

Statement of Management Responsibility

Departmental management is responsible for this future-oriented financial statement, including responsibility for the appropriateness of the assumptions on which this statement is prepared. This statement is based on the best information available and assumptions adopted as at January 17, 2011, and reflects the plans described in the Report on Plans and Priorities.

CIDA's Audit Committee is responsible for providing independent advice to the President on the Agency's governance, risk management practices and controls. Committee members exercise due diligence and provide constructive challenge in their responsibility to provide appropriate advice to the President, in her role of Executive Officer and Chief Accounting Officer, with respect to risk management, controls and accountability processes.

Sue Stimpson
Chief Financial Officer

Margaret Biggs
President

Gatineau, Canada

Gatineau, Canada

Date

Date

Canadian International Development Agency
Future-oriented Statement of Operations
For the Year Ending March 31
(in thousands of dollars)

	Estimated Results 2011	Forecast 2012
Expenses		
Global engagement and strategic policy	\$ 1,285,198	\$ 1,299,325
Low-income countries	890,435	935,743
Fragile countries and crisis-affected communities	654,206	651,065
Middle-income countries	419,214	357,869
Canadian engagement	302,903	309,642
Internal services	115,597	123,066
	3,667,553	3,676,710
Total Expenses		
Revenues		
Global engagement and strategic policy	132,691	174,284
Middle-income countries	16,218	16,547
Low-income countries	1,098	769
Internal services	33	33
Fragile countries and crisis-affected communities	-	-
Canadian engagement	-	-
	150,040	191,633
Total Revenues		
Net Cost of Operations	\$ 3,517,513	\$ 3,485,077

Information for the year ending March 31, 2011 includes actual amounts from April 1, 2010 to September 30, 2010.

Segmented information (Note 8)

The accompanying notes form an integral part of these future-oriented statements.

Notes to Future-oriented Financial Statements

1. Authority and objectives

The Canadian International Development Agency (CIDA) is designated as a department for the purposes of the *Financial Administration Act* by *Order-in-Council P.C. 1968-923* of May 8, 1968. The authority for the CIDA program and related purposes is found in the *Department of Foreign Affairs and International Trade Act*, in the *Annual Appropriations Act* and in the *International Development (Financial Institutions) Assistance Act*. CIDA is the lead government organization responsible for Canada's Official Development Assistance (ODA). In addition, the Official Development Assistance Accountability Act (ODAAA) came into force on June 28, 2008. The ODAAA imposes reporting obligations on the Government.

CIDA's mandate is to manage Canada's support and resources effectively and accountably to achieve meaningful, sustainable results, and engage in policy development in Canada and internationally, enabling Canada's efforts to realize its development objectives. CIDA fulfills its mandate through six main business lines:

- “Fragile countries and crisis-affected communities”: This program activity seeks to address developmental issues in selected countries identified as fragile or crisis-affected. Fragile countries are defined as those that face particularly severe development challenges with complex national and regional contexts given weak institutional capacity, poor governance, political instability, and ongoing violence or a legacy of past conflict. Improving the situation in these countries is frequently considered critical in meeting Canada's foreign policy objectives. CIDA's programming in these countries seeks to enhance long-term development by improving the effectiveness of public institutions and society, fostering stability and security, as well as supporting the delivery of key services. This program activity also involves humanitarian assistance in response to man-made crises or natural disasters to ensure the delivery of and access to essential emergency services to crisis-affected populations. In both cases, various partnerships offer flexibility and expertise to provide the most effective response.
- “Low income countries”: This program activity focuses on addressing pervasive poverty in countries having an annual gross national income (GNI) per capita equivalent to US\$995 or less (2009 World Bank data). This requires engagement in long-term development assistance supporting the national priorities of a selected number of low-income countries, as well as programming with some regional institutions addressing transboundary issues. CIDA's support aims to help these countries achieve their priority development goals that differ from country to country, and region to region. Programming aims at reducing poverty and increasing economic opportunities. It focuses on areas such as basic health and education, agriculture/food security, income generation, and the foundations for good governance.
- “Middle-income countries”: This program activity focuses on addressing specific challenges in attaining self-reliance for countries having a GNI per capita equivalent to more than US\$996 but less than US\$12,195 (2009 World Bank data). It involves strategic assistance in a select number of middle-income countries, as well as programming with regional institutions addressing transboundary issues. These countries vary considerably in terms of their development needs. CIDA programming is tailored to respond to national priorities and development challenges to ensure basic

services reach marginalized populations. Programming aims to build the foundation for sustainable and inclusive economic growth and accountable, democratic institutions.

- “Global engagement and strategic policy”: This program activity shapes international development policy in Canada and globally in support of CIDA’s strategic direction, and Canada’s international assistance objectives and commitments. It also engages with multilateral and global organizations for two main purposes: to contribute effectively to the achievement of development results, and to influence partners’ policies, planning, strategic directions, and organizational governance for greater development results.
- “Canadian engagement”: This program activity involves delivering development results by supporting the aid efforts of Canadian organizations, and increasing awareness of international development in Canada. CIDA does this by co-investing through various delivery mechanisms with a range of Canadian organizations. In turn, these organizations partner with developing-country counterparts to deliver programs and services in support of CIDA’s strategic outcome. Public engagement in Canada is achieved through the education and outreach activities of Canadian organizations such as Canadian civil society, academic institutions, and professional associations, as well as through CIDA’s own efforts to inform Canadians
- “Internal services”: This program activity provides support services to CIDA programming for the delivery of the Canadian aid program. It includes governance and management support, resources-management services, and asset-management services.

2. Significant assumptions

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) CIDA’s activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year-end information for 2010-2011 is used as the opening position for the 2011-2012 forecasts.

These assumptions are adopted based on approvals received on January 17, 2011.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2010-11 and for 2011-12, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this financial statement, CIDA has made estimates and assumptions concerning the future. These estimates and judgments may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statement and the historical financial statement include:

- (a) Further changes to the transfer payments and operating budgets through additional new initiatives or technical adjustments later in the year.
- (b) Economic conditions may affect the collectability of loan receivables.
- (c) Interest rates in effect at the time of issue will affect the net present value of non-interest bearing loans.
- (d) The timing and amounts of acquisitions of equipment may affect the amortization expense.

Once the Report on Plans and Priorities is presented, CIDA will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates.

4. Summary of Significant Accounting Policies

The future-oriented Statement of Operations has been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

(a) Parliamentary appropriations

CIDA is financed by the Government of Canada through Parliamentary appropriations. The cash accounting basis is used to recognize transactions affecting parliamentary appropriations. The future-oriented financial statements are based on accrual accounting. Consequently, items presented in the future-oriented Statement of Operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a reconciliation between the bases of reporting.

(b) Revenues

Revenues are accounted for in the period in which the transaction or event that gave rise to the revenues occurred. CIDA's revenues mainly consist of foreign exchange gain on revaluation as well as interest and service fees on loans.

(c) Expenses

Expenses are presented on an accrual basis. CIDA's expenses mainly consist of grants and contributions, operating transactions and foreign exchange loss on revaluation.

Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements;

Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are reported as operating expenses at their estimated cost.

(d) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Superannuation Plan, a multiemployer pension plan administered by the Government. CIDA's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require CIDA to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(e) Loans to developing countries and International Financial Institutions

Loans to developing countries and International Financial Institutions (IFI) for international development assistance are recorded at cost and are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest or interest-free basis. The discount determined at the date of the issuance is amortized to revenue using a straight-line amortization. Any interest or service fees revenue is recognized with the passage of time and

according to the terms of the loan agreement. However, when specific loan balances are deemed uncollectible, interest and service fees revenue ceases to be accrued on these loans. No new loans have been recorded by CIDA since April 1, 1986.

An allowance for valuation is further used to reduce the carrying value of the loans to amounts that approximate their net realizable value. The allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt relief, estimated probable losses that exist on the remaining portfolio, and changes in the economic conditions of sovereign debtors.

Any loans written off or forgiven are presented as an expense in the Statement of Operations under Transfer payments, in the fiscal year during which the required Parliamentary authority is obtained and the government of Canada writes off or forgives the loan amounts owing to CIDA. Should subsequent recoveries arise, they are presented in the revenue in the Statement of Operations and are highlighted in the note on revenues in the fiscal year during which the monies are received.

(f) Investments and advances to International Financial Institutions (IFI)

Investments and advances to International Financial Institutions are recorded at cost.

Investments

Investments consist of subscriptions to the share capital of a number of international financial institutions and are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment, but are repayable on termination of the organization or upon CIDA's withdrawal from the organization. Paid-in capital is made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program.

Advances

Advances are issued to International Financial Institutions that use these funds to issue loans to developing countries at concessionary terms.

For these investments and advances to International Financial Institutions, an allowance is established based on their estimated realizable value.

(g) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial information.

(h) Prepaid expenses

CIDA has the authority to make advance payments under CIDA's Terms and Conditions for contribution agreements before the expenditures are incurred. The portion of a payment which is intended to cover expenses to be incurred in a subsequent fiscal year is recorded as prepaid expenses.

(i) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Rates have been established by using estimates provided by external and reliable economic sources. The forecast gains and losses are presented in the future-oriented Statement of Operations with the exception of the foreign exchange gain or loss relating to a long-term foreign currency denominated monetary item which is presented in the financial statements, deferred and amortized to revenue/expense over the remaining life of the monetary item.

(j) Tangible capital assets

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Communication equipment	3 years
Computer Hardware	3-5 years
Computer Software	5 years
Other equipment	5 years
Vehicles	5 years

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

5. Parliamentary Appropriations

CIDA receives its funding through expenditure authorities provided by Parliament. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, CIDA has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Authorities requested

	Estimated 2011	Forecast 2012
	(in thousands of dollars)	
Authorities requested		
Vote 20 - Operating expenditures	\$ 222,715	\$ 215,002
Vote 25 - Grants and contributions	3,049,459	2,958,150
Statutory amounts	467,537	553,082
Authorities available from previous years		
Debt forgiveness	433,385	384,594
Authorities available for future years		
Debt forgiveness	(384,594)	(330,594)
Forecast authorities available	\$ 3,788,502	\$ 3,780,234

Forecast authorities requested for the year ending March 31, 2012 are the planned spending amounts presented in the 2011-12 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31 2011 include amounts presented in the 2010-11 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

(b) Reconciliation of net cost of operations to requested authorities

	Estimated 2011	Forecast 2012
	(in thousands of dollars)	
Net cost of operations	\$ 3,517,513	\$ 3,485,077
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(1,210)	(1,431)
Bad debts expense	(1,247)	(1,247)
Services provided without charge	(22,901)	(22,885)
Refunds of prior years expenditures	14,027	14,090
Gains on foreign exchange	132,613	174,206
Issuance of notes to International Financial Institutions	(245,482)	(248,113)
Other revenue	3,601	3,601
Decrease in discounts and allowance related to loans	13,990	15,205
Decrease in accrued liability for matching fund programs	62,852	57,000
Decrease in employee severance benefits	2,405	260
	3,476,161	3,475,763
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Acquisition of tangible capital assets	2,358	2,358
Increase in prepaid expenses	3,851	-
Encashment of notes to International Financial Institutions	249,141	248,113
Pakistan's debt forgiveness	48,791	54,000
	304,141	304,471
Forecast current year lapse	8,200	-
Forecast authorities available	\$ 3,788,502	\$ 3,780,234

6. Employee Benefits

(a) Pension benefits:

CIDA's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$26,031,290 in 2010-11 and \$27,047,538 in 2011-12, representing approximately 1.9 times the contributions of employees.

CIDA's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Estimated Results 2011	Forecast 2012
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	\$ 35,777	\$ 33,373
Expense for the year	871	3,015
Benefits paid during the year	(3,275)	(3,275)
Accrued benefit obligation, end of year	<u>\$ 33,373</u>	<u>\$ 33,113</u>

7. Related party transactions

CIDA is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. CIDA enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CIDA received common services which were obtained without charge from other Government departments as disclosed below:

(a) Common services provided without charge by other government departments

During the year the department is forecasted to receive without charge from other departments, accommodation, legal fees, workers' compensation coverage and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's future-oriented Statement of Operations as follows:

	Estimated Results 2011	Forecast 2012
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans	\$ 13,105	\$ 12,772
Accommodation	9,027	9,140
Legal services	685	911
Workers' Compensation	84	61
Total	\$ 22,901	\$ 22,884

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the department's Statement of Operations.

8. Segmented Information

<i>(in thousands of dollars)</i>	2011		2012					
	Total	Fragile countries	Low-income countries	Middle-income countries	Global engagement	Canadian engagement	Internal services	Total
Transfer Payments	3,271,784	620,502	885,704	338,531	1,098,799	291,962	-	3,235,498
Operating Expenses								
Salaries and employee benefits	194,175	22,625	37,026	14,308	19,522	13,080	89,239	195,802
Loss on foreign exchange	132,613	-	-	-	174,206	-	-	174,206
Professional and special services	34,081	3,913	6,399	2,473	3,388	2,260	15,378	33,812
Travel	12,879	1,522	2,487	961	1,321	878	5,962	13,131
Rentals/Accommodation	11,302	1,343	2,231	862	1,084	791	5,687	11,998
Repair & maintenance	3,334	446	729	282	387	257	1,747	3,848
Communication	2,408	454	743	287	394	262	1,780	3,921
Amortization	1,210	-	-	-	-	-	1,431	1,431
Other	3,768	260	424	164	225	150	1,841	3,063
Total operating expenses	395,769	30,564	50,039	19,337	200,527	17,679	123,066	441,212
Total Expenses	3,667,553	651,066	935,743	357,868	1,299,326	309,641	123,066	3,676,710
Total Revenues	150,040	-	768	16,547	174,284	-	33	191,633
Net Cost of Operations	3,517,513	651,066	934,975	341,321	1,125,042	309,641	123,033	3,485,077