984, was the main instigator of the *Canada Health Act* (1984). Now, at a time when the health system is under intense scrutiny, several analysts believe that the principles enshrined in the *Canada Health Act* are no longer adequate for current realities. Ms. Bégin broached this problem in the course of reviewing the rationale of the legislation at the time and the changes that might prove necessary to adapt it to today's circumstances.

The events leading up to the Free Trade Agreement were among the topics dealt with by the Honourable Donald Macdonald in the second lecture, held in April 2002 in Toronto. Mr. Macdonald held several senior ministerial portfolios in the Trudeau government, notably Government House Leader; Minister of National Defence; Minister of Energy, Mines and Resources; and Minister of Finance. He also chaired the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission, 1982-1985), which is widely acknowledged as having been pivotal to the introduction of the Free Trade Agreement (1988). Mr. Macdonald spoke about the origins of the commission, the evolution of the Free Trade Agreement and how Canada can best meet the challenges of the global economy.



In the third lecture, held in Montreal in May 2002, the Honourable Claude Castonguay reminisced about a milestone in Quebec's history, the establishment of the Caisse de dépôt et placement du Québec, over which he presided. Mr. Castonguay held senior Cabinet posts in the Quebec government in the 1970s and is a former president of Laurentian Group. He provided a first-hand account of the rationale and public policy circumstances surrounding the creation of the Caisse and his involvement in the process. He also offered a critical analysis of the direction the institution should take in the context of new economic realities.

The celebrations culminated at the end of May with a 30th anniversary dinner at the Museum of Civilization in Hull. In the presence of Her Excellency, the Right Honourable Adrienne Clarkson, Governor General of Canada, the event was co-chaired by L. R. Wilson, Chairman of the Board of CAE Inc. and Nortel Networks, and Guy Saint-Pierre, Chairman of the Royal Bank of Canada. The dinner, attended by 450 guests, raised money for IRPP internships to initiate some young Canadians to policy research. During the evening four people were recognized for their extraordinary service to Canada and to public policy: Tom Kent, Michael Pitfield, Gordon Robertson and Claude Ryan. In addition, Ronald Ritchie, who wrote the 1969 report that led to the creation of the IRPP, received the Roland J. Lutes Memorial Award for Extraordinary Service to the Institute.

Our anniversary was also commemorated in a special May-June 2002 double issue of *Policy Options*. Printed in full colour for the occasion, the issue included a chronological review of Canada's major public policy developments over the previous 30 years and looked back at the Institute's work during that period through interviews with emeritus members of the Institute, excerpts from works published by the IRPP, and a list of all the studies published by the Institute to date.

To round out the IRPP's 30 years, a history of the Institute will be published. Its author, Peter Dobell, is a founding member of the IRPP who has witnessed its evolution over the years and still sits on its board. This monograph is scheduled for publication in 2004.



## NEXUS



CANADA'S ECONOMIC PERFORMANCE AND SOCIAL PROGRESS have always been at the heart of the IRPP's research agenda. The Nexus research mandate focuses on the linkages between them in order to identify the policy priorities necessary to maximize Canadians' opportunities and well-being as a result of a dynamic and productive economy.

Two major Nexus research initiatives came to fruition this year. The projects, undertaken in partnership with the Centre for the Study of Living Standards (CSLS), led to the publication of a special supplement of *Canadian Public Policy-Analyse de Politiques* and the release of the second volume of *The Review of Economic Performance and Social Progress*. The ongoing research programs under Nexus – Health and Public Policy, Economic Policy and Growth and Canada's Options in North America – also had a full and productive year. In addition, the Institute launched a new research initiative, *Shaping Canada's Future: Immigration and Refugee Policy*. Although the IRPP has done work on immigration issues in the past, the present research agenda reflects the central importance of policy decisions in this area and their broad implications for Canada's economic and social policies and governance.

### Linkages Between Economic Growth and Inequality

In January 2003 *Canadian Public Policy-Analyse de Politiques* published a special issue (volume 29) entitled "The Linkages Between Economic Growth and Inequality," consisting of papers emerging from a successful IRPP-CSLS conference on the two-way linkages between growth and inequality, held in Ottawa in 2001. The conference organizers, Pierre Fortin (UQAM), Andrew Sharpe (CSLS) and France St-Hilaire (IRPP) also acted as guest editors for the volume. It features 10 papers covering a wide range of issues, including an examination of poverty and inequality trends in Canada and the United States, theoretical perspectives on economic growth and inequality – in particular the traditional assumption of equity-efficiency trade-offs – and the role of public policy and other factors such as an aging population.

### The Review of Economic Performance and Social Progress

The theme of the second volume of *The Review of Economic Performance and Social Progress*, entitled *Towards a Social Understanding of Productivity* (December 2002), stems from a controversial issue of growing concern among Canadian policy-makers, the ongoing productivity gap between Canada and the United States. In keeping with the underlying objectives of the review, the editors – Andrew Sharpe (CSLS), France St-Hilaire (IRPP) and Keith Banting (Queen's University) – and the contributors take a nontraditional approach to the issue, extending their analysis beyond standard economic variables to incorporate a wider range of institutional and social factors. These essays highlight not only the impact of productivity on citizens' standards of living, but also the role of demographic factors, human capital development (e.g., skills, education and health status), social networks and institutions in explaining national differences in productivity growth.



## Health and Public Policy

The future of the health care system has been of primary concern to Canadians and their governments for the past few years. The IRPP pursued several research initiatives related to health care in 2002-03. In the lead-up to the 2000 Health Accord, IRPP convened an expert task force on health policy – the Hon. Monique Bégin, Colleen Flood, Claude E. Forget, Henry Friesen, Maureen Quigley, Carolyn Tuohy and Duncan Sinclair, chaired by Michael Decter – which proposed a multifaceted plan to ensure the sustainability of Canada’s health care. Their report, addressed to first ministers, treated a wide range of issues such as the need for better outcome measurement, information sharing, local accountability, strategic investment in primary care, pharmaceutical research and quality control. Following up on the 2002 reports of the Romanow and Kirby inquiries into the future of health care, the IRPP Task Force on Health Care then issued its assessment of reform priorities and policy recommendations in an open letter to first ministers, prior to the federal-provincial negotiations that led to the 2003 Health Accord in early February.

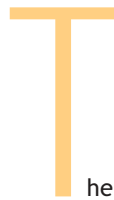
IRPP is collaborating with the Institute of Intergovernmental Relations (IIGR) at Queen’s University to publish a collection of essays, based on research conducted in 2002 for the Romanow Commission, on the role of fiscal federalism in the development of publicly insured universal health care. Entitled *Money, Politics and Health Care: Reconstructing the Federal-Provincial Partnership*, the volume provides comprehensive analyses of key issues in federal-provincial health care relations, focusing in particular on the federal government’s funding role, the need for dispute-resolution mechanisms and the more recent debate on vertical fiscal imbalance. This volume, edited by Harvey Lazar (IIGR) and France St-Hilaire (IRPP), is due to be released in fall 2003.

Also as part of its research activities leading up to the release of the Romanow Commission and the Kirby Senate Committee reports, the Institute organized a major public conference on the policy issues related to prescription drugs entitled “Toward a National Strategy on Drug Insurance: Challenges and Priorities.” This event, held in Toronto in September 2002, grouped scholars from Canada, the United States and Europe with practitioners from the private, public and not-for-profit sectors in an interdisciplinary discussion of drug-pricing policies, private and public insurance plans, coverage and cost management.

In addition, three studies were published in Health and Public Policy over the past year. In “What Is the Best Public-Private Model for Canadian Health Care?” Kieke G. H. Okma, an associate professor at the School of Policy Studies at Queen’s University and a civil servant with the Dutch ministry of health, proposes a framework to address the future of health care in Canada, informed by the experiences of other jurisdictions, emphasizing the need to develop politically, economically and socially feasible solutions (*Policy Matters*, May 2002). Claude E. Forget, a former Quebec minister of health with vast expertise in health care issues and a member of the IRPP Task Force on Health Policy, penned “Comprehensiveness in Public Health Care: An Impediment to Effective Restructuring,” a controversial paper that untangles the principle of comprehensiveness (*Policy Matters*, October 2002). He stresses the need to abandon this principle, which was originally intended for very specific historical purposes that no longer exist. Finally, in “A Patients’ Bill of Rights: A Cure for Canadians’ Concerns about Health Care?” Colleen M. Flood, IRPP Task Force on Health Policy member, and Tracey Epps explore the possibility of addressing public concerns about access to treatment and waiting lists through a patient’s bill of rights (*Policy Matters*, November 2002).



## Economic Policy and Growth



he IRPP's activities under this Nexus research area focus on economic policy issues, including fiscal policy and factors affecting economic growth. As part of this research focus, IRPP publishes, on an occasional basis, studies that seek to shed light on specific aspects of domestic economic policy that will influence the economic well-being of Canadians. Highly successful in this respect was "The Bright Side: A Positive View on the Economics of Aging" (*Choices*, April 2002) by University of Ottawa economics professor Marcel Mérette. An international expert in the field, Mérette shows that traditional assumptions about the impact of aging on economic growth are often too pessimistic. In particular, they do not take into account the likelihood of increased incentives in the system for human capital accumulation in the young or the increased labour force participation of older members. According to Mérette, these trends may well offset the negative effects on overall income growth of the waves of people reaching retirement age in the next few decades. If these trends are to develop to their full potential, however, governments may need to encourage them. Mérette also shows that Canada is in a much better fiscal position than virtually all other OECD countries to meet its public spending obligations arising from population aging.

IRPP Senior Scholar Thomas Courchene has become known for his classic and enlightening overviews and prognostications of major Canadian public policy issues. With his study of the country's fiscal governance under former finance minister Paul Martin, he showed us why once again. Entitled "Half-Way Home: Canada's Remarkable Fiscal Turnaround and the Paul Martin Legacy" (*Policy Matters*, July 2002), the study puts into helpful perspective the daunting task faced by Mr. Martin and the Liberal government when they arrived in office in 1993, with Canada barely emerging from a severe recession. Professor Courchene documents the key turning points and identifies the benefits and drawbacks of actions taken during Mr. Martin's tenure. He concludes with observations on the fiscal situation in the federation as a whole going forward.

Indeed, Canadian governments did launch a major fiscal offensive against deficit finance in the 1990s. As the campaign wore on, more and more Canadians began to realize that a collateral benefit of "the war against the deficit" was reduction in the country's debt burden, as measured by the debt-to-GDP ratio. In fact, in recent years, several governments seem to have changed their strategic objective from deficit reduction to debt reduction. Now, as the late-1990s economic boom ends and the Canadian economy faces considerable uncertainty in the context of a challenging global and US economic environment, it is opportune to ask whether the progress made in reducing debt burdens has been sufficient. Has the debt war been won or are Canadian governments still too deeply in debt? Leading Canadian experts discussed this and several related questions at a two-day conference in Montreal in October 2002 entitled "Is the Debt War Over?" organized jointly by McGill University and the IRPP, and sponsored by the Crabtree Foundation. The IRPP will publish the conference proceedings in the late fall 2003.

Three studies are currently underway under the Economic Policy and Growth research initiative. Telecommunications regulation in an era of profound mutation in that industry will be examined in one, and Switzerland's reform of its equalization program, which might inform Canada's review of its program in 2004, will be analyzed in the second. The third study will take a hard-nosed look at Canadian innovation policy, a key area for economic growth in which we continue to lag behind the United States.

## Canada's Options in North America

The year that ended was momentous in terms of Canada-US relations. In a host of Canadian forums a truly national discussion is emerging on the future shape of that crucial relationship. The challenge is to help sharpen that discussion and focus it on feasible policy choices for the medium term and policy options for the longer term. Toward this end, complementing its publications on the defence and security dimension of the Canada-US relationship, the IRPP launched a series of studies on the theme of "Canada's Options in North America." The first of these, "Canadian Provinces, US States and North American Integration: Bench Warmers or Key Players?" by Stephen de Boer (*Choices*, February 2002), addresses the as-yet little-discussed role of provinces and states in the North American integration process, and suggests ways in which they can contribute to its success. The second, "NAFTA's Chapter 11: Investor Protection, Integration and the Public Interest," by Julie Soloway, with a commentary by Chris Tollefson (*Choices*, March 2003), sheds light on the controversy surrounding elements of NAFTA's Chapter 11 on investment, notably its investor protection provisions, and presents markers for useful and practical reform concerning investor-state dispute settlement.

Other papers in the series will consider broad strategic issues in improving Canada's bilateral relationship with the United States and its trilateral one with Mexico, address questions of "deep integration" stemming from the continuing growth in cross-border economic linkages and explore some specific sectoral issues.

The IRPP has also fostered debate on Canada's place in North America by hosting or participating in events aimed at improving our understanding of various aspects of North American integration, present and future. The IRPP hosted the Montreal BorderLines conference in November 2002, in which participants discussed integration-related topics ranging from the pressures of integration on environmental and social programs and culture to monetary integration and labour mobility. A few of the presentations took a critical look at pro-integration policies in general. IRPP was also one of the sponsors of the "NAFTA @10" conference, hosted by the Woodrow Wilson International Center for Scholars in Washington, D.C. in December 2002, and which was addressed by former prime minister Brian Mulroney and former presidents George H. Bush and Carlos Salinas de Gortari.

Together, over the course of 2002-03, IRPP research staff made some twenty-five presentations at seminars and conferences for academics, senior civil servants and other policy-makers on strategic and technical issues related to North American integration.

## Shaping Canada's Future: Immigration and Refugee Policy

In the aftermath of September 11, issues of national security rose to the top of the Canadian political agenda. Agencies, laws and regulations, concerned with security, customs, immigration and even financial assets, have all come under great scrutiny. Front and centre in this debate is Canadian immigration policy and its effectiveness in controlling entry of unwanted migrants. Given the importance of this topic and its broad ramifications for economic and social policy and governance generally, the IRPP has launched a new research program called Shaping Canada's Future: Immigration and Refugee Policy.

To launch this program, the IRPP held a workshop in May 2002 in Toronto to discuss gaps in the research on immigration and to help define the IRPP's new research agenda on this topic. The workshop brought together academics and practitioners specializing in the field of immigration to discuss three main issues: the control of borders, reconciling humanitarian and economic concerns, and sovereignty versus integration.

The control of borders and reconciling humanitarian and economic concerns was also discussed in a Hart House Debate, "It's Time to Control the Amount of Immigration," held by the IRPP together with the World President Organisation in January 2003. The participants were Daniel Stoffman, author of *Who Gets In: What's Wrong with Canada's Immigration Policy and How to Fix It*, and Alan Green, economist and emeritus professor at Queen's University.

In the coming year the IRPP plans to release eight research papers under Shaping Canada's Future: Immigration and Refugee Policy. In addition, a conference will be held in spring 2004, in partnership with the Tower Center for Political Studies at Southern Methodist University, to look at the linkages between North American migration and trade.



## GOVERNANCE



social progress depend on effective democratic institutions and widespread political participation, and the Institute's Governance program focuses on these important underpinnings of sound public policy, centering on the question "How should our governance structures be organized to make the right choices in the face of rapid social change?" The four ongoing Governance research initiatives are National Security and Military Interoperability, Strengthening Canadian Democracy, The Art of the State, and The Institutional Accommodation of Diversity. IRPP researchers are concluding activities in two successful Governance research initiatives – Social Union, and Courts and Legislatures.

ANADIAN EFFORTS TO PROMOTE ECONOMIC PERFORMANCE and

### National Security and Military Interoperability

In June of 2001, in a decision that was tragically prophetic, the Research Committee of the IRPP's Board approved a new research plan dealing with National Security and Military Interoperability (NSMI). The purpose of this plan was to examine, from a governance perspective, what national security priorities Canada should be addressing and, in particular, how options and challenges with respect to interoperability – with both our American and our other allies – might relate to these priorities. The events of September 11, 2001 have made this particular area of research, initiated in the summer prior to the attack on the United States, even more relevant.

Over the past year the IRPP published four papers and co-sponsored a major conference under this research mandate. In "Sailing in Concert: The Politics and Strategy of Canada-US Naval Interoperability," Joel Sokolsky of the Royal Military College of Canada (*Choices*, April 2002) examines the special relationship between the American and Canadian navies and the challenges and opportunities interoperability between them provides. Also this year under the NSMI research initiative the Institute published "Multinational Land Force Interoperability: Meeting the Challenge of Different Cultural Backgrounds in Chapter VI Peace Support Operations," by Ann Fitz-Gerald (*Choices*, August 2002). Fitz-Gerald argues that effective peacekeeping by Canadian forces can be diminished by uncertainty about support from home. She advocates more multinational training, interagency co-ordination, joint doctrine development and enhanced clarity between Canada's government and soldiers in the field.



“The Canadian Forces and the Doctrine of Interoperability: The Issues,” by Danford Middlemiss and Denis Stairs of Dalhousie University, a *Policy Matters* publication (June 2002), explores the history and the policy dynamics of the interoperability issue. The paper was also the premise for a separate monograph entitled *The Canadian Forces and Interoperability: Panacea or Perdition?* (Centre for Foreign Policy Studies, Dalhousie), in which various scholars reflect on the larger issues in Middlemiss and Stairs’ study.

Donald Macnamara and Ann Fitz-Gerald highlight the linkages between these interoperability issues and a grand overall strategy for Canada in “A National Security Framework for Canada” (*Policy Matters*, October, 2002). They propose a proactive and inclusive planning framework for national security writ large, taking into account the impact of different sorts of risk and threat assessments emerging from the post 9/11 era.

Following a conference in Gimli organized by the University of Manitoba’s Centre for Security and Defence Studies (with our sponsorship), *Policy Options* devoted its April 2002 issue to the topic of North American air and missile defence. The research agenda also moved ahead constructively in September 2002 with another major conference, “Canada and United States Northern Command: Implications for Canada,” co-sponsored by the IRPP, Queen’s University’s Centre for Defence Management and the Royal Military College of Canada. Scholars and practitioners worked together to examine the United States’ establishment of Northcom in a reorganization of their command structures to address threats that might emerge within our hemisphere.

The IRPP would like to express its appreciation of the co-operation of the four Canadian universities (Dalhousie, Queen’s University, Royal Military College of Canada and the University of Manitoba) and one overseas university (RMCS Cranfield, UK) for work done in this area in 2002-03.



## T Strengthening Canadian Democracy

The IRPP's research agenda on Strengthening Canadian Democracy (SCD), now in its fourth year, has been one of the most productive and influential initiatives in the Institute's history. A number of significant developments are underway as the democratic reform process gathers momentum across Canada. In particular, in BC, Quebec and PEI, provincial governments have launched major processes to examine how best to rejuvenate their democratic institutions. The IRPP hosted a roundtable in Toronto entitled "The Reform of Democratic Institutions" in March 2003, which brought together area specialists from Canadian governmental, political and academic spheres to talk about the deliberation processes that Quebec and British Columbia have initiated. Among the speakers were Jean-Pierre Charbonneau (former inter-governmental affairs minister) and Gordon Gibson (organizer of the citizens' assembly to review BC's electoral system), who spoke about initiatives that have been undertaken in those provinces.

Also over the past year, the Law Commission of Canada launched a consultation process on electoral reform and democracy in Canada. As part of this initiative, the IRPP was invited to comment on the commission's report, *Electoral Reform and Institutional Legitimacy*, at McGill University in January 2003. The Institute's submission highlighted weaknesses in the Canadian electoral process that should be addressed. In particular, the IRPP stressed the importance of a mixed electoral system, with ridings that reflect our geographical distinctions as well as a national party list that represents a broad range of Canadian society and is defined by more than regionalism.

As part of its ongoing SCD series, the IRPP released "Canada's Democratic Malaise: Are the Media to Blame?" (also published in French, as "Les médias et le malaise démocratique au Canada") (February 2003). The authors, Richard Nadeau and Thierry Giasson, argue that political journalists should not be held responsible for the declining level of trust in politicians and political institutions. The study points out that the lack of resources and pressure from employers concerned about profitability may lead journalists to produce stereotyped, superficial and sensationalistic political coverage. These trends have worsened over the past few years due to increased media concentration and the weakening of public television in several countries, including Canada. In their conclusion, Nadeau and Giasson present several recommendations to improve the media's contribution to Canadian democracy.

Pursuing the theme of the media and democracy further, the IRPP sponsored a key panel at this year's McGill Institute for the Study of Canada Annual Conference, "Who Controls Canada's Media?" held in Montreal in February 2003. The panel's topic of discussion was entitled "Do the Media Have an Undue Influence on Civic Life?" and it was chaired by L. Ian MacDonald, editor of *Policy Options*. The panellists were Industry Minister Allan Rock; Elisabeth Gidengil, professor of political science at McGill University; Edward Greenspon, editor-in-chief of *The Globe and Mail*; and Thierry Giasson, a doctoral candidate at the department of political science at the Université de Montreal and co-author of the IRPP *Choices* paper on this topic.

Finally, in response to the Chief Electoral Officer's report tabled in Parliament in November 2001, the IRPP organized a workshop entitled "Transparency, Disclosure and Democracy: Assessing the Chief Electoral Officer's Recommendations." The workshop was held in Ottawa in February 2002, and participants were invited to comment on the report in light of the following four themes: transparency in leadership campaigns, political broadcasting, transparency in electoral financing, and the advantages and disadvantages of the permanent voters' registry versus those of voter enumeration. The transcripts of this workshop have since been published.

Initiatives planned for the coming year in this research area include a workshop in Montreal that will look at the democratic reform processes in Quebec, PEI and BC and the federal role, and two studies, one looking at federal regulations regarding limits on the number of candidates required for party registration and their constitutional implications, and another examining the advantages and disadvantages of a national permanent voters' list.



## Public Service Reform



he public service in Canada, as elsewhere in the world, faces frequent criticism that can reinforce public cynicism at both the federal and provincial levels. This cynicism seems to be rooted in the idea that the public service is inefficient and no longer meets the public's needs. This opinion is also shared by some civil servants, for whom modernization efforts have yielded mixed results. To address this important question, the IRPP held working lunches in Ottawa and Quebec City in April 2002, where Isabelle Fortier and Christian Rouillard, professors at the École nationale d'administration publique (ÉNAP), spoke on the issue. Their presentations are the basis for a *Choices* paper published in August 2003.

## The Art of the State



ith the advent of the information revolution and the intensification of globalization, Canadians are being forced to think beyond the traditional borders to redefine our country, our economy and our identity. Under the general rubric of "The Art of the State," in the first of what has become a biennial event, the IRPP held a three-day symposium entitled "Governance in a World Without Frontiers" at Le Château Montebello in October 2001. Participants were asked to look at the impact of democratic, economic and technological forces on governance and to explore how Canada and its regions can best meet these new challenges. The conference brought together prominent members of academia, experts and practitioners from Canada, the United States and Europe.

The resulting volume, *The Art of the State: Governance in a World Without Frontiers*, edited by Thomas J. Courchene and Donald Savoie, was published in January 2003. It covers topics such as the new economic order (Richard Harris), citizenship (Will Kymlicka), the nature of power and democracy (B. Guy Peters), federalism (Ronald Watts), public service (Christopher Pollitt), subnational communities (Michael Keating), international regimes (Pierre Marc Johnson and Karel Mayrand) and corporate governance (Ronald Daniels and Benjamin Alarie). In the volume, these governance perspectives are subjected to formal assessment by acknowledged experts as well as practitioners. The book's formal launch took place in May 2003.

## Social Union

Following the signing of the Social Union Framework Agreement (SUFA) in February 1999 by the federal, provincial (except Quebec) and territorial governments, the IRPP launched a research program to evaluate the extent to which this agreement would improve the functioning of the Canadian social union, before the three-year deadline for review stipulated in the agreement. In the past year the Institute published the sixth paper in this series. In his very instructive study, "L'union sociale canadienne dans le miroir des politiques sociales de l'Union européenne" (July 2002), Bruno Théret examines Canada's social union in light of the European social policy experience. He argues that Canada and the European Union may be on the way to inventing a new form of multinational, asymmetrical federalism.

The IRPP will publish the English version of all the papers in this series in an edited volume to be released in late 2003. It will include a study by Michael Prince, the last to be undertaken in the Social Union research initiative, on federal social policy trends since 1999. Despite the lack of public discussion of the review process in 2002, SUFA remains significant as the only extra-constitutional agreement that frames the respective roles of the two orders of government in social policy and addresses fundamental issues related to intergovernmental relations, democracy and social policy. Since these challenges will remain on the horizon for the foreseeable future, the collection will be an indispensable reference for students of Canadian federalism. The volume will feature an introduction, in which the editors, Alain Noël, Sarah Fortin and France St-Hilaire, provide an update of recent developments and consider the prospects for intergovernmental relations and the social union beyond SUFA.

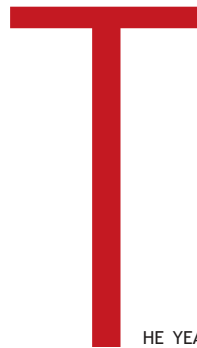
## The Institutional Accommodation of Diversity

In winter 2002, Alain-G. Gagnon, then professor of political science at McGill and director of the Programme d'études sur le Québec, became a visiting fellow at the IRPP. Under the auspices of the Research Group on Multinational Societies, Gagnon, together with co-editors François Rocher and Monserrat Guibernau, is editing a new collection of articles by prominent scholars who will examine the management of cultural differences in multinational democracies. The Institute will publish it in fall 2003.

## Courts and Legislatures

Ever since the Charter of Rights and Freedoms came into effect in 1982, Canada's courts have been empowered to strike down provincial and federal legislation deemed to contravene Canadians' basic rights. Controversial from the outset, this expansion of judicial authority has attracted increased public attention in the past couple of years. Landmark rulings on any number of contentious issues, from Aboriginal land claims to gay rights to child pornography, have captured the headlines and sparked a lively public debate about the merits of judicial power. To help inform this important debate, the IRPP launched the Courts and Legislatures research program in 1998 and commissioned six research papers. The concluding event in this research initiative took place in October 2002, when the Institute hosted the launch of a book by Janet Hiebert, based on research she conducted for a Courts and Legislatures study, and entitled *Charter Conflicts: What Is Parliament's Role?* (McGill-Queen's University Press). In this book Professor Hiebert, a professor of political studies at Queen's University, examines the Charter of Rights and Freedoms' influence on legislative decisions by analyzing five cases involving significant Charter conflicts.

## Policy Options: Continuity and Change



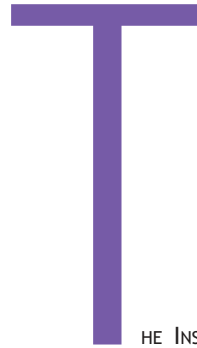
THE YEAR 2002-03 WAS ONE OF BOTH CHANGE AND CONTINUITY FOR *Policy Options*, the flagship publication of the IRPP. Change, because the baton was passed a couple of times after Bill Watson, the editor for three and one-half years, saw his last issue, July-August 2002, to bed and subsequently went to France on sabbatical. Jim Ferrabee picked up the torch as interim editor for three months, from September to November 2002. *Policy Options'* new editor is L. Ian MacDonald. Mr. MacDonald served in the Canadian embassy in Washington and the Privy Council Office in Ottawa, has authored several books on Canadian politics, and is a regular columnist and commentator at the national and provincial levels. There was also continuity in 2002-03: Sarah Fortin, who did the magazine's French editing, is now the assistant editor; Bill Watson is filing a regular column; and Jim Ferrabee is on board as contributing editor.

While maintaining *Policy Options'* role as Canada's premier public policy magazine, the new editor has also brought a new approach. Thus the magazine has been moving incrementally in a new direction since the publication of its year-end special issue on the Kyoto Protocol. Since then, *Policy Options* has published extensive cover packages on directions in Canada-US relations, large bank mergers, Big ideas, and Canada and the war in Iraq. Articles from these issues of *Policy Options* have themselves received wide coverage and pickup in leading op-eds across Canada. Says L. Ian MacDonald: "We're trying to position the magazine closer to the news, not in the everyday sense, but in the sense of illuminating the big picture and presenting various points of view around it."

The magazine has introduced several new monthly features. At the front are *Q&A*, an interview with a prominent newsmaker, and *Verbatim*, an excerpt from an important speech. At the back there are exclusive excerpts from important new books by Canadian authors on history and public policy; notable recent excerpts are from Margaret Macmillan's *Paris 1919* and Norman Spector's *Chronicle of a War Foretold*. There are also English and French book reviews and regular columns by Bill Watson, well known to *Policy Options* readers, and Joseph Heath, holder of the Research Chair in Ethics and Political Economy at the University of Toronto and an important new voice on public policy.

The appearance of the magazine is also changing, month by month. The covers are much more illustrative of the monthly thematic, and the two-column format has given way to three columns. There are many more photographs and graphics. And the magazine's French content is increasing; the hope is to bring it up to 25 percent of the magazine by the end of 2003. It is, as it has always been, a must-read both for those who know and those who want to know in a timely fashion about important Canadian public policy issues.

## Working Breakfast/ Lunch/Dinner Series



THE INSTITUTE'S CORE RESEARCH FUNCTIONS ARE complemented by a number of related activities and initiatives, among which is the working luncheon/dinner series. Established in 1999, this series' main goal is to enable the IRPP to respond in a timely fashion to policy issues as they emerge by providing an opportunity for candid, off-the-record exchanges with guest speakers. Held under the aegis of current and ongoing research and hosted in different cities across the country, this year's series featured a total of nine luncheons and one dinner, held in Toronto, Ottawa, Montreal and Quebec City.

The speakers covered a wide range of topics. Three of the events related to some aspect of security, reflecting the heightened international concern over the issue. **Brian Flemming**, Chairman and interim CEO of the Canadian Air Transport Security Authority (CATSA) and a member of the IRPP's Board of Directors, gave a report card on what has been achieved in air transport security in the year since 9/11, both within and outside CATSA (September 2002). **Margaret Purdy**, Associate Deputy Minister of National Defence, whose responsibilities include the Office of Critical Infrastructure Protection and Emergency Preparedness (OCIPEP), focused on the importance of critical infrastructure protection and the need for greater awareness of the potential impacts of both physical and cyber threats (October 2002). **Colonel Russell D. Howard**, who is an expert on terrorism and teaches at the prestigious United States Military Academy at West Point, spoke about the fight against terrorism (February 2003). Two speakers addressed the subject of Canada in North America. **Brian Smith**, former chair of BC Hydro, spoke about the security of the energy supply, specifically drawing on lessons from California for Ontario (January 2003). The Right Honourable **Herb Gray**, Chairman of the Canadian section of the International Joint Commission, addressed the Canada-US relationship (February 2003). In the area of economic policy and growth, **John Crow**, governor of the Bank of Canada from 1987 to 1994, shared his perspective on finance, politics and Canada's Central Bank (March 2003). **David Dodge**, Governor of the Bank of Canada, delivered his perspective on the global economic and monetary challenges (June 2002). Under the Governance rubric, Professors **Isabelle Fortier** and **Christian Rouillard** addressed audiences in English in Ottawa and in French in Quebec City on the topic of cynicism and the civil service (April 2002). Finally, His Excellency **Mei Ping**, Ambassador of the People's Republic of China shared his vision of the challenges and priorities important to China and its citizens, touching on the relationship between our two countries and strategic issues in Southeast Asia (October 2002).

## Record-Breaking Year for irpp.org

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OR THE IRPP'S WEB SITE, 2002-03 was another record-breaking year. In the 12 months ending March 31, 2003, nearly 135,000 visitors surfed to [www.irpp.org](http://www.irpp.org), a 50 percent increase over the previous 12 months. These visitors requested 237,000 *Policy Options* articles and 161,000 other publications (including *Choices* and *Policy Matters* studies, special reports, conference papers, and speeches), for a total of almost 400,000 downloads! The most frequent users of the IRPP's Web site include government officials, media representatives, and students.

The IRPP's Web site saw three major improvements in 2002-03 that consolidated its position as the major Canadian public policy Web destination. In August 2002, the Institute added the FastTrak search engine, which allows visitors to search an online database of IRPP publications by subject area, author's name, year of publication and language of publication. The database currently contains nearly 250 publications, all of which are available for download in their entirety.

Since January 2003, articles from the current issue of *Policy Options* have been available for download as soon as the magazine is published. Previously, they were posted after a one-month lag. This, combined with E-mail notification of the latest issue, has helped increase monthly requests for articles by more than 50 percent.

In March 2003, [www.irpp.org](http://www.irpp.org) underwent major cosmetic and structural improvements to make it easier to use and better reflect the IRPP's new corporate image. Content in the research section of the site was expanded, functionality was added to the FastTrak search engine and access to publications was simplified.

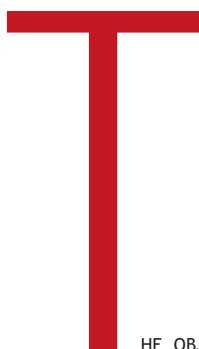
IRPP's Web strategy is guided by the goal of presenting the most Web-worthy content in Canadian public policy analysis. In the coming year, the focus will be on expanding the IRPP's profile in the online public policy community via both online and traditional marketing, while continuing to add functionality that will provide the most value to its users.

Finally, I would like to thank the IRPP staff for their tremendous dynamism and expertise. They have made my work immeasurably more enjoyable and rewarding, and the Institute owes its success to their contributions. These contributions have been enhanced by L. Ian MacDonald and by Francesca Worrall, Editorial Assistant, who works on the Institute's English publications.

Hugh Segal  
President



# IRPP Investment Committee Report



THE OBJECTIVE OF THE INSTITUTE'S ENDOWMENT FUND is to support the work of the Institute. The Investment Committee seeks to maintain the real value of the Fund after inflation, so that it can continue to produce significant financial support in future years. Therefore, rather than using the actual income generated by the Fund in any one year, the Board of Directors decided to withdraw annually an amount equal to five percent of the average of the last three year-end capital values of the Fund. Using a three-year average smoothes the impact of changes in the market and increases predictability. Under this formula the money available from the Endowment Fund for fiscal year 2003-2004 to support the work of the Institute amounts to \$1,985,600, a reduction of approximately \$150,000 from the previous year's transfer.

As of January 1999 the investment management of the Endowment Fund is carried out by KBSH Capital Management and Beutel, Goodman and Company Ltd. The two managers have different management styles: Beutel Goodman follows a value style, KBSH emphasizes growth. Over the course of the past three or four years, the trend had been for the value style to perform substantially better, although previously growth had been more successful. To provide a basis for evaluating the performance of the Fund managers, the Investment Committee also established a yardstick. This benchmark consists of a four-year moving average of four indices: Canadian equities, foreign equities, Canadian bonds and mortgages. (See appendix below showing performance of the four indices separately.)

The following table reports performance of the managers relative to the benchmark over the previous year and over the past four years.

Periods Ended	31/3/03	31/3/02	31/3/01	31/3/00
<b>ANNUAL RETURN</b>				
KBSH	-12.5%	1.0%	7.1%	31.0%
Benchmark	-8.9%	3.8%	4.7%	17.0%
Beutel Goodman	-13.3%	11.7%	12.2%	6.4%
<b>FOUR-YEAR RETURN (ANNUALIZED)</b>				
KBSH	1.9%	7.1%	10.8%	16.3%
Benchmark	1.3%	4.9%	9.3%	13.8%
Beutel Goodman	3.7%	N/A	N/A	N/A

The combined market value of the Fund, including other current assets, amounts to \$34,606,685. Of this sum, \$1,480,812 represents unexpended monies authorized during the current and prior years for transfer to the operating account that have been left in the Endowment Fund to maximize the funds managed by the investment counselors.

	KBSH		BEUTEL GOODMAN	
	31/3/03	31/3/02	31/3/03	31/3/02
MARKET VALUE	\$16,167,424	\$20,229,753	\$18,205,945	\$22,142,175
ASSET MIX				
Cash and Equivalent	3.9%	1.8%	2.1%	5.7%
Fixed Income	44.0%	43.1%	46.6%	38.3%
Canadian Equities	24.6%	22.8%	20.3%	16.7%
U.S. Equities	16.5%	19.3%	31.0%	39.3%
Non-N.A. Equities	11.0%	13.0%	—	—
<b>Total Equities</b>	<b>52.1%</b>	<b>51.1%</b>	<b>51.3%</b>	<b>56.0%</b>

During the past year KBSH increased holdings of Canadian equities and cash equivalent while reducing the proportion of US and non-North American stocks in its portfolio. Beutel Goodman also increased Canadian equities as well as bonds by reducing US stocks and cash.

#### ANNUAL RETURNS OF FOUR ASSET CLASSES.

Periods Ended	31/3/03	31/3/02	31/3/01	31/3/00
S/P/TSX	-17.60%	4.88%	-18.61%	45.48%
SC BOND	9.15%	5.10%	8.69%	1.26%
MSCI WORLD	-29.78%	-3.07%	-18.43%	17.76%
SC MORTGAGE	7.34%	7.61%	11.45%	3.70%



## Auditors' Report

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, 2003 and the statements of operations and changes in fund balances 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. These 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 at March 31, 2003 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, 2003



## Statement of operations and changes in fund balances

year ended March 31, 2003 (in thousands of dollars)

	Operating Fund \$	Endowment Fund \$	2003 \$	Total 2002 \$
<b>REVENUE</b>				
Investment income				
approved for operations (Note 3)	2,497	-	2,497	2,383
(Deficiency) excess				
of actual net investment income over				
investment income approved for				
operations (Note 3)	(2,097)	-	(2,097)	14
<b>Total investment income, net</b>	<b>400</b>	<b>-</b>	<b>400</b>	<b>2,397</b>
Publications	45	-	45	63
Other	286	-	286	169
	<b>731</b>	<b>-</b>	<b>731</b>	<b>2,629</b>
<b>EXPENSES</b>				
General research and support services	2,205	-	2,205	1,918
<i>Policy Options</i> Magazine	248	-	248	193
Publication costs	284	-	284	289
Interest	5	-	5	5
Amortization of capital assets	25	-	25	31
	<b>2,767</b>	<b>-</b>	<b>2,767</b>	<b>2,436</b>
(DEFICIENCY) EXCESS OF REVENUE OVER				
EXPENSES BEFORE THE UNDERNOTED ITEM	(2,036)	-	(2,036)	193
Write-down of investments (Note 3)	(150)	-	(150)	-
(DEFICIENCY) EXCESS OF REVENUE OVER				
EXPENSES	(2,186)	-	(2,186)	193
Fund balances, beginning of year	1,288	34,794	36,082	35,889
Transfer from Endowment Fund for				
deficiency of total net investment				
income from investment income				
approved for operations (Note 3)	2,099	(2,099)	-	-
Transfer from Endowment Fund for				
write-down of investments (Note 3)	150	(150)	-	-
Transfer from Endowment Fund to fund				
retirement allowance liability	40	(40)	-	-
<b>FUND BALANCES, END OF YEAR</b>	<b>1,391</b>	<b>32,505</b>	<b>33,896</b>	<b>36,082</b>

**Statement of financial position**  
year ended March 31, 2003 (in thousands of dollars)

	Operating Fund \$	Endowment Fund \$	2003 \$	Total 2002 \$
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash	-	56	56	67
Term deposits and treasury bills	65	-	65	63
Accounts receivable				
Accrued income	-	245	245	274
Due from Endowment Fund *	1,508	-	-	-
Other	79	6	85	116
Prepaid expenses	35	-	35	82
	<b>1,687</b>	<b>307</b>	<b>486</b>	<b>602</b>
Marketable securities (Note 4)	-	33,744	33,744	35,808
Capital assets (Note 5)	47	-	47	68
	<b>1,734</b>	<b>34,051</b>	<b>34,277</b>	<b>36,478</b>
<b>Liabilities</b>				
<b>CURRENT LIABILITIES</b>				
Bank indebtedness (Note 6)	105	-	105	107
Accounts payable and accrued liabilities	184	38	222	178
Deferred revenue (Note 7)	14	-	14	14
Due to Operating Fund *	-	1,508	-	-
	<b>303</b>	<b>1,546</b>	<b>341</b>	<b>299</b>
Retirement allowance liability	40	-	40	-
	<b>343</b>	<b>1,546</b>	<b>381</b>	<b>299</b>
Deferred contributions (Note 8)	-	-	-	97
<b>Net assets</b>				
Invested in capital assets	47	-	47	68
Internally restricted (Note 9)	-	32,505	32,505	34,794
Unrestricted	1,344	-	1,344	1,220
	<b>1,391</b>	<b>32,505</b>	<b>33,896</b>	<b>36,082</b>
	<b>1,734</b>	<b>34,051</b>	<b>34,277</b>	<b>36,478</b>

\* Amounts due to/from each fund are eliminated from the total column.



**Statement of cash flows**  
year ended March 31, 2003 (in thousands of dollars)

	2003 \$	2002 \$
<b>Cash flows from operating activities</b>		
(Deficiency) excess of revenue over expenses	(2,186)	193
Items not affecting cash		
Loss (gain) on sale of investments	732	(1,152)
Write-down of investments	150	-
Amortization of capital assets	25	31
Retirement allowance	40	-
Changes in non-cash working capital items		
Accounts receivable	60	(1)
Prepaid expenses	47	18
Accounts payable and accrued liabilities	44	1
Deferred revenue	-	(5)
	<b>(1,088)</b>	<b>(915)</b>
<b>Cash flows from financing and investing activities</b>		
Purchase of capital assets	(4)	-
Purchase of investments	(23,778)	(35,948)
Sale of investments	24,960	36,702
(Decrease) increase in deferred contributions	(97)	97
	<b>1,081</b>	<b>851</b>
Net decrease in cash	(7)	(64)
Cash position, beginning of year	23	87
<b>Cash position, end of year</b>	<b>16</b>	<b>23</b>
Represented by		
Cash	56	67
Term deposits and treasury bills	65	63
Bank indebtedness	(105)	(107)
	<b>16</b>	<b>23</b>

# Notes to the financial statements

year ended March 31, 2003 (in thousands of dollars)

## 1. DESCRIPTION OF ORGANIZATION

The Institute for Research on Public Policy 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.

### *Fund accounting*

The financial statements have been prepared in a manner which segregates the following balances:

- (i) The Operating Fund reports revenue and expenses related to program delivery and administrative activities of the Institute.
- (ii) The Endowment Fund reports resources internally restricted for endowment. Investment income earned on resources of the Endowment Fund is reported in the Operating Fund.

### *Revenue recognition*

Restricted contributions relating to operations are recognized as revenue of the Operating Fund 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 Endowment Fund balance.

Operating Fund revenue includes investment income when earned, and capital gains or losses when realized.

### *Publication costs*

Publication costs are now 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 five years. Leasehold improvements are amortized on the straight-line basis over the term of the lease.

### *Investments*

Investments are recorded at the lower of cost and market value.

Gains or losses on disposal of investments are calculated on the average cost basis and are included in the Operating Fund.

### *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. INTERFUND TRANSFERS

The Operating Fund retains for its use investment revenue equivalent to 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 \$2,139,751 (2002 - \$2,074,950). In addition, the Board of Directors approved the use of \$357,374 for the current year's operations from the Operating Fund accumulated surplus (2002 - \$308,396) for a total of \$2,497,125.

Investment income earned consists of the following:

	2003 \$	2002 \$
Income earned on resources held for endowment	1,286	1,412
(Loss) gain on sale of investments of the Endowment Fund, net	(732)	1,152
Investment management and custodial fees	(156)	(170)
Income earned on resources of the Operating Fund	2	3
	<b>400</b>	<b>2,397</b>

At March 31, 2003, an analysis was performed to determine if a loss in value of investments had been experienced which was deemed to be other than temporary. As a result of current stock market conditions, certain investment values were deemed to be impaired and resulted in a total write-down of \$150,000. The adjustment resulted in a decrease in the carrying value of marketable securities and fund balance (Endowment fund), as well as a charge in the Operating Fund with a corresponding increase in the operating interfund transfer amount.

### 4. MARKETABLE SECURITIES

	2003		2002	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Bonds	16,297	16,506	18,595	18,579
Stocks	17,447	17,804	17,213	23,542
	<b>33,744</b>	<b>34,310</b>	<b>35,808</b>	<b>42,121</b>

### 5. CAPITAL ASSETS

	2003		2002	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computer equipment	298	254	44	65
Office equipment	85	82	3	3
Leasehold improvements	63	63	-	-
	<b>446</b>	<b>399</b>	<b>47</b>	<b>68</b>

### 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 at March 31, 2003, 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 Policy Options subscriptions and will be reflected as revenue over the term of the subscription.

#### 8. DEFERRED CONTRIBUTIONS

Deferred contributions represents amounts received and restricted for use on projects specified by the donors. Deferred contributions will be recognized as revenue of the Operating Fund in the period in which the expenses related to such specified projects are incurred.

#### 9. RESTRICTIONS ON NET ASSETS

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.

#### 10. 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:

	\$
2004	67,166
2005	70,751
2006	69,034
2007	66,631
2008	70,216

#### 11. COMPARATIVE FIGURES

Certain figures for 2002 have been reclassified in order to conform to the presentation adopted in the current year.