

# ***STRENGTH TO STRENGTH***

ANNUAL REPORT 2021

INSTITUT C.D. HOWE



C.D. HOWE INSTITUTE

# OUR MISSION

The C.D. Howe Institute is a registered charity, and an independent not-for-profit research institute whose mission is to raise living standards by fostering economically sound public policies. Widely considered to be Canada's most influential think tank, the Institute is a source of trusted policy intelligence, distinguished by research that is nonpartisan, evidence-based and subject to definitive expert review.

## Your Philanthropic Dollars at Work in 2021

### #1 Awarded Think Tank

The Institute is Canada's top economic policy think tank in worldwide Research Papers in Economics (RePEc) and Think Tanks and Civil Societies Program global rankings and is the winner of six Douglas Purvis Prizes for excellence in Canadian economic policy writing.

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**56**

Exclusive, off-the-record events

**62**

High-quality research and policy council reports

**27**

Policy council meetings

#### STIMULATING DEBATE



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citations in social media

**635,610 +**

Website page views

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# MESSAGE FROM THE CHAIRMAN

**Hugh L. MacKinnon**  
Chair, C.D. Howe Institute



**2**021 continued to be a difficult and trying time for Canadians.

While widespread vaccination has made it possible for businesses and workplaces to slowly and cautiously re-open their doors, the economic and health-related effects of the pandemic will continue to resonate for the foreseeable future. Federal spending has reached new heights, and with it has come inflation and the ever-present need for restraint, responsible fiscal policy and sound monetary theory. The true cost of the last few years of pandemic spending and economic hardship has yet to be fully realized.

Our 2021 Annual Report outlines how we have remained steadfast throughout this last tumultuous year in solidifying our commitment to economically sound, expertly reviewed and evidence-based public policies – needed now more than ever.

The Institute's contribution to public-policy discourse continued to make an unparalleled impact. Numerous key federal players looked to our research ideas to spur competition policy reform, a pivotal area of discussion that will continue to gather momentum. C.D. Howe Institute research was cited directly by the Alberta government in announcing its 2022 Canadian Federation of Independent Business Golden Scissor Award winning legislation on labour mobility. The Province of Ontario soon followed in enacting similar legislation. Vital policy advice and Institute recommendations continued to be impactful

across the country, from open banking, to preferential tax rates for intellectual property, and the critical need to increase housing supply. A longstanding push for a publicly accessible registry for beneficial ownership resulted in its establishment by the federal government. And at Queen's Park, the commencement of major electricity pricing reforms for businesses followed years of dedicated Institute work in the area.

We continue to take the slow but welcome steps towards a return to pre-pandemic life, but there remains work to be done. As the impact of these last two years of shuttered businesses continues to be felt, combined with inflation and deficits, the advice and recommendations being advanced by the C.D. Howe Institute remain vital in shaping a strong, responsible and sound economic path for 2022 and beyond. As we emerge from the uncertainty of this last year, we will continue to engage, encourage and promote bold thinking in key priority areas.

Our work is only made possible by the ongoing and generous dedication of our community of members and friends. Given the adversities and tribulations of this last year, your critical support allowed us to dedicate our team to helping build a future guided by sound, evidence-based, and responsible fiscal policy to better the lives of all Canadians.

Sincerely,  
*Hugh L. MacKinnon*

# MESSAGE FROM THE CEO

**William B.P. Robson**  
CEO, C.D. Howe Institute



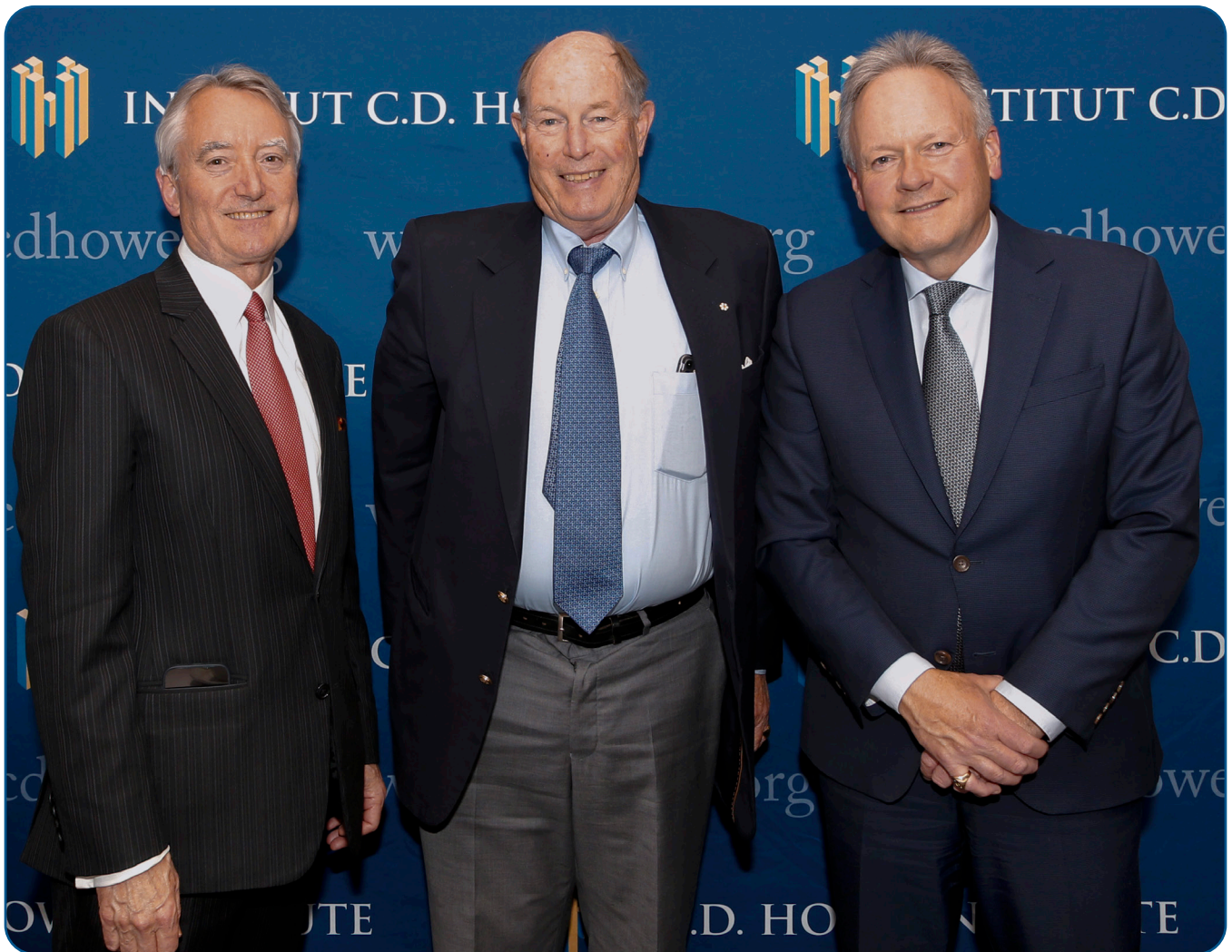
The pace of events affecting Canada's economy in 2021 was fast. As were the challenges – not least the slogans, doubtful information and sneering amplified on social media – to policymakers. With 2022 looking even more fraught, the C.D. Howe Institute's role as a provider reasoned, fact-based analysis, presented in a civil manner, is more valuable than ever.

The Institute pursues that role – its mission to raise living standards by fostering economically sound public policies – in a number of ways. As the pages that follow document, it publishes research papers that pass rigorous review. It releases shorter Intelligence Memos and Graphic Intelligences, and Institute authors are regular contributors of newspaper columns. It sponsors a number of policy councils that bring together experts from business, the public sector, academia and not-for-profits to help guide the research program and ensure the Institute's publications are relevant to current policy and business challenges. Its events – webinars and in-person roundtables, annual seminars and lectures, and marquee dinners and debates – are unparalleled venues for the exchange of ideas. My colleagues, Institute Fellows and I respond regularly to invitations for presentations and submissions from businesses, associations, the media, officials, and elected representatives.

Even as COVID-related restrictions on in-person contact suspended the Institute's regular programming of councils and events in 2021, its virtual convening expanded its reach. Pandemic-related working groups proved the success of a new model that the Institute is now employing to tackle other time-sensitive topics. Notwithstanding the fevered state of much current policy commentary, the appetite of thought leaders and officials for the Institute's input is as strong as ever. The Institute's circle of members and supporters continued to grow.

The accomplishments described in the C.D. Howe Institute's 2021 Annual Report reflect the resources provided by the Institute's members and other supporters. It is a pleasure to acknowledge that support, and the ideas and energy of the Institute's collaborators in academia, business, government and not-for-profits. The Institute's board of directors provides superb oversight and support. Finally, and critically, I have the privilege to work with colleagues who are smart, professional, hard-working, and devoted to the independent, non-partisan approach that makes the C.D. Howe Institute so influential in Canadian economic and social policy.

Sincerely,  
*William B.P. Robson*



From Left:

William B.P. Robson, David Dodge and Stephen Poloz

# MESSAGE FROM THE PRESIDENT

**Duncan Munn**  
President, C.D. Howe Institute



**D**espite all the continued challenges faced over the past year due to the pandemic, the C.D. Howe Institute continued to keep a close eye on Canada's future in 2021. This is an ever-important goal for our organization as we continue on the path towards post-pandemic prosperity and a clear theme from our Strategic Review delivered by McKinsey & Company in 2021.

Like many during these uncertain times, the C.D. Howe Institute seized the opportunity to examine its strengths and future.

Most notably, I am delighted to say, our recent Strategic Review determined that the Institute was currently in a position of strength. We are seen as Canada's premier think tank and highly regarded for our research credibility, convening power and non-partisanship. These strengths are founded in our three strategic pillars: top-quality analysis and dialogue; leadership on important issues; and our talent engagement and performance culture.

This past year also saw the Institute begin to take action on six key policy priorities that mirror the questions posed by the pandemic's deep cut to our economy, businesses, jobs and future generations. These goals include defining a sustainable path for public spending, helping small businesses scale up, the robustness of our public

institutions, an achievable and sustainable plan to meet the global energy transition, post-pandemic supply chain resiliency and assisting Canada's young people with their recovery.

We look forward to using this upcoming year as an opportunity to continue to provide answers to these much-needed calls from Canadians and decision-makers alike through rigorous research from our strong network of colleagues and contributors.

Although the team at the C.D. Howe Institute remained virtually distant throughout 2021 – with all its starts and stops – we were still able to convene together for several in-person events including the Hon. Peter Bethlenfalvy and Hon. Prabmeet Singh Sarkaria. If current health procedures allow, we hope to continue to bring our membership together in 2022.

As for a longer-term perspective of our work, we desire to further reinforce the Institute's position as Canada's pre-eminent provider of high-quality, independent research and policy insights as well as broaden our impact. We could not do this without your continued support. Canadians deserve to have someone looking out for their future and we promise to continue to be their advocate.

Sincerely,  
*Duncan Munn*

# 2021 MAJOR GIFTS AND GRANTS

Thank you for making our work possible. The C.D. Howe Institute relies on charitable support to deliver on its mission. We have modest resources and do not receive eight-figure endowments or major, multi-year government grants. All donations are purely philanthropic – the Institute does not accept any donations that stipulate a predetermined result or otherwise inhibit the independence of its staff and authors.

Targeted major gifts and event sponsorships enable supporters to bolster the Institute’s research and dissemination capacities in specific areas of interest. They complement the annual membership campaign, strengthening the Institute and enabling it to recruit scholars and support programs that enhance its ability to develop innovative solutions to policy challenges. We gratefully acknowledge the following donors and sponsors:

## Major Gifts from Individuals

James C. Baillie  
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Ed Clark (Clark Family Foundation)  
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## Major Grants from Organizations

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Tax-Filer Empowerment Canada  
Toronto Regional Real Estate Board  
Trottier Family Foundation  
Walter & Maria Schroeder Foundation  
Weston Family Foundation



## Max Bell Foundation Policy Scholars – Educating tomorrow’s leaders

We thank the Max Bell Foundation for renewing its support of the Max Bell Scholar. The fellowship is awarded to a graduating student at McGill University’s Max Bell School of Public Policy. The 2021 recipient, Udita Upadhyay, worked alongside the Institute’s policy research team on the theme of “Healthcare Human Capital: Reopening and Recovering.”



Udita Upadhyay

## IMCO Policy Research Interns

From July through December 2021, the Investment Management Corporation of Ontario (IMCO) and the C.D. Howe Institute provided paid internships to promising students and graduates of policy, economics and communications programs.

These six gifted scholars worked alongside the C.D. Howe Institute’s Research and Communications teams, contributing their skills and perspectives to the Institute’s policy work as well as communications outreach.

We thank IMCO for working with the Institute to bolster this next generation of talent during these difficult times and at this critical stage of their career path.



Mawakina Bafale



Ji Yoon Han



Amira Higazy



Jolene Hunt



Ivannia Irawan



Alexander Vanderhoof



## **Janet L. Ecker, C.M., ICD.D**

Former CEO of the Toronto Financial Services Alliance (TFSA)

*“Governments face unprecedented challenges, post pandemic, with shrinking resources to invest into policy research. C.D. Howe Institute fills the gap with in-depth solutions on a wide range of topics. As an independent research institute, its services have never been more necessary.”*



## **Kash Malik**

Managing Director & Head  
Investors Client Management  
JPMorgan Canada

*“I support C.D. Howe Institute because of its independence and rigorous analysis of public policy especially frontline thought leadership work on public pension funds.”*



## Sky Schapiro

Head of Tax at OPTrust

*“Building a productive country and sustainable economy requires strong perspectives on policy – I enjoy being able to hear from those closest to the issues with the newest thinking.”*



## Kathleen (Katie) Taylor

Chair of the Board of RBC

*“I support the C.D. Howe Institute because of its independent voice, deep and credible research, and masterful curating power.”*

# THE INSTITUTE'S 2021 RESEARCH MISSION

**Daniel Schwanen**

Vice President, Research, C.D. Howe Institute



The C.D. Howe Institute and its research program demonstrated their unique value to Canadians during 2021, providing timely, thoughtful and practical advice to decision-makers as Canadians were hit with additional waves of the COVID-19 pandemic.

The continued health situation and responses to it revealed, aggravated, or resulted in a number of policy problems directly affecting Canadians. Immediate among them are the fiscal and inflation overhang, the shortcomings of Canada's health and seniors' care systems, and labour market imbalances and supply chain constraints.

Canada's long-term economic growth challenge was also laid bare. Spurring productive investments, innovation and business growth, and maintaining open trade remain fundamental to meeting that challenge – especially in light of Canada's ambitious carbon emissions reduction goals.

The Institute's research and related activities addressed all these questions in 2021.

It cast an eye on who would pay for our economic lockdown; on the need for health and seniors' care reform; on green and pharmaceutical supply chains; on the reduction of emissions in the transportation sector; and on workforce development strategies post-pandemic.

The Institute also maintained government's feet to the fire regarding fiscal sustainability, inflation control, and the need to improve Canada's investment performance. On the latter front, we drilled down on maximizing the benefits of digitization for Canadians, and on building Canada's 5G infrastructure.

In 2022, research priorities will be to continue to seek a sustainable path for public spending, debt and inflation; to find ways of helping small businesses scale up; to build more robust health and care institutions; to find an achievable path to energy transition; to help young people recover from the effects of the pandemic; and to shore up supply chain resiliency while expanding trade.

Indeed, these policy priorities are a whole-of-Institute effort, pursuant to the Institute's new strategic plan adopted in mid-2021. They will help focus and supplement, for example through the establishment of Working Groups, the work of the Institute's Policy Councils, which are centered around ongoing areas of expertise. As well, six new and returning Fellows-in-Residence joined the Institute's prestigious network of experts to help address these priorities.

I would like to thank all the Institute authors, Fellows, Council members and staff, who contribute their time and insights that make our work possible, rewarding and relevant to Canadians' concerns.

The production and sharing of trusted policy intelligence is at the core of all that we do. Our research mission, to educate and inform Canadians about key economic policy issues affecting them, and to put forward thoughtful policy options to address these issues, is as meaningful as ever. My colleagues and I look forward to continue meeting this responsibility in 2022.

Sincerely,  
*Daniel Schwanen*

## Our External Review Process

Institute publications undergo rigorous external review by academics and independent experts drawn from the public and private sectors. We are very grateful to those reviewers, some of whom are identified on page 12.

We evaluate potential reports using methods such as single and double-blind review, to ensure objectivity. The research and commentary – rather than the identity of authors and reviewers – is the paramount consideration. We work continually to improve the review process so that it is the best in class: it is audited every year by two academics or other professionals, and a formal response to their recommendations is provided and implemented by Institute management. Our peer-review process ensures the quality and integrity of the policy research, and we will not publish any study that, in our view, fails to meet the standards of that review process.

The C.D. Howe Institute's Research Quality Auditors:

2021:	John Murray and Christine Neill
2020:	Philip Howell and Nobina Robinson
2019:	Tracy Snoddon and Wayne Wouters
2018:	Gorden Thiessen and Frances Woolley
2017:	Kevin Dancy and Angelo Melino
2016:	Charles M. Beach and Lawrence Herman
2015:	Steve Ambler and Thorsten Koepl
2014:	Peter Howitt and Kevin Milligan
2013:	Edward Jacobucci and David Laidler



**John Murray**

Former Deputy Governor of the Bank of Canada, and Senior Fellow of the C.D. Howe Institute

*“Overall, staff at C.D. Howe Institute are to be commended. They have continued to guide the review processes in a deft and successful manner despite the extraordinary challenges that were no doubt posed by COVID-19.”*



**Christine Neill**

Associate Professor of Economics, Wilfrid Laurier University

*“The C.D. Howe Institute's Expert Review Process is excellent, and is a key contributor to ensuring good quality publications and contribution to the economic and policy debate in Canada.”*

## The Institute's 2021 Reviewers

C.D. Howe Institute publications undergo rigorous external review by academics and independent experts drawn from the public and private sectors. We thank our reviewers, including those who wished to remain anonymous.

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**Mark Zelmer**

## Returning to Fiscal Sustainability and Price Stability

**A**s the economy embarked on its post-pandemic recovery in 2021, elevated levels of debt and deficits, and renewed inflationary pressures, rose to the forefront of the macroeconomic policy agenda. The C.D. Howe Institute's work highlighted these issues, and provided viable paths toward their resolution.

As it was winding down its work in early 2021, the Institute's Fiscal and Tax Crisis Working Group co-chaired by John Manley and Janice MacKinnon, noted that a large post-pandemic stimulus package in Budget 2021 was inappropriate and that deficit-financed stimulus should be temporary and targeted to improving the economy's productive capacity. With federal debt rising rapidly, members argued that any new permanent program spending should be tax-financed. The Institute's 2021 federal Shadow Budget adopted a similar perspective, warning against the risks of uncontrolled deficit accumulation due to higher interest rates and new permanent spending commitments.

Another Institute study concluded that the income loss arising from pandemic-related lockdowns, compensated through extraordinary deficit-financed relief programs, can only be deferred, not eliminated. Fairness requires that the large debt increase be retired before the next generation starts working and paying taxes, which will occur 18 to 25 years from now. At the same time, research shows that very slight changes in assumptions of economic growth and interest rates can dramatically change the course of the national debt burden. Policies aimed at raising Canada's long-term economic growth rate are imperative to reduce the risks of a fiscally unsustainable future.

Budgets and financial reports are key policy documents Canadians can use to hold their governments accountable, on the path to fiscal sustainability. Evaluating the reporting practices of senior and local governments, the Institute

showed that despite vast improvements over the years, too many governments still present information that is opaque, misleading and late. The Institute's work will continue to promote fiscal accountability at all levels of Canadian governments.

Ahead of the renewal of the inflation-targeting framework scheduled for late in 2021, the Institute's monetary policy work looked at the options under consideration by the Bank of Canada, such as a dual mandate regarding inflation and employment. Our research indicated that, while there was room for tweaks around the edges, the 2 percent target had served Canadians well, and the benefits of the status quo outweighed the costs of a significant change to the mandate.

Institute research also countered Modern Monetary Theory (MMT), which suggests that Canadian governments do not face financial constraints, only an inflation constraint. Institute research has highlighted that this theory overstates the degree of true sovereignty a small and open economy like Canada's enjoys. And while MMT argues that inflation concerns are best suited by adjusting public taxes and spending, the practical reality is that fiscal policymakers are unlikely to make the appropriate adjustments to tax and spending to deal with an overheated economy – a dilemma unfolding as we write.

The pandemic also saw the Bank of Canada make its first foray into quantitative easing (QE). While it provided the necessary liquidity to prevent an economic crisis from turning into a financial one, CPI inflation ended 2021 considerably above the top end of its target 1-3 percent band. The Institute was at the forefront of arguing that these pressures were due to more than supply chain bottlenecks and the base year effects of really low inflation in 2020. It argued that the QE program had gone on too long, with indicators such as high money growth rates now telling a worrisome story.

The Institute will continue making fiscal sustainability and a return to low inflation key policy priorities in 2022.

## Fiscal and Tax Competitiveness Council

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Former Deputy Minister, Finance Canada; Senior Advisor, Bennett Jones

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## Fiscal and Tax Policy Research

### Time for an Upgrade: Fiscal Accountability in Canada's Cities, 2020

January 2021 – William Robson and Miles Wu

### The Rock in a Hard Place: The Difficult Fiscal Challenges Facing Newfoundland and Labrador

February 2021 – Don Drummond and Louis Lévesque

### Who Will Pay for the Economic Lockdown?

March 2021 – John Lester

### Recovery and Stability: A Shadow Federal Budget for 2021

April 2021 – Don Drummond, Alexandre Laurin, and William Robson

### The Taxation of Nicotine in Canada: A Harm-Reduction Approach to the Profusion of New Products

April 2021 – Ian Irvine

### Measuring the Tax Gap: International Experience and Opportunities for Canada

May 2021 – Pierre-Pascal Gendron and Richard M. Bird

### Damage Control: Options for Reforming the Land Transfer Tax in Manitoba

June 2021 – Bev Dahlby and Jack Mintz

### The Economic Cost of Toronto's Land Transfer Tax

July 2021 – Ben Dachis, Bev Dahlby, and Jack Mintz

### Rolling the Dice on Canada's Fiscal Future

July 2021 – Alexandre Laurin and Don Drummond

### Good, Bad, and Incomplete: Grading the Fiscal Transparency of Canada's Senior Governments, 2021

September 2021 – William Robson and Miles Wu

### Declining Vital Signs: Canada's Investment Crisis

September 2021 – William Robson and Miles Wu

### Trouble on the Bottom Line: Canada's Governments Must Produce More Reliable Budgets

November 2021 – William Robson and Miles Wu

### The "Demand Stabilization Mechanism": Using Temporary GST Cuts as Automatic Fiscal Policy

November 2021 – Robin Boadway and Thorsten Koeppel



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## Monetary Policy Research

### **For the Record: Assessing the Monetary Policy Stance of the Bank of Canada**

January 2021 – Steve Ambler and Jeremy Kronick

### **From Here to Full Inoculation: How an Epidemiological-Economic Model Can Help as We Rollout Vaccines**

February 2021 – Jeremy Kronick and Paul Jenkins

### **Deficits Do Matter: A Review of Modern Monetary Theory**

March 2021 – Farah Omran and Mark Zelmer

### **The Impact of Monetary Policy on Financial Stability**

March 2021 – Jeremy Kronick and Steve Ambler

### **Weighing the Options: Why the Bank of Canada Should Renew Inflation Targeting**

April 2021 – Stephen Williamson

### **Mission Creep and Monetary Policy**

June 2021 – John Murray

### **Should We Worry About Deficits When Interest Rates Are So Low?**

September 2021 – Martin Eichenbaum

### **Two Sides of the Same Coin: Why Stablecoins and a Central Bank Digital Currency Have a Future Together**

November 2021 – Mark Zelmer and Jeremy Kronick

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## Financial Services and Regulation Research

### **Duty to Protect: Corporate Directors and Climate-Related Financial Risk**

January 2021 – Janis Sarra

### **The Next Green Bond Wave: Should Ottawa Step In?**

February 2021 – Glen Hodgson

### **The Impact of Monetary Policy on Financial Stability**

March 2021 – Jeremy Kronick and Steve Ambler

### **The Price of Protection: Benchmarking Canada's Property & Casualty Industry Against its Global Peers**

May 2021 – Alister Campbell and Farah Omran

### **Upping our Game: How Canada's Financial Sector Can Spur Economic Performance**

May 2021 – Jeremy Kronick and Farah Omran

### **Let There Be More Light: Enhancing Public Accountability for Prudential Supervision**

June 2021 – Mark Zelmer

### **A Passport to Success: How Credit Unions Can Adapt to the Urgent Challenges They Face**

November 2021 – David O'Neill Losier

### **Two Sides of the Same Coin: Why Stablecoins and a Central Bank Digital Currency Have a Future Together**

November 2021 – Mark Zelmer and Jeremy Kronick

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## Jobs and Skills: Generating Opportunities for all Canadians

**A**utomation, digital innovation, globalization and population ageing have reshaped the skills required of Canadians over the past two decades. The COVID-19 pandemic has brought these questions to policy-makers' doorsteps, in a more pressing way than ever before.

In addition to emerging gaps between demand and supply of certain skills and competencies, the labour market impacts of the pandemic and policies put in place to combat it have affected different groups of Canadians in starkly different ways. The Institute's human capital research in 2021 and into 2022 is dedicated to understanding these imbalances and to finding ways to address them.

As the Canadian labour market recovers from the pandemic, adult education will be pivotal in ensuring that individuals have the right tools to adapt to the changed demand for skills. Yet as an Institute study published in 2021 highlighted, Canada is lagging its peers in upskilling workers, and has no comprehensive approach toward lifelong learning. Long-term unemployed and low-income, low-educated workers are slipping through the cracks. As our study highlighted, governments need to pursue a comprehensive adult education and training strategy centered around public and private sector collaboration to identify skills needs and gaps and to tackle barriers to participation. In upcoming reports, the Institute also plans to show the types of support labour market re-entrants need, and the extent of and ways to tackle digital skills shortages.

To address skills losses among students during the pandemic, our research concluded that high-dosage tutoring is a promising and effective solution. In addition, we plan to do

a deep dive into the impacts of the COVID-19 pandemic on educational outcomes and career prospects of Canadian youth.

The pandemic has also shown the need for better Employment Insurance (EI) system specially for the self-employed and those in the so-called gig economy, and of more accessible and affordable childcare in Canada. Institute research addressed these questions in 2021.

During the pandemic the government moved quickly to extend regular EI benefits and introduce temporary emergency supports, which were set to expire toward the end of 2021. We encouraged the federal government to make working-while-on-claim provisions temporarily more generous by allowing claimants to keep more of their employment earnings without having benefits reduced, and by lowering the clawback rate in order to help those who have lost their jobs get back to full-time work.

Improving childcare system requires both demand- and supply-side solutions to address issues of affordability, quality, and quantity of childcare spaces. Institute reports discussed advantages and disadvantages of both providing parents with funding to access childcare as well as a universal, government-subsidized childcare system. On the supply side, our authors recommended that (i) provinces redouble their efforts to increase childcare spaces by increasing operating and/or capital grants for licensed providers and (ii) existing and any new federal dollars for childcare be consolidated into a single, dedicated and permanent transfer with a focus first on expanding the supply of licensed childcare spaces. This would support a range of options including building childcare centres, or funding home-based care. The money could be used to encourage providers to innovate, by offering non-standard hours or more inclusive programming.

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## Human Capital Policy Research

**Aggressive Incrementalism: Strengthening the Foundations of Canada's Approach to Childcare**  
March 2021 – Kenneth Boessenkool and Jennifer Robson

**Mending the Safety Net: Social Assistance Reform in Alberta**  
April 2021 – Parisa Mahboubi and Mariam Ragab

**Should 'gig' Workers be Covered by the EI Regime? The Challenges and Pitfalls**  
October 2021 – David Gray

**The Skills Imperative: Workforce Development Strategies Post-COVID**  
October 2021 – Parisa Mahboubi and Momanyi Mokaya

## Health and Seniors' Care: Fostering Institutional Resiliency

The C.D. Howe Institute's Health Policy Research addressed the gaps in Canada's healthcare systems which the pandemic continued to uncover in 2021. In particular, the Institute's work provided insights and policy recommendations addressing labour shortages in health care, the need to improve seniors' and end-of-life care, the need to modernize healthcare by increasing focus on prevention, and the legal nuances of vaccine certificates.

The pandemic brought home the fact that public health policy concerns extend far beyond the core healthcare system. Restrictions on economic activity and vaccination policies to beat back the pandemic raised the stark question of how best to strike a balance between minimizing restrictions on individuals and protecting the public from the continuing threat of the pandemic. To assist policy-makers, the Institute published a comparison of different "lockdown" strategies to show which could reduce the economic disruption without increasing the negative health consequences.

As vaccination levels increased, vaccine certificates were implemented in many jurisdictions to allow for the gradual resumption of economic activities while continuing to minimize the potential for community transmissions. The Institute published a working paper by five leading experts in health law and medicine, which provided broad principles for the design of vaccine certificates, arguing that they should be limited to non-essential services and that wherever feasible, the unvaccinated should be accommodated by rapid testing.

The effects of the pandemic were particularly devastating for Canada's seniors. Building on the rapid response of its Public Health and Emergency Measures Working Group

in 2020, the Institute conducted further research on the challenges in seniors' care in 2021, addressing shortages of care providers and underinvestment in home and community care.

Despite spending more on medical care delivered at the end-of-life than other high-income countries, Canada performs poorly on most measures of healthcare quality – simply put, Canadians are not getting value for their money. Canada has among the highest rates of hospitalization in the last three months of life (61 percent), with proportionately more Canadian dying in hospitals than in England, the Netherlands and the United States. The C.D. Howe Institute research proposed some simple, feasible structural changes in end-of-life care that, if implemented, could save hundreds of millions of dollars annually for Canada's healthcare systems.

Making necessary changes to improve the quality of long-term care – such as reducing occupancy per room, increasing staffing levels, supporting higher wages for care workers, and constructing new facilities – would require nearly every new dollar of health spending be directed to seniors' care, with annual costs projected to increase to 4.2 percent of GDP by 2040. This level of investment in seniors' care would be unprecedented and fiscally infeasible. Innovation in the seniors' care sector is the only solution.

Other Institute research publications have argued that addressing gaps in information about the health of Canadians would assist with refocusing on prevention, and could inform more efficient, targeted policy interventions, contributing to the system's resiliency.

The Institute's research program will continue to address longer term challenges to ensure that Canada's healthcare system improves and provides more innovative, efficient and high-quality healthcare for Canadians.

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## Health Policy Research

### **Help Wanted: How to Address Labour Shortages in Healthcare and Improve Patient Access**

February 2021 – Rosalie Wyonch

### **From Here to Full Inoculation: How an Epidemiological-Economic Model Can Help as We Rollout Vaccines**

February 2021 – Jeremy Kronick and Paul Jenkins

### **Vaccine Ins and Outs: An Exploration of the Legal Issues Raised by Vaccine Passports**

July 2021 – Bryan Thomas, Colleen M. Flood, Vivek Krishnamurthy, Ryan Tanner, and Kumanan Wilson

### **Best in Health: Creating a Comprehensive Health Information Ecosystem**

August 2021 – Don Drummond, Duncan Sinclair, and Philipp Gladkov

### **Cutting Square Deals: Drug Prices, Regulation, and Patent Protection**

August 2021 – Åke Blomqvist and Paul Grootendorst

### **Expensive Endings: Reining In the High Cost of End-of-Life Care in Canada**

October 2021 – Kieran Quinn, Sarina Isenberg, and James Downar

### **Ounce of Prevention is Worth a Pound of Cure: Seniors' Care After COVID-19**

December 2021 – Rosalie Wyonch



*Response & Recovery: An Update on Ontario's Plan to Protect our Progress in the Fight Against COVID-19, Support our Economy and Build a Stronger Province for the Future with The Hon. Prabmeet Singh Sarkaria, President, Treasury Board Secretariat of Ontario*



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## Growing Canadians' Standards of Living

**I**mprovements in Canadians' incomes and standards of living depends in large part on investments in Canada's capital stock, innovation, and on our ability to trade.

Institute research in 2021 showed that, unfortunately, Canada's deficit in business investment per worker continued to worsen relative to peer countries. This growing deficit signals poor prospects ahead for Canadian's standards of living. Addressing this underperformance by encouraging – or not discouraging – businesses from investing in Canada should be a top policy priority.

Infrastructure investment is key to economic growth. Institute research in 2021 addressed the effects of COVID-19 on the future of public transit, concluding investing in it was as beneficial as ever, while its Telecommunications Working Group provided advice on how best to remove barriers to building 5G infrastructure in Canada.

As well, the Institute explored the challenges faced by Canadian businesses in the face of ambitious timelines for transitioning to lower carbon dioxide emissions in Canada, and of concerns about the resiliency of trade and supply chains in post-COVID era.

On energy transition, in addition to a study prefiguring the role of green bonds, an Institute study pleaded for clarity on metrics for evaluating climate-related financial risk that boards can apply in their own decision-making, while another examined of the causes of Ontario's high electricity costs. The Institute also published a study detailing the daunting challenges of meeting targets for lower carbon dioxide emissions in Canada's transportation sector.

Also in the context of the energy transition, the Institute held a policy seminar on the theme of "Rebuilding Better" after COVID-19. The seminar gave rise to a report exploring how Canada and the United States could work together to build greener supply chains and stave off protectionism in green materials.

On the theme of strengthening the resiliency of supply chains more generally, the Institute produced a report based on a policy seminar it held on pharmaceutical supply chains. The report offered thoughts on improving Canada's resiliency of medical supplies and emergency preparedness, while warning against vaccine nationalism which would create a worse outcome for all.

The Institute's work on innovation focused on improving the ability of Canadians to benefit fully from digital innovation, and on the commercialization of intellectual property, including that stemming from the greater availability of data and use of digital technologies. The Institute will continue building on this work – notably the work of its Digital Economy Working Group – in 2022.

Also on the innovation front, a study on drug prices, regulation and patent protection reminded readers that Canada has many options for making available affordable medicines, while still contributing to the global R&D effort that underpins innovation in that sector.

Economic performance can be powerfully enhanced by productivity and innovation in the financial sector, given the sector's key role in allocating funds for growth. The Institute expanded its work on issues at the forefront of financial innovation, exploring among other studies the implications of the growing popularity of crypto currencies for central banks, performing a deep dive in Canada's property and casualty insurance industry, in the future of credit unions, and on how to promote the overall productivity of Canada's financial sector.

The Institute's work on energy and financial services policies, on infrastructure and the digital economy, and on investment and innovation, contributed fresh ideas to policymakers as they grapple with climate and technological changes, while seeking to harness economic forces to maximize Canadians' incomes and prosperity.

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## Energy, Resources and Infrastructure Research

**Trains, Lanes and Automobiles: The Effect of COVID-19 on the Future of Public Transit**

April 2021 – Ben Dachis and Rhys Godin

**Power Surge: The Causes of (and Solutions to) Ontario's Electricity Price Rise Since 2006**

June 2021 – Ben Dachis and Joel Balyk

**Driving Ambitions: The Implications of Decarbonizing the Transportation Sector by 2030**

July 2021 – Joel Balyk, Brian Livingston, Sara Hastings-Simon, and Grant Bishop

**An Oil Sands Inequity: Alberta's Outdated Bitumen Valuation Program**

October 2021 – Joel Balyk, Ben Dachis, and Charles DeLand

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## Regulation, Competition and Growth Research

**From Chronic to Acute: Canada's Investment Crisis**

February 2021 – William Robson and Miles Wu

**From Here to Full Inoculation: How an Epidemiological-Economic Model Can Help as We Rollout Vaccines**

February 2021 – Jeremy Kronick and Paul Jenkins

**Vaccine Ins and Outs: An Exploration of the Legal Issues Raised by Vaccine Passports**

July 2021 – Bryan Thomas, Colleen M. Flood, Vivek Krishnamurthy, Ryan Tanner, and Kumanan Wilson

**Cutting Square Deals: Drug Prices, Regulation, and Patent Protection**

August 2021 – Åke Blomqvist and Paul Grootendorst

**Declining Vital Signs: Canada's Investment Crisis**

September 2021 – William Robson and Miles Wu

**Shoppers' Choice: The Evolution of Retailing in the Digital Age**

December 2021 – Daniel Schwanen

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## Public Governance and Accountability Research

**Time for an Upgrade: Fiscal Accountability in Canada's Cities, 2020**

January 2021 – William Robson and Miles Wu

**Puzzling Plans and Surprise Surpluses: Canada's Cities Need More Transparent Budgets**

February 2021 – William Robson and Miles Wu

**Finding Jewels Among the Crowns: Optimal Governance Principles for Canada's State-Owned Enterprises**

May 2021 – Glen Hodgson

**Good, Bad, and Incomplete: Grading the Fiscal Transparency of Canada's Senior Governments, 2021**

September 2021 – William Robson and Miles Wu

**Trouble on the Bottom Line: Canada's Governments Must Produce More Reliable Budgets**

November 2021 – William Robson and Miles Wu



Clockwise from top left:  
Steve Orsini; John Horwood; Rick Howson; Rebecca Horwood

# 2021 POLICY EVENTS

The Institute's off-the-record, invitation-only roundtables, conferences and special events bring together corporate executives, policy leaders, senior civil servants, and acclaimed scholars for substantive discussions on policy issues. The Institute held the following events in 2021 (in chronological order):

Luc Bouchard, Associate Deputy Minister, Information Technology Branch, Ministry of Health and Social Services, Government of Quebec; Kathy Malas, Associate to the President & Chief Executive Officer, Head of the Pôle of Innovation & Artificial Intelligence in Health, Health Professional Researcher, CHUM; Laure Tessier-Delivuk, Client Solutions Director, Digital & Solutions, GE Healthcare  
*COVID-19 et la révolution digitale dans le secteur de la santé/ COVID-19 and Healthcare's Digital Revolution*  
Webinar, January 13, 2021  
**Sponsored by GE**

The Annual Sylvia Ostry Lecture with Frank McKenna (Canada's Former Ambassador to the United States (2005-2006); Deputy Chairman, Toronto Dominion Bank) and The Hon. Pierre Pettigrew, Executive Advisor, International, Deloitte; Chair of the Board, Asia Pacific Foundation of Canada; Canada's Former Minister of International Trade  
*What Now? The Outlook for Canada-US Relations Under the Biden Administration*  
Webinar, January 21, 2021

Laurie Pushor, President and Chief Executive Officer, Alberta Energy Regulator  
*Regulatory Change and Transformation*  
Webinar, January 26, 2021

Peter Routledge, President and Chief Executive Officer, Canada Deposit Insurance Corporation  
*Crisis Preparation in the Time of COVID: Protecting Deposits and the Financial System*  
Webinar, January 27, 2021  
**Sponsored by Canadian Bankers Association**

Ben Gully, Assistant Superintendent, Regulation Sector, Office of the Superintendent of Financial Institutions (OSFI); Janis Sarra, UBC Distinguished Professor of Law and Former Founding Director of the National Centre for Business Law, Peter A. Allard School of Law, University of British Columbia; Alison Schneider, Vice President, Responsible Investment, Alberta Investment Management Corporation (AIMCo)  
*The Math of Climate Change: Quantifying Climate-related Risk Disclosures*  
Webinar, January 28, 2021

Blake Hutcheson, President and Chief Executive Officer, OMERS  
*Taking the Helm of a Pension Plan During a Crisis*  
Webinar, January 29, 2021  
Sponsored by Torys LLP

Robert Asselin, Senior Vice President of Policy, Business Council of Canada; Dennis Darby, President and Chief Executive Officer, Canadian Manufacturers & Exporters; Giles Gherson, Deputy Minister, Economic Development, Job Creation and Trade and Deputy Minister, Small Business and Red Tape Reduction, Government of Ontario  
*Investment and Growth: Getting Canada Moving Again*  
Webinar, February 9, 2021  
**Sponsored by the Canadian Finance & Leasing Association**

Warren Ali, Senior Vice President of Innovation, Automotive Parts Manufacturers' Association; Dr. James Meadowcroft, Professor, School of Public Policy and Administration and Department of Political Science, Carleton University; Merran Smith, Executive Director, Clean Energy Canada  
*Destination Uncertain: Navigating Canada's Energy Transition*  
Webinar, February 26, 2021  
**Sponsored by Ivey Foundation**

The Honourable Travis Toews, President of the Treasury Board and Minister of Finance, Government of Alberta  
Webinar, March 2, 2021

Dr. Stephen Lucas, Deputy Minister, Health Canada  
Webinar, March 5, 2021  
**Sponsored by Johnson & Johnson**

The Annual Sylvia Ostry Lecture with Stéphane Dion, Canada's Ambassador to Germany and Special Envoy to the European Union, Global Affairs Canada  
*Democracy's Health in the COVID Era*  
Webinar, March 12, 2021

The Honourable Caroline Mulroney, Minister of Transportation and Minister of Francophone Affairs, Government of Ontario  
*Building Infrastructure and Creating Jobs: Ontario's Transportation Plan for the Future*  
Webinar, March 16, 2021  
**Sponsored by Deloitte**





Top: Ben Dachis and Briar Foster

Bottom left: Maureen Farrow

Bottom right: Paul Fletcher

## 2021 Policy Events (continued)

Jagmeet Singh, Leader, New Democratic Party  
*Fighting for You: Helping Small Businesses and Workers get Through the COVID-19 Pandemic*  
Webinar, March 18, 2021  
**Sponsored by Mastercard**

2021 Scholars' Webinar Series with Charles Goodhart, Emeritus Professor of Banking and Finance, London School of Economics; and Manoj Pradhan, Founder, Talking Heads Macro  
*The Great Demographic Reversal: Ageing Societies, Waning Inequality, and an Inflation Revival*  
Scholars' Webinar Series, March 23, 2021

James Coleman, Robert G. Storey Distinguished Faculty Fellow and Professor of Law, Southern Methodist University; Thomas Schwartz, Senior Vice President & General Counsel, Enbridge; Kristen van de Biezenbos, Associate Professor, University of Calgary  
*The Future of Enbridge Line 5*  
Virtual Executive Access Briefing, March 31, 2021

John Hallward, Chairman, GIV3 and President, Sector3Insights; Hilary Pearson, Former President, Philanthropic Foundations Canada; Dan Petegorsky, Coordinator, Charity Reform Initiative of the Institute for Policy Studies  
*Is it Time to Change Charitable Foundations' Funding Requirements?*  
Webinar, April 9, 2021  
**Sponsored by GIV3**

Edward Kholodenko, President and Chief Executive Officer, Questrade Financial Group; Andrew Kriegler, President and Chief Executive Officer, Investment Industry Regulatory Organization of Canada (IIROC); John McKenzie, Chief Executive Officer, TMX Group  
*Meme Stocks and GameStonks: Navigating the Rise of Retail Investing in Canada's Markets*  
Webinar, April 14, 2021

2021 Scholars' Webinar Series with John McLaughlin, Distinguished Practitioner-in-Residence School of Advanced International Studies (SAIS) Johns Hopkins University; Former Deputy Director of CIA and Former Director of CIA  
*The Emerging Biden Foreign Policy: China to the Fore*  
Scholars' Webinar Series, April 16, 2021

Walied Soliman, Chair, Capital Markets Modernization Task Force, Government of Ontario; Chair, Norton Rose Fulbright Canada LLP  
*Capital Markets Modernization in Ontario: The Future Is Bright*  
Webinar, April 21, 2021  
**Sponsored by Norton Rose Fulbright**

Michael Sabia, Deputy Minister, Department of Finance Canada; Nicholas Leswick, Assistant Deputy Minister, Economic and Fiscal Policy, Department of Finance Canada  
*Post-Budget Briefing*  
Webinar, April 23, 2021  
**Sponsored by Intact Financial Corporation**

Brian Kingston, President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association; Megan Nichols, Director General, Environmental Policy, Transport Canada; Jason Rakochy, Senior Vice President, Strategy and Growth, Hydro One  
*Electrifying Canada's Automobile Sector*  
The Future of Canada's Auto Sector Webinar Series, April 26, 2021  
**Sponsored by KPMG and Ford Motor Company of Canada**

Bert Clark, President and Chief Executive Officer, Investment Management Corporation of Ontario (IMCO)  
*Delivering Good Returns in a Frothy Environment*  
Webinar, April 29, 2021  
**Sponsored by Torys LLP**

Alexandra Cutean, Senior Director of Research and Policy, Information and Communication Technology Council; Peter Hatges, Partner, National Sector Leader, Automotive, KPMG Canada; Andrew Phillips, Manager, Connected and Automated Vehicle Safety Programs, Multimodal and Road Safety Programs Directorate, Transport Canada  
*The Bumpy Road Ahead for Autonomous Vehicles*  
The Future of Canada's Auto Sector Webinar Series, May 3, 2021  
**Sponsored by KPMG and Ford Motor Company of Canada**

Joy Nott, Partner, Trade and Customs Practice, KPMG Canada; Flavio Volpe, President, Automotive Parts Manufacturers' Association  
*Leading the North American Automotive Value Chain*  
The Future of Canada's Auto Sector Webinar Series, May 4, 2021  
**Sponsored by KPMG and Ford Motor Company of Canada**

2021 Scholars' Webinar Series with Maurice Obstfeld, Professor of Economics, University of California, Berkeley; Former Chief Economist, International Monetary Fund  
*The International Capital Market Reconsidered*  
Scholars' Webinar Series, May 11, 2021

Special Policy Seminar: Public Procurement and Local Content Rules  
Virtual Seminar, June 9, 2021  
**Sponsored by the Canadian Steel Producers Association**



Clockwise from top left:  
Bert Clark; Helen Mclean; Angela Ferrante; Brian Johnston

## 2021 Policy Events (continued)

The Annual David Laidler Lecture with Jean Boivin, Managing Director, BlackRock Investment Institute

*Testing Debt Tolerance*

Webinar, June 10, 2021

Dame Moya Greene, Chair, Premier's Economic Recovery Team, Government of Newfoundland and Labrador

*The Big Reset for Newfoundland and Labrador*

Webinar, June 14, 2021

Theresa Dekker, Vice President, Corporate Business Development & Strategy, Ontario Power Generation and Co-President, Ivy Charging Network; Philippe Dunsky, President, Dunsky Energy + Climate Advisors; Dr. Blake Shaffer, Assistant Professor, Department of Economics and School of Public Policy, University of Calgary; Energy Policy Fellow, C.D. Howe Institute

*Watts Needed? Exploiting Canada's Lead in Net-Zero Electricity*

Webinar, June 15, 2021

**Sponsored by Ivey Foundation**

Dr. Roger Martin, Professor Emeritus, Rotman School of Management, University of Toronto; Jon Shell, Managing Director and Partner, Social Capital Partners; Geoff Smith, President and Chief Executive Officer, EllisDon

*Employee Ownership Trusts: A Good Model for Canadian Prosperity?*

Webinar, June 24, 2021

Lynn Barr-Telford, Assistant Chief Statistician of Social, Health and Labour Statistics, Statistics Canada; Don Drummond, Stauffer-Dunning Fellow and Adjunct Professor, School of Policy Studies, Queen's University; Kathleen Morris, Vice President of Research and Analysis, Canadian Institute of Health Information

*The State of Health and Healthcare Data: Where we're at and Where We Need to go*

Webinar, June 25, 2021

**Sponsored by the Canadian Institute for Health Information**

Jean, Baron Stéphanne, former President and General Manager, GlaxoSmithKline Biologicals

*How the Genetic Engineering that Started in the 70s has Affected the Development of Vaccines*

Virtual Executive Access Briefing, August 24, 2022

**Sponsored by the Canada-Belgium Committee**

Jack Mintz Lecture with Dr. Martin Eichenbaum, Charles Moskos Professor of Economics, Northwestern University

*Should We Worry About Deficits When Interest Rates Are So Low?*

Webinar, September 10, 2021

Dr. William C. Dudley, Senior Research Scholar, The Griswold Center for Economic Policy Studies, Princeton University; former President of the Federal Reserve Bank of New York

*The Fed on a Tightrope: Inflation, Growth and the Future of US Monetary Policy*

Webinar, September 23, 2021

**Sponsored by CIBC**

Special Policy Seminar: Pharmaceutical and Medical Supply Chain Sustainability

Virtual Seminar, September 29, 2021

**Sponsored by Pharmascience Inc.**

Neil Earnest, President, Muse, Stancil & Co.; Dr. G. Kent Fellows, Research Associate, School of Public Policy, University of Calgary; Michael Munoz, Vice President, Tax & Treasurer, Suncor Energy Inc.

*Valuing Alberta's Bitumen for Royalties*

Virtual Executive Access Briefing, September 30, 2021

**Sponsored by the Canadian Association of Petroleum Producers**

John Graham, President and Chief Executive Officer, Canada Pension Plan Investment Board

*Pandemics, Climate Change, Geopolitics: How Long-term Investors Are Navigating the Market*

Webinar, October 4, 2021

**Sponsored by J.P. Morgan Chase & Co.**

Special Policy Seminar: Connecting Innovation, Intellectual Property, and Commercialization

Virtual Seminar, October 7, 2021

**Sponsored by Council of Ontario Universities and the Ontario Hospital Association**

Romy Bowers, President and Chief Executive Officer, Canada Mortgage and Housing Corporation

*Building Stronger Communities Together*

Webinar, October 20, 2021

**Sponsored by the Canadian Real Estate Association**

The Hon. Prabmeet Singh Sarkaria, President, Treasury Board Secretariat of Ontario

*Response & Recovery: An Update on Ontario's Plan to Protect our Progress in the Fight Against COVID-19, Support our Economy and Build a Stronger Province for the Future*

Roundtable Luncheon, October 25, 2021

**Sponsored by Deloitte**



Clockwise from top left:  
Ed Devlin; Marcia Moffat; Rick Anderson; Lalit Aggarwal

## 2021 Policy Events (continued)

The Hon. Peter Bethlenfalvy, Minister, Ontario Ministry of Finance

*Ontario's Fall Economic Statement*

Roundtable Luncheon, November 15, 2021

Sponsored by Johnson & Johnson

Dr. Catherine Beaudry, Professor of Economics of Innovation and Canada Research Chair (Tier 1) in Creation, Development and Commercialization of Innovation, Polytechnique Montréal; Daniel Herman, Special Advisor, Intellectual Property Support, Ontario Ministry of Colleges and Universities; John Knubley, Former Deputy Minister, Innovation, Science and Economic Development Canada  
*Reviewing the Innovation Superclusters Initiative: Success or Failure?*

Webinar, November 25, 2021

Sponsored by The Petman Foundation

Neil Cunningham, President and Chief Executive Officer, Public Sector Pension Investment Board

*Connecting to What Matters*

Webinar, November 29, 2021

Sponsored by BMO

Michael Bernstein, Chief Executive Officer, Clean Prosperity; Philip Duguay, Managing Director, Canada Grid, The Transition Accelerator; Blake Shaffer, Assistant Professor, Department of Economics and Public Policy, University of Calgary

*The Energy Transition in Canada: Can Electricity Do the Heavy Lifting?*

Webinar, December 3, 2021

Sponsored by GE

André Bernier, Director General, Electricity Resources Branch, Natural Resources Canada; John Gorman, President and Chief Executive Officer, Canadian Nuclear Association; Lisa McBride, President, GE Hitachi

*The Nuclear Option: Powering Canada's Energy Needs*

Webinar, December 13, 2021

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Patrons' Circle Event: *Inflation: The Threat and the Response*

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## Webinars/Roundtable Luncheons





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Top from left: Claudia R. Hepburn, Bruce C. Barker and Charles Barker

Bottom left: Stephane Paris

Bottom right: Rupert Duchesne

## The Institute's Members in 2021 (continued)

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Peter Howitt  
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# **INDEPENDENT AUDITOR'S REPORT**

## **To the Members of C.D. Howe Institute**

### **Opinion**

We have audited the financial statements of C.D. Howe Institute (the “Institute”), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is

## Independent Auditor's Report (continued)

a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
April 28, 2022



# C.D. Howe Institute

## Statement of financial position as at December 31, 2021

	Notes	2021 \$	2020 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		6,011,664	5,422,974
Accounts receivable		206,406	637,768
Prepaid expenses		79,110	81,525
		<b>6,297,180</b>	6,142,267
Long-term investments	4	7,366,486	5,798,965
Capital assets	5	312,330	391,378
		<b>13,975,996</b>	12,332,610
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	152,595	139,198
Deferred revenue		3,252,713	2,956,081
		<b>3,405,308</b>	3,095,279
Long-term			
Deferred capital contributions		70,054	94,018
Deferred rent		91,718	123,170
		<b>161,772</b>	217,188
		<b>3,567,080</b>	3,312,467
<b>Fund balances</b>			
Invested in capital assets	7	242,276	297,360
Operating		4,373,725	2,943,406
Endowment funds	8	5,792,915	5,779,377
		<b>10,408,916</b>	9,020,143
		<b>13,975,996</b>	12,332,610

The accompanying notes are an integral part of the financial statements.

Approved by the Board

\_\_\_\_\_  
Chair of the Board

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Chair, Audit, Finance and Risk Committee

## C.D. Howe Institute Statement of operations year ended December 31, 2021

	2021 \$	2020 \$
<b>Revenue</b>		
Contributions and subscriptions	5,899,600	5,159,032
Events revenue	599,362	237,708
Investment income – realized gains	44,149	26,987
Contract revenue	2,040	4,234
Investment income – unrealized gains on operating fund long-term investments	18,894	2,113
Publication sales	5,242	5,428
Government assistance	919,946	1,242,499
	<b>7,489,233</b>	<b>6,678,001</b>
<b>Expenses</b>		
Research, administrative and project expenses	5,929,090	5,740,466
Amortization	181,971	199,250
Loss on disposal of capital assets	2,937	130
	<b>6,113,998</b>	<b>5,939,846</b>
<b>Excess of revenue over expenses for the year</b>	<b>1,375,235</b>	<b>738,155</b>

The accompanying notes are an integral part of the financial statements.

## C.D. Howe Institute Statement of changes in fund balances year ended December 31, 2021

		Invested in Capital Assets Fund	Operating Fund	Endowment Funds	2021 Total	2020 Total
	Notes	\$	\$	\$	\$	\$
<b>Balances, beginning of year</b>		297,360	2,943,406	5,779,377	9,020,143	8,264,012
Excess (deficiency) of revenue over expenses for the year		(160,944)	1,536,179	—	1,375,235	738,155
Unrealized gains on investments during the year	8	—	—	454,780	454,780	32,952
Contributions received during the year	8	—	—	—	—	25,100
Investment income	8	—	—	500,966	500,966	241,171
Transfer to deferred revenue during the year	8	—	—	(942,208)	(942,208)	(281,247)
Purchases of capital assets		105,860	(105,860)	—	—	—
<b>Balances, end of year</b>		<b>242,276</b>	<b>4,373,725</b>	<b>5,792,915</b>	<b>10,408,916</b>	<b>9,020,143</b>

The accompanying notes are an integral part of the financial statements.

# C.D. Howe Institute

## Statement of cash flows

### year ended December 31, 2021

Notes	2021 \$	2020 \$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	1,375,235	738,155
Items not affecting cash		
Amortization of capital assets	181,971	199,250
Loss on disposal of capital assets	2,937	130
Amortization of deferred capital contributions	(23,964)	(23,964)
Unrealized gains on operating long-term investments	(18,894)	(2,113)
Amortization of deferred rent	(31,452)	(31,452)
	<b>1,485,833</b>	880,006
Changes in non-cash working capital items		
Accounts receivable	431,362	(32,345)
Prepaid expenses	2,415	(25,118)
Accounts payable and accrued liabilities	13,397	1,241
Deferred revenue	296,632	909,705
	<b>2,229,639</b>	1,733,489
<b>Investing activities</b>		
Purchases of capital assets	(105,860)	(143,992)
Purchases of long-term investments	(2,961,800)	(999,666)
Proceeds on sale of short-term investments	—	874,095
Proceeds on sale of long-term investments	1,413,173	982,861
	<b>(1,654,487)</b>	713,298
<b>Financing activity</b>		
Endowment contributions, unrealized gains and investment income, less unrealized losses and transfers	8 13,538	17,976
Increase in cash and cash equivalents during the year	588,690	2,464,763
Cash and cash equivalents, beginning of year	5,422,974	2,958,211
<b>Cash and cash equivalents, end of year</b>	<b>6,011,664</b>	5,422,974
<b>Cash and cash equivalents is comprised of</b>		
Cash	284,175	319,015
Cash equivalents	5,727,489	5,103,959
	<b>6,011,664</b>	5,422,974

The accompanying notes are an integral part of the financial statements.

# C.D. Howe Institute

## Notes to the financial statements

### December 31, 2021

#### 1. Description of organization

The C.D. Howe Institute (the “Institute”) is an independent, not-for-profit, research and educational organization. It carries out independent analysis and critique of public policy issues and translates scholarly research for action by the government and the private sector. The Institute is a registered charity exempt from paying income taxes under Section 149(1) (f) of the *Income Tax Act*. The Institute was incorporated under Part II of the *Canada Business Corporations Act* on April 23, 1958 and was continued under the *Canada Not-for-Profit Corporations Act* on June 6, 2014.

#### 2. Summary of significant accounting policies

The financial statements of the Institute have been prepared in accordance with Canadian accounting standards for not-for-profit organizations published by the Chartered Professional Accountants of Canada using the deferral method and reflect the following significant accounting policies:

##### *Contributions*

Contributions are recorded as received, except when restricted through specific direction from the donor, in which case they are deferred until eligible expenses are incurred. Contributions of materials and services used in the normal course of the Institute’s operations are recorded at their fair value when the amounts can be reasonably estimated. Endowment contributions are recognized as direct increases in the Fund balance. Transfers from the Endowment Fund to deferred revenue are recognized in keeping with the agreements with the Endowers.

##### *Government assistance*

The Institute recognizes unrestricted government assistance as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government assistance that is restricted is deferred and recognized as revenue when there is reasonable assurance that the Institute has complied with the conditions related to the government assistance.

##### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Institute becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for long-term investments. The Institute has elected to use the fair value option to measure long-term investments, with any subsequent changes in fair value recorded in the Statement of operations.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the Statement of operations.

##### *Cash and cash equivalents*

Cash and cash equivalents are defined as cash and interest bearing deposits that are redeemable on demand, and Canadian securities with original maturity dates of three months or less.

# C.D. Howe Institute

## Notes to the financial statements

### December 31, 2021

#### 2. Summary of significant accounting policies (continued)

##### *Long-term investments*

Long-term investments are accounted for on the settlement date basis and any transaction costs are expensed as incurred.

##### *Capital assets*

Capital asset additions are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line basis at 33-1/3% per annum for electronic equipment and computer hardware and software and 10% per annum for furniture, fixtures and equipment. Conference equipment is amortized on the straight-line basis over six years. Signage and leasehold improvements are amortized on the straight-line basis over the term of the lease.

##### *Publications*

Publications are not recorded as inventory. Costs are accrued for publications in progress. All costs of publications that have entered the production stage by the end of the year are expensed.

##### *Deferred capital contributions*

Deferred capital contributions relate to funds received for office leasehold improvements and are amortized on the straight-line basis over the term of lease.

##### *Deferred rent*

Deferred rent, consisting of tenant allowances, free rent and reduced rent, is amortized on the straight-line basis over the term of the lease.

##### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect amounts reported therein. Actual results may differ from such estimates used in preparing the financial statements. Estimates are used when accounting for a number of items including, but not limited to accrued liabilities, deferred revenue and the useful life of capital assets.

##### *Description of funds*

###### *Operating Fund*

Amounts received, used or held for the research and educational goals of the Institute, are recorded in the Operating Fund.

###### *Endowment Funds*

Endowment Funds represent amounts received which are externally endowed, together with any designated unspent investment income.

###### *Invested in Capital Assets Fund*

The Invested in Capital Assets Fund records the Institute's cost of capital assets, less accumulated amortization and unamortized deferred capital contributions.

**C.D. Howe Institute**  
**Notes to the financial statements**  
**December 31, 2021**

### 3. Commitments

The Institute has a lease commitment for premises located at 67 Yonge Street, Toronto, Ontario. The lease expires on November 30, 2024. Future minimum commitments (excluding operating costs) under the lease are as follows:

	\$
2022	106,605
2023	106,605
2024	97,721
	<b>310,931</b>

### 4. Long-term Investments

Long-term investments are recorded in the following funds:

	Endowment \$	Operating \$	2021 Total \$	2020 Total \$
Long-term	<b>5,792,915</b>	<b>1,573,571</b>	<b>7,366,486</b>	5,798,965
Long-term investments consist of				
Fixed income			<b>2,265,555</b>	1,811,347
Canadian equities			<b>1,168,597</b>	931,802
International equities			<b>3,932,334</b>	3,055,816
			<b>7,366,486</b>	5,798,965

The amortized cost of long-term investments is \$6,526,360 (\$5,431,079 as at December 31, 2020).

**C.D. Howe Institute  
Notes to the financial statements  
December 31, 2021**

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2021 Net book value</b>	2020 Net book value
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture, fixtures and equipment	450,968	408,695	42,273	54,948
Computer hardware and software	1,179,516	1,084,284	95,232	123,610
Electronic equipment	80,275	73,746	6,529	—
Conference equipment	92,867	92,867	—	1,333
Signage	15,674	10,122	5,552	3,070
Leasehold improvements	759,195	596,451	162,744	208,417
	<b>2,578,495</b>	<b>2,266,165</b>	<b>312,330</b>	<b>391,378</b>

**6. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities include \$1,419 (\$Nil in 2020) with respect to remittances owing to the Government.

**7. Invested in Capital Assets Fund**

The Invested in Capital Assets Fund balance consists of:

	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
Capital assets (Note 5)	312,330	391,378
Deferred capital contributions	(70,054)	(94,018)
	<b>242,276</b>	<b>297,360</b>

**C.D. Howe Institute**  
**Notes to the financial statements**  
**December 31, 2021**

**8. Endowment Funds**

	<b>Roger Phillips</b>	<b>Jack Mintz</b>	<b>Special Studies</b>	<b>Sylvia Ostry</b>	<b>Monetary Policy</b>	<b>2021 Total</b>	2020 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	<b>986,485</b>	<b>251,095</b>	<b>2,405,945</b>	<b>806,964</b>	<b>1,328,888</b>	<b>5,779,377</b>	5,761,401
Revenue							
Contributions received	—	—	—	—	—	—	25,100
Unrealized gains	<b>57,122</b>	<b>23,979</b>	<b>172,440</b>	<b>68,395</b>	<b>132,844</b>	<b>454,780</b>	32,952
Investment income	<b>95,244</b>	<b>15,434</b>	<b>205,191</b>	<b>58,284</b>	<b>126,813</b>	<b>500,966</b>	241,171
	<b>152,366</b>	<b>39,413</b>	<b>377,631</b>	<b>126,679</b>	<b>259,657</b>	<b>955,746</b>	299,223
Transfer to deferred revenue	<b>(298,574)</b>	<b>(10,131)</b>	<b>(495,600)</b>	<b>(94,263)</b>	<b>(43,640)</b>	<b>(942,208)</b>	(281,247)
Balance, end of year	<b>840,277</b>	<b>280,377</b>	<b>2,287,976</b>	<b>839,380</b>	<b>1,544,905</b>	<b>5,792,915</b>	5,779,377

The Roger Phillips Endowment Fund was established to advance social policy dialogue. The capital is to be invested and the investment income earned is available to fulfill the purpose of the endowment.

The Jack Mintz Endowment Fund was established to support an annual visit and economic seminar by an eminent expert. During the year, no further contributions were received (\$100 in 2020). The capital is to be invested and the investment income is available to fulfill the purpose of the endowment.

The Special Studies Endowment Fund was established to support special projects which would otherwise be difficult to fund through annual membership contributions. The capital is to be invested and the investment income earned is being retained in the Fund to fulfill the purpose of the endowment.

The Sylvia Ostry Endowment Fund was established to stage an annual lecture in Sylvia Ostry's name, featuring a distinguished speaker on a topic related to international economic policy. The capital is to be invested and the investment income earned is available to fulfill the purpose of the endowment.

The Monetary Policy Endowment Fund was established during 2009 to support research, publications and events resulting in further understanding of, and offer policy advice on, Canadian monetary policy. During the year, no further contributions were received (\$25,000 in 2020). The capital is to be invested and the investment income earned is being retained in the Fund to fulfill the purpose of the endowment.

During the year, in accordance with the wishes of the Endowers, \$942,208 (\$281,247 in 2020) of accumulated realized investment income was transferred to deferred revenue for the purpose of funding future activities over the fiscal years 2022 through to 2025.

The Endowment Funds have been invested in long-term investments (Note 4).



## C.D. Howe Institute

### Notes to the financial statements

#### December 31, 2021

## 9. Pension plan

The Institute sponsors a group registered retirement savings plan and a group tax free savings plan for its employees. The Institute's liability is limited to matching contributions for the year and these amounted to \$135,789 (\$129,644 in 2020).

The Institute sponsors a defined contribution registered pension plan and contributions for the year amounted to \$44,295 (\$41,205 in 2020).

## 10. Guarantees

In the normal course of business, the Institute enters into agreements that meet the definition of a guarantee. The Institute's primary guarantees are as follows:

- (a) The Institute has provided indemnities under a lease agreement for the use of operating facilities. Under the terms of the agreement, the Institute agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and/or officers of the Institute for various items including, but not limited to, all costs to settle suits or actions due to involvement with the Institute, subject to certain restrictions. The Institute has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Institute. The maximum amount of any future payment cannot be reasonably estimated.
- (c) In the normal course of business, the Institute has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Institute to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparties as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Institute from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Institute has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statement, with respect to these agreements.

## 11. Risk management

The Institute follows a Statement of Investment Policies, which provides the investment objectives, performance expectations and guidelines for the management of its investments.

### *Market risk*

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the specific individual investment or factors affecting all securities traded in the

## C.D. Howe Institute

### Notes to the financial statements

#### December 31, 2021

#### 11. Risk management (continued)

market. To mitigate this specific risk, the Institute invests in a diversified portfolio of investments in accordance with the Institute's Statement of Investment Policies.

##### *Interest rate risk*

The Institute is exposed to interest rate risk with respect to its long-term investments. Changes in the prime interest rate will have a positive or negative impact on the Institute's interest income. Such exposure will increase accordingly should the Institute maintain higher levels of long-term investments in the future.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Institute's investment policies define permitted investments and provide guidelines and restrictions on acceptable investments, which minimizes credit risk.

##### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute invests in non-Canadian equities and is therefore directly exposed to currency risk, as the value of equities denominated in other currencies will fluctuate due to changes in exchange rates.

#### 12. Significant event

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Institute in future periods.

## BECOME A MEMBER

Your membership is a philanthropic investment in research that seeks to advance systems, structures and policies that support our businesses, and improves the economic and social well-being of all Canadians. Your support of these efforts means a great deal to the Institute.

For more information about becoming a member of the Institute, please contact:  
Stephane Paris at 416-865-1904, ext 0238, or email [SParis@cdhowe.org](mailto:SParis@cdhowe.org)

## SUPPORT THE INSTITUTE

Your personal support is critical to the Institute enhancing its policy impact. As a charity, we ask that you to take a moment and consider making a personal contribution to the C.D. Howe Institute today. You can call in your donation at 416-865-1904 or send an email to [cdhowe@cdhowe.org](mailto:cdhowe@cdhowe.org).

## CONTACT US

You can contact us by telephone at 416-865-1904 or visit our website:  
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