

OUTLINE OF GOVERNMENT PROGRAMS RELATED TO THE COVID-19 PANDEMIC IN CANADA

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The response to the COVID-19 pandemic has been swift and comprehensive. Canadian Minister of Finance Bill Morneau stated:

Usually, my job is to ensure we maintain our fiscal track, but right now as minister of finance, my only job is to make sure that Canadians can keep food in the fridge, that they can keep a roof over their heads, that they can afford the medicine that they need.³

This outline analyses the Canadian government's response through two axes. First, we consider the measures taken by independent public entities. While these entities make independent decisions through apolitical processes, these decisions have a significant impact on the magnitude and effectiveness of government responses to the pandemic. Second, we consider the response of the Canadian government.

1. INDEPENDENT PUBLIC ENTITIES

The Bank of Canada⁴ lowered its target interest rate to 0.25% in a tripartite process: from 1.75% to 1.25% on March 4th, then to 0.75% on

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³ Bill Morneau, "Finance Minister Outlines \$82B COVID-19 Response Package" (18 March 2020) at 04m:10s, online (video): *CBC News* <www.cbc.ca/player/play/1712875587852> .

⁴ The Bank of Canada is the central bank of Canada. It is an institution responsible for Canada's monetary policy and the sole authority that can issue Canadian banknotes. Its main objective is to "the economic and financial welfare of Canada". Its goals include the

March 16th, and to 0.25% on March 27th.⁵ This steep drop foreshadows a looming recession from the economic impacts of the COVID-19 pandemic. The pandemic has indeed caused a major drop in oil prices⁶ and a consequent need to stimulate the economy by promoting consumer and business borrowing.⁷ The interest rate decreases are not a governmental measure *per se*, as interest rates are set by an independent government entity through an apolitical process.⁸ They are nonetheless an important tool of macroscopic modulation, as they provide key liquidity in response to (impending) financial crises.⁹

Similarly, on March 13th, the Superintendent of Financial Institutions (an independent government agency)¹⁰ announced a series of measures to support the resilience of financial institutions. The most notable was the

maintenance of a low and stable inflation rate and the provision of efficient government-funds management (public debt programs and foreign exchange reserves). It is also responsible for the efficiency and safety of the Canadian financial system, both on national and international grounds. It's structure as a Crown corporation rather than a governmental department, which makes it independent from the executive federal government. See "About", online: *Bank of Canada* <www.bankofcanada.ca/about/> ["About the Bank of Canada"]. The Bank of Canada is a Crown corporation constituted under the *Bank of Canada Act*, RSC 1985, c B-2.

⁵ See "Interest Rates", online: *Bank of Canada* <www.bankofcanada.ca/rates/interest-rates/> .

⁶ Just under 10% of Canada's GDP comes from mining and the extraction of oil and gas resources, see "Gross Domestic Product (GDP) at Basic Prices, by Industry, Monthly, Growth Rates (X 1,000,000)", online: *Statistics Canada* <www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043402> ["Canada's GDP"]. This does not include the many secondary industries which are directly or indirectly related to the extraction of oil and gas. As such, Canada's economy is bound to be significantly affected by fluctuations in global oil prices.

⁷ See "Bank of Canada Lowers Overnight Rate Target to ¾ Percent" (13 March 2020), online: *Bank of Canada* <www.bankofcanada.ca/2020/03/bank-of-canada-lowers-overnight-rate-target-to-%c2%be-percent/> .

⁸ See "About the Bank of Canada", *supra* note 4.

⁹ See generally Robert E Hall, "Low Interest Rates: Causes and Consequences" [2007] *Intl J Central Banking* (9th) 1.

¹⁰ The Office of the Superintendent of Financial Institutions (OSFI) is an independent federal government agency that reports to the Minister of Finance. It is responsible for the regulation and supervision of financial institutions, which include banks, insurance companies, loan and trust companies, cooperative credit associations, fraternal benefit societies as well as 1,200 pension plans in Canada. It ensures those institutions' financial well-being and their capacity to meet their obligations. See "About Us", online: *Office of the Superintendent of Financial Institutions* <www.osfi-bsif.gc.ca/Eng/osfi-bsif/Pages/default.aspx> .

reduction of the level of capital the largest Canadian banks need to keep as reserves, which freed up for borrowing some 300 billion dollars.¹¹

Finally, the Canada Mortgage and Housing Corporation (CMHC), a Crown Corporation,¹² has committed to buying up to 50 billion dollars in insured mortgage pools,¹³ an amount later raised to 150 billion dollars.¹⁴ By purchasing mortgage pools, the CMHC will generate liquidity for banks and other lenders. The government believes this liquidity will be used to provide loans to consumers and businesses.¹⁵

2. FEDERAL GOVERNMENT

The Canadian government announced a broad range of measures in response to the COVID-19 pandemic. It closed, after discussions with American officials, the Canada-US border for non-essential purposes –

¹¹ See “OSFI Announces Measures to Support the Resilience of Financial Institutions” (13 March 2020), online: *Office of the Superintendent of Financial Institutions* <www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/nr_20200313.aspx> [“OSFI Announces Measures”]. The OSFI reduced the domestic stability buffer, which is a portion of the capital requirement for the most significant Canadian banks, see “Domestic Stability Buffer – Information Sheet”, online: *Office of the Superintendent of Financial Institutions* <www.osfi-bsif.gc.ca/Eng/fi-if/in-ai/Pages/dsb-nfo.aspx> . On capital requirements in banking more generally, see Joshua N Feinman, “Reserve Requirements: History, Current Practice, and Potential Reform” (1993) 79:6 *Federal Reserve Bull* 659.

¹² The CMHC is constituted under *Canada Mortgage and Housing Corporation Act*, RSC 1985, c C-7.

¹³ Mortgage pools are groups of mortgages which are used as collateral to create a financial product (a mortgage-backed security), which can then be sold to public or private investors. On these securities, see generally Pelma Jacinth Rajapakse, “An Analysis of the Concept of Mortgage-Backed Securities: An Economic and Legal Perspective” (2011) 10:1 *J Financial & L Management* 22.

¹⁴ See “Government of Canada Announces Further Measures to Support Continued Lending to Canadian Consumers and Businesses” (16 March 2020), online: *Canada Mortgage and Housing Corporation* <www.cmhc-schl.gc.ca/en/media-newsroom/news-releases/2020/measures-support-continued-lending-canadian-consumers-businesses> and “CMHC Expands Insured Mortgage Purchase Program” (26 March 2020), online: *Canada Mortgage and Housing Corporation* <www.cmhc-schl.gc.ca/en/media-newsroom/news-releases/2020/cmhc-expands-insured-mortgage-purchase-program> [“CMHC Expands Program”].

¹⁵ *Ibid.*

excluding commercial exchanges.¹⁶ It also invested significant amounts of money on public health measures.

On March 18th, 2020, Prime Minister Justin Trudeau announced an emergency response plan worth up to 82 billion dollars, comprised of 27 billion dollars in direct support to individuals and businesses and 55 billion dollars in tax deferrals for businesses and individuals.¹⁷ This amount represents over 3% of Canada's Gross Domestic Product (GDP).¹⁸ On March 25th, Ottawa announced additional measures of direct support that raised the budget to 107 billion dollars.¹⁹ On March 27th, the budget nearly doubled, reaching 202 billion dollars (65 billion in loans, 85 billion in tax deferrals, and 52 billion in direct assistance).²⁰ This represents approximately 10% of GDP.²¹ The then-unannounced details of the wage subsidy program of March 30th (further detailed below) might significantly add to these amounts.²² This significant investment mirrors the historic 2.2 trillion US dollars American stimulus package,²³ which is nearly triple the amount injected in the economy

¹⁶ See "U.S.-Canada Joint Initiative: Temporary Restriction of Travelers Crossing the U.S.-Canada Border for Non-Essential Purposes" (20 March 2020), online: *Justin Trudeau, Prime Minister of Canada* <pm.gc.ca/en/news/statements/2020/03/20/us-canada-joint-initiative-temporary-restriction-travelers-crossing-us> .

¹⁷ See generally Fatima Syed & Murad Hemmadi, "Breaking Down Ottawa's \$82-Billion Economic Response Plan", *The Logic* (18 March 2020), online: <thelogic.co/news/special-report/breaking-down-ottawas-82-billion-economic-response-plan-for-covid-19/> ["Breaking Down"].

¹⁸ See "Canada's GDP", *supra* note 6.

¹⁹ See "Government Introduces Canada Emergency Response Benefit to Help Workers and Businesses" (25 March 2020), online: *Department of Finance Canada* <www.canada.ca/en/department-finance/news/2020/03/introduces-canada-emergency-response-benefit-to-help-workers-and-businesses.html> ["Government Introduces Emergency Response Benefit"]. See also John Paul Tasker, "Parliament Passes Ottawa's \$107 Billion COVID-19 Aid Package", *CBC News* (25 March 2020), online: <www.cbc.ca/news/politics/covid19-coronavirus-ottawa-hill-economic-legislation-1.5509178> .

²⁰ See Brian DePratto, "Additional Federal COVID-19 Response Measures" (27 March 2020), online: *TD Bank* <economics.td.com/additional-covid19-measures> . DePratto believes the 75% wage subsidy as limited to small- and medium-sized businesses will cost an additional 25 billion dollars.

²¹ See "Canada's GDP", *supra* note 6.

²² See "Government Announces Details of the Canada Emergency Wage Subsidy to Help Businesses Keep Canadians in their Jobs" (1 April 2020), online: *Department of Finance Canada* <www.canada.ca/en/department-finance/news/2020/04/government-announces-details-of-the-canada-emergency-wage-subsidy-to-help-businesses-keep-canadians-in-their-jobs.html> .

²³ See Clare Foran et al, "Trump Signs Historic \$2 Trillion Stimulus After Congress Passes It Friday", *CNN* (27 March 2020), online:

during the 2008 crisis.²⁴ The stimulus package represents approximately 10% of GDP.²⁵

We choose to focus on the latter measures, which are directly tailored to support the economy. We, in turn, address economic measures tailored to support individuals and families, and businesses.

2.1. INDIVIDUALS AND FAMILIES

There have been several measures to support individuals and families. For individuals facing unemployment, the one-week delay to start claiming Employment Insurance (EI) sickness benefits was waived. The government also significantly broadened the scope of the Employment Insurance program, as well as the access to it. The plan, titled Canada Emergency Response Benefit plan (formerly the Emergency Care Benefit and Emergency Support Benefit plans) will cost up to 40 billion dollars,²⁶ up from an initial 15 billion dollars.²⁷ It covers individuals who are not traditionally eligible for EI, including the self-employed, contract workers, those caring for a child at home because of school and daycare closures, and those caring

<www.cnn.com/2020/03/27/politics/coronavirus-stimulus-house-vote/index.html> . The bill is US, Bill HR 748, *CARES Act*, 116th Congress, 2020 (signed by the President on 27 March 2020).

²⁴ See Andrew Clark, “Paulson Abandons Plans to Buy up America's Toxic Mortgage Assets”, *The Guardian* (13 November 2008), online:

<www.theguardian.com/business/2008/nov/13/harry-paulson-banking-rescue-mortgage> .

The bill is US, Bill HR 1424, *Emergency Economic Stabilization Act of 2008*, 110th Congress, 2008 (enacted 10 March 2008).

²⁵ See “Gross Domestic Product”, online: *Bureau of Economic Analysis (US Department of Commerce)* <www.bea.gov/data/gdp/gross-domestic-product> .

²⁶ See “Government Introduces Emergency Response Benefit”, *supra* note 19. See also Patrick Brethour, “Ottawa’s New Emergency Benefit Upends Traditional Employment Insurance Rules”, *The Globe and Mail* (27 March 2020), online:

<www.theglobeandmail.com/business/article-ottawas-new-emergency-benefit-upends-traditional-employment-insurance/> .

²⁷ See “Breaking Down”, *supra* note 17. EI eligibility and benefits were also broadened in the United States, see “What’s in the \$2 Trillion Coronavirus Stimulus Bill”, *CNN* (26 March 2020), online: <cnn.com/2020/03/25/politics/stimulus-package-details-coronavirus/index.html> [“US Stimulus Bill Analysis”].

for a family member sick from COVID-19.²⁸ It provides them a taxable payment of 2,000 dollars per month, for up to 4 months.²⁹

As a longer-term measure, the EI Work-Sharing program, which helps avoid layoffs during a decrease in business activity beyond the control of employers, was extended. This program provides EI benefits to workers who agree to reduce their working hours or share them with other employees.³⁰ Eligibility for these agreements was broadened, and their duration was extended from 38 to 76 weeks.³¹

As an additional measure for families and individuals, the Canada Child Benefit was increased by 300 dollars per child, at a cost of approximately 2 billion dollars.³² The Goods and Services Tax (GST) tax credit was also increased to 400 dollars for individuals and 600 dollars for couples with low or modest income. This nearly doubles the maximum usually granted to lower-income families and will cost an estimated 5.5 billion dollars.³³ A grace period of 6 months was also granted for student loan payments.³⁴

Additionally, the required minimum withdrawal to Registered Retirement Income Funds (RRIFs) was temporarily reduced by 25%, ostensibly to allow individuals to withdraw and use their savings to face the crisis.

Traditionally marginalised groups who will likely be further affected financially and are less likely to have the means to prevent an outbreak were kept in mind. A 305-million-dollar fund was created to support Indigenous communities; 157.5 million dollars were added to the already existing homeless care program; and 50 million dollars were provided to women's shelters and sexual assault centres.³⁵

²⁸ See "Canada's COVID-19 Economic Response Plan", online: *Government of Canada* <www.canada.ca/en/department-finance/economic-response-plan.html> ["Response Plan"]. The US bill adopts a similar approach, see "US Stimulus Bill Analysis", *supra* note 27.

²⁹ *Ibid.*

³⁰ See "Work Sharing Program", online: *Employment and Social Development Canada* <www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html#h4.01> .

³¹ *Ibid.*

³² See "Breaking Down", *supra* note 17 and "Response Plan", *supra* note 28.

³³ See "Breaking Down", *supra* note 17 and "Response Plan", *supra* note 28.

³⁴ See "Response Plan", *supra* note 28. This measure was also adopted in the United States, see "US Stimulus Bill Analysis", *supra* note 27.

³⁵ See "Response Plan", *supra* note 28.

Finally, the due dates for the filing of individual 2019 tax returns and related payment of income tax were deferred to June 1st and September 1st, respectively.³⁶

2.2. PRIVATE SECTOR

For Canadian businesses, in addition to aforementioned extension of the Work-Sharing program, a budget of 3.8 billion dollars was allocated to small businesses in the form of wage subsidies of up to 10% of employee salaries (payroll costs) for up to three months, to a maximum of 1,375 dollar per employee and 25 000 dollars per employer.³⁷ The businesses eligible for this program were privately held Canadian-controlled companies with less than 15 million dollars in assets.³⁸ This was later increased to up to 75%, for up to 3 months, retroactive to March 15th. The eligibility criteria were not yet detailed at of the announcement date (March 27th).³⁹ On March 30th, the federal government announced the criteria and extended access to the subsidy: all Canadian businesses and non-profit organisations, regardless of their size, are eligible for the wage subsidy program if they experienced a decrease in revenue of at least 30%. It covers 75% of payroll costs (salaries), up to 58,700 dollars, retroactive to March 15th, for up to 3 months.⁴⁰

Moreover, a Business Credit Availability Program was created with the collaboration of the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) (two government entities), initially providing small- and medium-sized businesses with up to 10 billion dollars in support through loans.⁴¹ The amount was later increased to up to 65 billion dollars.⁴² Furthermore, EDC will guarantee riskier business borrowing of up

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ See “Frequently Asked Questions – Temporary Wage Subsidy for Employers”, online: *Canada Revenue Agency* <www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html#h2> .

³⁹ See “Prime Minister Announces Support for Small Businesses Facing Impacts of COVID-19” (27 March 2020), online: *Justin Trudeau, Prime Minister of Canada* <pm.gc.ca/en/news/news-releases/2020/03/27/prime-minister-announces-support-small-businesses-facing-impacts> [“Support for Small Businesses”].

⁴⁰ See “The Canada Emergency Wage Subsidy”, online: *Department of Finance Canada* <www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html> .

⁴¹ See “Breaking Down”, *supra* note 17.

⁴² See “Response Plan”, *supra* note 28.

to 5 million dollars to allow businesses to face cashflow issues and avoid bankruptcy.

As for support for essential providers, the agricultural sector, including farmers and producers, will benefit from loans of up to 5 billion dollars to support cash needs and maintain production.

On March 27th, the government launched, in collaboration with EDC, the Canada Emergency Business Account. This program provides eligible financial institutions with up to 25 billion dollars in guarantees so they can lend interest-free funds to small businesses and non-for-profit organisations. The loans will be of up to 40,000 dollars, and a quarter of the amount will be forgiven if they are paid back by December 31th, 2022.⁴³

On the same day, the “Loan Guarantee for Small and Medium-Sized Enterprises” and the “Co-Lending Program for Small and Medium-Sized Enterprises” were also announced. They are funded through EDC and BDC, respectively, and will provide SMEs with guarantees on loans of up to 6.25 million dollars, up to a total of 40 billion dollars.⁴⁴

Finally, businesses, like individuals, will benefit from an interest-free income tax payment deferral until September 1st. Depending on their business organisation form, some businesses may, like individuals, produce their tax return after the usual due date.⁴⁵ The March 27th announcement extended these deferrals to sales taxes and custom duties.⁴⁶

⁴³ See “Support for Small Businesses”, *supra* note 39 and “Response Plan”, *supra* note 28.

⁴⁴ *Ibid.*

⁴⁵ See “Income Tax Filing and Payment Dates: CRA and COVID-19”, online: *Canada Revenue Agency* <www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html> .

⁴⁶ See “Support for Small Businesses”, *supra* note 39 and “Response Plan”, *supra* note 28.