

March 2020

BUDGET

2020

2021

YOUR FUTURE YOUR BUDGET

BUDGET

PLAN



Budget 2020-2021
Budget Plan

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BUDGET PLAN

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SUMMARY

Since fall 2018, the government has been taking major steps to address Quebecers' concerns. The results are impressive from both economic and financial standpoints.

- In 2019, Québec's economy performed remarkably well, growing by 2.8%. In 2020, growth in Québec is expected to reach 2.0% and to outstrip that of Canada for the third year in a row.
- The budget is balanced and the gross debt reduction objective has been met.

With the March 2020 Budget Plan, the government is looking toward the future, for the benefit of all Quebecers by:

- providing environmental leadership, with unprecedented investments in the fight against climate change;
- continuing to make investments to increase the potential of Québec's economy and create wealth;
 - By continuing to invest in education, increasing labour market participation, spurring investment and reducing the debt burden, the government will create more wealth.
 - It will also do so by fostering the development and promotion of Québec's cultural industry.
- taking action to improve the accessibility and quality of health services by meeting the needs of specific clientele and supporting Indigenous communities;
- maintaining sound management of public finances.

A strong economy and sound public finances

The COVID-19 epidemic is raising concerns worldwide not only about the potential repercussions on health but also the implications for economic growth.

Owing to the state of public finances and economic fundamentals, Québec is ready to cope with the uncertainties in the global economy. Its strong economy and sound public finances will make it resilient to the potential economic disruptions.

A strong economy

The Québec economy has grown at a remarkable rate over the past three years. This growth has been supported by sound economic fundamentals.

- The labour market is booming: the employment rate for people aged 15 to 64 is at a record high, while the unemployment rate has reached a historic low.
- Wages are growing faster than inflation; Quebecers' productivity and standard of living rose at rates surpassing those in Ontario in the past year.
- Québec households are less indebted than those in the rest of Canada.
- The decline in interest rates and energy prices is spurring domestic demand.
- The government is making substantial reinvestments in services, with expenditure growing by 5.1% in 2020-2021.

Sound public finances

On the financial front, the results are just as outstanding.

- Québec is less indebted today than it was prior to the 2008-2009 recession.
- The gross debt reduction objective has been achieved and the government is reaping the benefits of improved credit quality, enabling it to borrow at advantageous costs.
- The budgetary surplus amounts to \$1.9 billion in 2019-2020 and the budget remains balanced over the period covered by the financial framework.
- The 2020-2030 Québec Infrastructure Plan now totals \$130.5 billion, which represents an increase of \$15.1 billion.

□ Your future, your budget

In the *Québec Budget Plan – March 2020*, the government is providing for investments of over \$15.5 billion by 2025-2026, including \$1.7 billion as of 2020-2021.

With regard to the environment, the government is taking steps to provide strong leadership and will make investments totalling \$6.7 billion over the next six years.

- First, Budget 2020-2021 is an opportunity for the government to present the first plan for the implementation of the electrification and climate change framework policy, which is supported by investments totalling \$6.2 billion.
- Second, the budget includes additional sums of nearly \$500 million to implement other environmental protection measures.

To increase the potential of the economy and create wealth, the government is providing for initiatives totalling more than \$5.3 billion by 2024-2025.

- Additional investments of \$1.5 billion in education by 2024-2025 will help, in particular, to improve the educational success of all and the graduation rate for higher education. Growth in spending for education and higher education will reach 4.5% in 2020-2021.
- An additional reduction in the school tax rates will put \$1.2 billion back in the pockets of Quebecers.
- A total of \$407 million will be invested to stimulate cultural vision and innovation and provide additional support for the music industry.
- More than \$1.0 billion will be invested to enhance business productivity and competitiveness, particularly through measures to spur private investment and innovation.
- Major initiatives will promote workers' integration and retention in the labour market. They will also boost the regions' economic development.

The government is taking action and investing \$3.5 billion to improve health services, take care of people in vulnerable situations or with special needs and enhance support for Indigenous communities.

- Growth in health spending will reach 5.3% in 2020-2021. Investments of nearly \$1.5 billion by 2024-2025 will, in particular, improve access to primary care services and specialized medicine.
 - Concrete steps are also being taken to enhance support for seniors, youth in difficulty and women who are victims of domestic violence.

In addition, to address Quebecer's significant infrastructure needs, the government is providing for a \$15.1-billion increase in investments under the 2020-2030 Québec Infrastructure Plan (QIP).

— This will bring the 2020-2030 QIP to \$130.5 billion in order to, in particular, increase the proportion of infrastructure in good condition.

Lastly, the objective of reducing the gross debt to 45% of GDP, as stipulated in the *Act to reduce the debt and establish the Generations Fund*, has been met. As at March 31, 2020, the ratio of gross debt to GDP will stand at 43.0%.

— The target for reducing the debt representing accumulated deficits to 17% of GDP will be reached in 2023.

TABLE A.1

Financial impact of the measures in Budget 2020-2021
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total	Ref. section
Providing environmental leadership	-265.5	-322.4	-1 007.4	-1 112.8	-1 269.5	-1 361.3	-1 354.8	-6 693.6	B
Increasing the potential of the economy and creating wealth ⁽¹⁾	-387.6	-842.5	-971.2	-1 033.3	-1 009.3	-1 091.9	—	-5 335.8	C
Improving services and meeting the needs of Quebecers	-293.5	-582.4	-614.9	-679.6	-664.6	-661.5	—	-3 496.5	D
TOTAL	-946.6	-1 747.3	-2 593.5	-2 825.7	-2 943.4	-3 114.7	-1 354.8	-15 526.0	

Note: Totals may not add due to rounding.

(1) Initiatives totalling \$531.6 million that are helping to reduce greenhouse gas emissions are presented under the heading "Providing environmental leadership" in the table.

1. YOUR FUTURE, YOUR BUDGET

1.1 Providing environmental leadership

The government recognizes the climate emergency and is reiterating its intention to meet its 2030 GHG emission reduction target. The initiatives will be presented in the first implementation plan for the electrification and climate change framework policy.

The implementation plan for the framework policy will be supported by investments of more than \$6.2 billion. The annual amounts granted will be doubled relative to those provided for in the 2013-2020 Climate Change Action Plan.

- Over and above the \$4.1 billion in carbon market revenues, \$2.1 billion in budget appropriations will be added to the implementation plan for the framework policy. This additional amount represents a 50% increase in funding relative to revenues from the carbon market.

These investments will promote the implementation of numerous measures to reduce GHG emissions and adapt to climate change. The government's actions will support:

- public transit and electrification of transportation;
- decarbonization of the industrial sector;
- reduction of fossil energy use in the building sector;
- residual materials management, including activities not covered by Québec's cap-and-trade (CAT) system for greenhouse gas emission allowances;
- Québec's adaptation to climate change and the development of Québec expertise;
- protection of natural environments and other sectors having a beneficial effect on the environment.

Moreover, in Budget 2020-2021, the government is providing an additional amount of \$472.7 million to implement other environmental protection measures.

TABLE A.2

**Financial impact of the measures to provide environmental leadership,
by sector**
(millions of dollars)

	2019- 2020 ⁽¹⁾	2020- 2021-	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Reduction of GHG emissions								
– Transportation	-101.9	-117.8	-561.7	-650.1	-704.3	-784.8	-853.2	-3 773.8
– Industry	-13.1	-75.4	-208.3	-186.6	-256.0	-261.7	-268.6	-1 269.6
– Buildings	—	-14.8	-27.0	-27.9	-60.2	-72.3	-107.4	-309.5
– Sectors not covered by the CAT system	—	-15.4	-25.8	-15.9	-14.8	-13.0	-13.6	-98.4
Subtotal	-115.0	-223.4	-822.7	-880.5	-1 035.2	-1 131.7	-1 242.8	-5 451.3
Adaptation, expertise and other measures	-0.5	-41.4	-119.0	-164.7	-166.8	-165.3	-111.9	-769.6
Total – Framework policy⁽²⁾	-115.5	-264.8	-941.7	-1 045.2	-1 202.0	-1 297.0	-1 354.8	-6 220.9
Other environmental protection measures	-150.0	-57.6	-65.7	-67.6	-67.5	-64.3	—	-472.7
TOTAL	-265.5	-322.4	-1 007.4	-1 112.8	-1 269.5	-1 361.3	-1 354.8	-6 693.6

Note: Totals may not add due to rounding.

(1) Amounts spent in 2019-2020 so that projects are carried out in the period covered by the plan.

(2) This is the financial framework for the first framework policy implementation plan up to March 31, 2026.

Framework policy funding								
Funding for the implementation plan for the electrification and climate change framework policy (millions of dollars)								
	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
ECCF ^{(1),(2)}	—	192.3	795.3	754.0	769.5	788.1	816.9	4 116.0
Budget appropriations	115.5	72.5	146.4	291.2	432.5	508.9	537.9	2 104.9
TOTAL	115.5	264.8	941.7	1 045.2	1 202.0	1 297.0	1 354.8	6 220.9

Note: Totals may not add due to rounding.

(1) Bill 44 stipulates that the Green Fund will become the Electrification and Climate Change Fund (ECCF).

(2) Consists mainly of revenues from the carbon market, investment income of the ECCF and revenues from the federal government's Leadership Fund. For 2020-2021, revenues are projected for the period from January to March 2021.

1.2 Increasing the potential of the economy and creating wealth

The government is introducing measures to increase the potential of the economy and create wealth for Quebecers.

— These initiatives are aimed at addressing the determinants of Québec's economic growth, such as education, business investment and full use of the labour pool of potential workers.

Budget 2020-2021 contains initiatives totalling nearly \$5.9 billion¹ by 2024-2025, including:

- additional investments of \$1.5 billion in education;
- an additional reduction of the school tax rates that will put \$1.2 billion back in the pockets of Quebecers;
- investments of \$456.9 million to promote our cultural distinctiveness;
- a series of initiatives totalling \$2.7 billion to, in particular, enhance business productivity and competitiveness, develop our regions and promote workers' integration and retention in the labour market.

TABLE A.3

Financial impact of the initiatives to increase the potential of the economy and create wealth (millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Doing more and better in education	-50.0	-260.3	-288.7	-288.7	-288.7	-288.7	-1 465.1
Putting money back in the pockets of Quebecers	—	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8
Promoting our cultural distinctiveness	-9.6	-90.0	-88.5	-87.0	-91.8	-90.0	-456.9
Enhancing business productivity and competitiveness	-83.0	-107.7	-142.1	-198.7	-230.2	-285.3	-1 047.0
Promoting workers' integration and retention in the labour market	-10.0	-66.4	-33.0	-34.2	-34.5	-34.6	-212.7
Boosting the regions' economic development	-93.2	-124.1	-167.8	-164.1	-159.4	-192.8	-901.4
Developing our natural resources responsibly	-187.3	-86.5	-93.9	-93.7	-97.9	-88.1	-647.4
Fostering healthy competition	—	-8.4	-14.7	-9.5	49.0	55.5	71.9
TOTAL	-433.1	-925.3	-1 075.9	-1 129.4	-1 113.3	-1 190.4	-5 867.4

Note: Totals may not add due to rounding.

¹ This amount includes initiatives of \$531.6 million that are helping to reduce GHG emissions.

1.3 Improving services and meeting the needs of Quebecers

The government is taking action to improve health services, take care of people in vulnerable situations or with special needs and support Indigenous communities by announcing measures totalling \$3.5 billion over the period from 2019-2020 to 2024-2025.

The government is providing for additional investments of \$1.5 billion to improve the accessibility and quality of health services by:

- improving access to health and social services through better primary care services, an enhanced supply of groundbreaking treatments and better access to specialized medicine;
- enhancing senior care, in particular by offering more home care and increasing the lodging supply;
- providing more support for youth in difficulty and their families through additional investments and increasing targeted services for them.

In addition, an amount of nearly \$1.8 billion over six years will make it possible to meet Quebecers' special needs through, in particular:

- the introduction of a refundable tax credit for caregivers, which will provide increased assistance to more caregivers;
- better support for parents of handicapped children of full age;
- better support for women who are victims of domestic violence.

Lastly, the government will invest \$219.2 million over six years to increase its support for Indigenous communities.

TABLE A.4

Financial impact of the measures to improve services and meet the needs of Quebecers (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving the accessibility and quality of health services ⁽¹⁾	-200.0	-268.3	-268.3	-252.2	-250.1	-247.9	-1 486.8
Meeting the needs of specific clientele	-78.5	-272.9	-305.4	-386.8	-373.9	-373.0	-1 790.5
Supporting Indigenous communities	-15.0	-41.2	-41.2	-40.6	-40.6	-40.6	-219.2
TOTAL	-293.5	-582.4	-614.9	-679.6	-664.6	-661.5	-3 496.5

(1) Funding for the initiatives to improve the accessibility and quality of health services amounts to \$5.4 billion including the reallocation of unrealized health spending and savings arising from the agreement entered into with the Fédération des médecins spécialistes du Québec.

1.4 Increasing investments in public infrastructure

To address Quebecers' significant infrastructure needs, the government is providing for an increase of \$15.1 billion in investments under the 2020-2030 Québec Infrastructure Plan (QIP).

— The 2020-2030 QIP is thus being increased to \$130.5 billion.

A number of factors are contributing to the need to increase infrastructure investments immediately. In particular, it is necessary to:

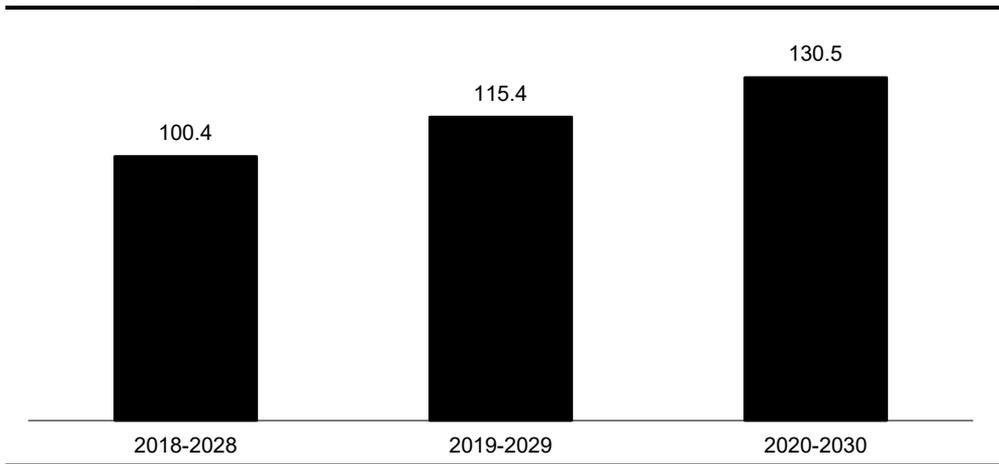
- replace outdated infrastructure and manage the asset maintenance deficit;
- build infrastructure to support Québec's economic growth and development.

These investments can be made thanks to faster-than-anticipated achievement of the gross debt reduction objective.

CHART A.1

Change in the Québec Infrastructure Plan

(billions of dollars)



❑ Anticipated improvement in the supply of infrastructure by 2030

The Québec government owns or funds a large supply of infrastructure evaluated at more than \$450 billion, including:

- nearly 28 000 buildings;
- approximately 9 700 bridges and overpasses and more than 31 000 km of roads;
- more than 96 000 km of drinking water, wastewater and rainwater networks.

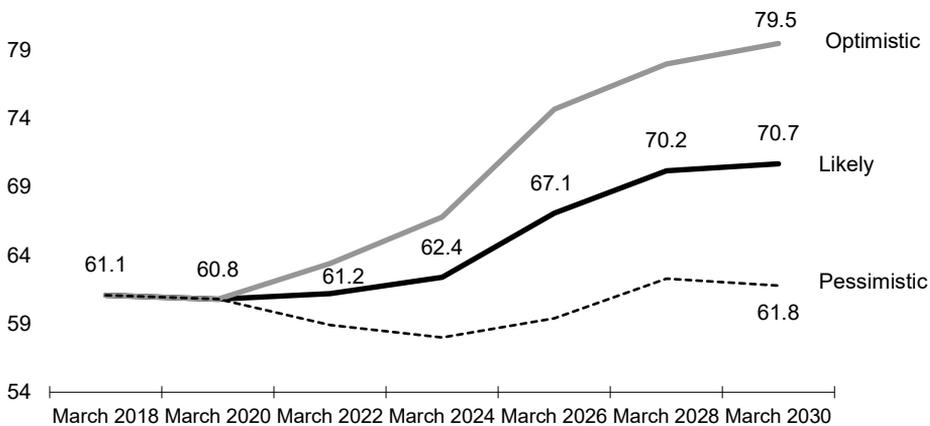
In the coming years, the government will continue to take the necessary steps to increase the quality of Québec's public infrastructure.

Taking into account the investments currently planned under the 2020-2030 QIP, of which 61% will go to asset maintenance,² the government anticipates that the proportion of infrastructure in good condition will increase in the coming years.

- It is estimated³ that the proportion of infrastructure in good condition will rise from 60.8% in March 2020 to 70.7% in March 2030.

CHART A.2

Anticipated change in the proportion of infrastructure in good condition of public bodies (per cent)



Note: The proportion of infrastructure in good condition could increase to a rate of 79.5% in March 2030 if future QIPs give priority to maintenance projects or not exceeding a rate of 61.8% if the rate of deterioration or inflation in the cost of work is higher than expected.

Source: Secrétariat du Conseil du trésor.

² The percentage excludes the central envelope.

³ These estimates are preliminary. They were obtained using an initial model. They will be refined and improved during future QIPs and could vary over time, particularly with regard to the investment choices made by departments and bodies and their ability to carry out planned work, as well as by the ability of the construction industry to respond.

2. THE ECONOMIC SITUATION IN QUÉBEC

2.1 The Québec economy performed remarkably well in 2019

In 2019, the performance of Québec's economy was outstanding. This is especially remarkable given the slowdown in worldwide economic growth.

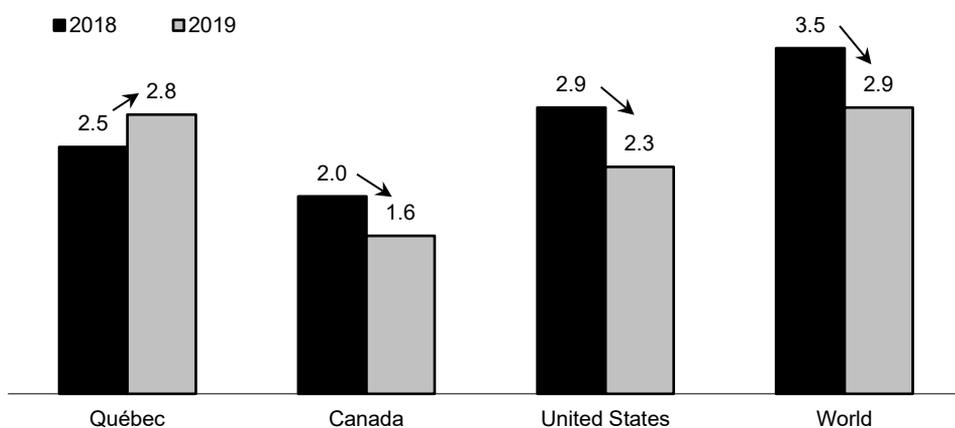
- Global economic growth decelerated from 3.5% in 2018 to 2.9% in 2019, the slowest pace of growth since the 2009 global economic recession.
- In the United States and Canada, Québec's main trading partners, real GDP growth also slowed in 2019.
 - In the United States, real GDP grew by 2.3% in 2019, after reaching a rate of 2.9% in 2018.
 - In Canada, economic growth slowed from 2.0% in 2018 to 1.6% in 2019.

Economic growth accelerated in Québec, with real GDP rising from 2.5% in 2018 to 2.8% in 2019.

- Productivity gains, the main driver of long-term growth, set Québec apart in 2019.

CHART A.3

Economic growth (real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

2.2 Economic growth will continue

The foundations of economic growth are strong. Therefore, real GDP will continue to grow in Québec despite the uncertainties about global economic growth.

- Real GDP growth is expected to reach 2.0% in 2020 and 1.5% in 2021.
- In 2020, Québec's real GDP growth is expected to outstrip that of Canada for the third year in a row.

Over the last ten years, the expansion of Québec's economy was fuelled by strong job creation.

- Due to faster economic growth, the unemployment rate fell to a historic low.
- The tightening of the labour market led to wage growth which, coupled with tax cuts and increased transfers from governments, raised households' disposable income.

The labour market is expected to remain dynamic. However, given the substantial employment gains already achieved, future economic growth will be based to a larger extent on productivity gains.

CHART A.4

Economic growth in Québec and Canada (real GDP, annual percentage change)

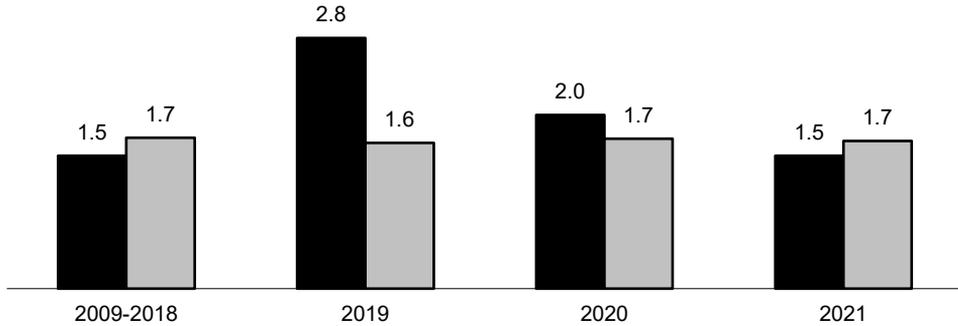
Average annual growth rate in Québec, 2009 to 2018

Real GDP: +1.5%

- Employment: +0.9%

- Productivity: +0.5%

■ Québec ■ Canada



Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Households and businesses will support economic activity in the coming years

Québec's economy will continue to grow in the coming years. Real GDP growth is expected to reach 2.0% in 2020 and 1.5% in 2021. The sources of economic activity growth will remain diversified.

The good financial shape of households will continue to sustain consumer spending and the residential sector.

- The initiatives introduced by the governments of Québec and Canada, in particular, the reductions in the school tax rates and the enhancement of the family allowance, will continue to support growth in household disposable income.
- In addition, households will benefit from the strong performance of the labour market, which will fuel the increase in wages, as well as from low interest rates, particularly mortgage rates.

On the business side, non-residential investment is expected to accelerate, sustained by the initiatives announced by the governments of Québec and Canada.

- In addition, in the context of a tightening labour market, businesses will seek to improve their productivity.
- The lessening of trade tensions, with the upcoming implementation of the Canada–United States–Mexico Agreement (CUSMA) and the signing of the first phase of the trade agreement between the United States and China, should alleviate the uncertainty related to foreign demand.

TABLE A.5

Real GDP and its major components in Québec (percentage change and contribution in percentage points (p.p.))

	2019		2020		2021	
	%	p.p.	%	p.p.	%	p.p.
Domestic demand	2.5	2.5	1.8	1.9	1.4	1.4
– Household consumption	1.8	1.1	1.9	1.1	1.6	0.9
– Residential investment	3.1	0.2	0.9	0.1	0.3	0.0
– Non-residential business investment	2.0	0.2	2.6	0.2	2.3	0.2
– Government spending and investment	3.7	1.0	1.9	0.5	0.9	0.2
External sector	—	0.6	—	0.2	—	0.0
– Exports	1.6	0.8	1.9	0.9	1.8	0.8
– Imports	0.2	-0.1	1.4	-0.7	1.7	-0.8
Stocks	—	-0.4	—	-0.1	—	0.0
REAL GDP	2.8		2.0		1.5	

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.3 Increasing the potential of the Québec economy

□ The first actions are bearing fruit

The Québec government has set a goal to create wealth and boost Québec's economic potential in order to achieve a growth rate of 2% in the long term. This goal will be achieved by taking action on key determinants of growth: private investment, labour market participation, education, entrepreneurship and innovation.

Major steps have been taken since fall 2018 to increase the potential of Québec's economy and thus create more wealth. In that regard, the government has:

- implemented a series of measures to boost the productivity and competitiveness of Québec businesses, such as:
 - accelerated depreciation to encourage business investment,
 - extension of the eligibility period for the tax holiday for large investment projects and electricity discount programs,
 - the investment and innovation tax credit (C3i);
- carried out a reform of Investissement Québec, so as to increase its role in the Québec economy. This reform will make it possible to:
 - offer personalized support to businesses and simplify their investment project procedures,
 - boost the effectiveness of business prospecting abroad and improve support for exports,
 - increase investment and accelerate innovation in businesses, the digital shift and the green transition in order to boost business productivity;
- introduced a series of measures in education. In particular, additional investments of \$1.5 billion are being announced. These investments will help to increase educational success so as to enable each child to reach his or her full potential, raise the graduation rate in higher education and promote participation in recreation and sports;
- promoted workers' integration and retention in the labour market through:
 - the enhancement of the tax credit for career extension for experienced workers and the reduction in payroll taxes for SMBs that employ workers aged 60 or over,
 - the reduction in payroll taxes to facilitate the integration of people with severely limited capacity for employment,
 - initiatives to better integrate immigrants into the labour market and help businesses recruit the most qualified talent from abroad.

The acceleration needed in economic growth to catch up with the standard of living in Ontario is being achieved

In the November 2019 *Update on Québec's Economic and Financial Situation*, the Ministère des Finances du Québec calculated a scenario whereby the gap in the standard of living with Ontario will be eliminated in 25 years.

The Ministère concluded that, for the gap to be eliminated, average annual growth in Québec's standard of living would have to surpass that of Ontario by 0.6 percentage point from 2019 to 2043.

- This exceptional economic performance would result essentially from a substantial productivity contribution.

Productivity gains set Québec apart in 2019

Over the past ten years, improvement of the employment rate has been the main factor sustaining Québec's economic growth. In Ontario, the increase in real GDP has been supported to a large extent by productivity gains, a situation not observed in Québec.

A trend change was observed in 2019. While the employment rate grew in both Québec and Ontario, the additional increase in economic growth in Québec was achieved through productivity gains.

- Improvement of productivity (+1.0 percentage point in 2019) was at the root of this substantial acceleration of economic growth in Québec. At the same time, lower productivity reduced Ontario's economic growth by 1.2 percentage points.

Therefore, the standard of living rose by 1.6% in Québec in 2019, whereas it remained stable in Ontario (0.0%). The year 2019 thus witnessed a major step toward the achievement of this objective.

Contribution of economic growth factors

(average annual percentage change and contribution in percentage points)

	Québec		Ontario	
	2009-2018	2019	2009-2018	2019
Real GDP	1.5	2.8	1.7	1.7
Pool of potential workers ⁽¹⁾	0.2	0.2	0.8	1.5
Employment rate ⁽²⁾	0.7	1.6	0.1	1.4
Productivity ⁽³⁾	0.5	1.0	0.8	-1.2
STANDARD OF LIVING⁽⁴⁾	0.7	1.6	0.6	0.0

Note: Totals may not add due to rounding.

(1) Population aged 15-64.

(2) The employment rate corresponds to the total number of workers over the population aged 15-64.

(3) Productivity as measured by real GDP per job.

(4) Standard of living as measured by real GDP per capita.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

□ An improvement has already been observed

Québec real GDP growth has picked up pace over the past year, rising from 2.5% in 2018 to 2.8% in 2019. This acceleration in economic growth has facilitated an improvement in Quebecers' standard of living, as measured by real GDP per capita.

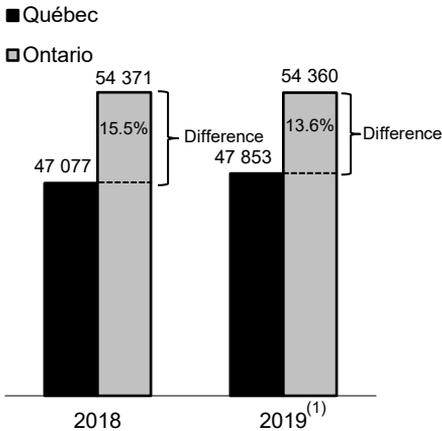
- In 2019, Quebecers' standard of living increased by 1.6%, outpacing that of Ontarians, who saw their standard of living remain stable over the same period (0.0%).
- The more rapid improvement of the standard of living in Québec relative to Ontario reduced the gap with the latter, from 15.5% in 2018 to 13.6% in 2019.

As in the case of standard of living, the gap in productivity narrowed in the past year, from 16.0% in 2018 to 13.6% in 2019. This change represents major progress. Productivity growth in Québec has doubled, going from an average annual rate of 0.5% from 2009 to 2018 to 1.0% in 2019.

- Given that it will be more difficult for the employment rate to increase in the coming years, productivity gains will have to be the main source of leverage for sustaining growth in real GDP and standard of living.

CHART A.5

Change in standard of living (chained 2012 dollars and difference in per cent)



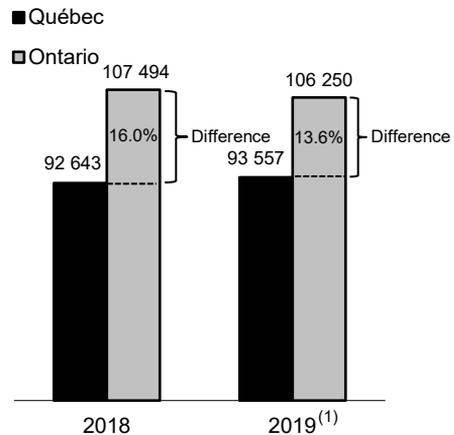
Note: Standard of living as measured by real GDP per capita.

(1) For 2019, Ministère des Finances du Québec forecasts for Québec and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

CHART A.6

Change in productivity (chained 2012 dollars and difference in per cent)



Note: Productivity as measured by real GDP per job.

(1) For 2019, Ministère des Finances du Québec forecasts for Québec and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

3. QUÉBEC'S FINANCIAL SITUATION

Québec's financial situation reflects changes in economic activity and the impact of measures introduced by the government.

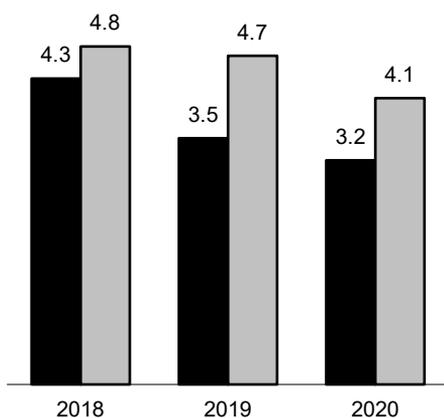
- The excellent performance of the economy has led to an improvement in the budgetary situation, particularly with regard to the government's own-source revenue.
- These improvements relative to the March 2019 budget stand at \$2.2 billion in 2019-2020 and \$2.3 billion in 2020-2021.

CHART A.7

Nominal GDP forecast

(percentage change)

- March 2019
- March 2020

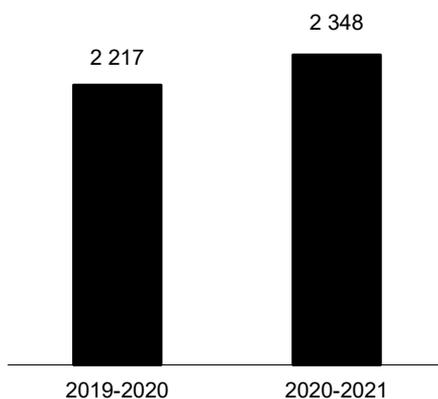


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART A.8

Adjustment in own-source revenue since March 2019

(millions of dollars)



Note: Own-source revenue excluding revenue from government enterprises before March 2020 initiatives.

3.1 Adjustments to the financial framework

The strong performance of the economy has resulted in upward adjustments to the financial framework as of 2019-2020 relative to the March 2019 forecast. Improvements of \$4.3 billion in 2019-2020, \$2.6 billion in 2020-2021 and \$3.3 billion in 2021-2022 have been observed.

- Thanks to these improvements, initiatives totalling \$1.8 billion were implemented in 2019-2020.
- In 2020-2021 and 2021-2022, investments will reach \$2.6 billion and \$3.5 billion, respectively.

TABLE A.6

Adjustments to the financial framework since March 2019 (millions of dollars)

	2019-2020	2020-2021	2021-2022
BUDGETARY BALANCE⁽¹⁾ – MARCH 2019	—	—	—
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	1 454	1 989	2 267
– Other revenue	763	360	69
Subtotal	2 217	2 348	2 336
Revenue from government enterprises	–85	–253	–184
Federal transfers	173	92	343
Portfolio expenditures	880	–490	167
Debt service	1 151	872	662
Deposits of dedicated revenues in the Generations Fund	–129	–45	–83
Use of the contingency reserve	100	100	100
TOTAL IMPROVEMENTS	4 307	2 624	3 341
MARCH 2020 INITIATIVES			
Providing environmental leadership ⁽²⁾	–266	–322	–1 007
Increasing the potential of the economy and creating wealth ⁽³⁾	–388	–843	–971
Improving services and meeting the needs of Quebecers	–294	–582	–615
Subtotal	–947	–1 747	–2 594
NOVEMBER 2019 INITIATIVES	–857	–876	–872
TOTAL INITIATIVES	–1 804	–2 624	–3 466
OTHER ADJUSTMENTS			
Estimated losses on the CSeries investment	–603	—	—
Shortfall to be offset	—	—	125
BUDGETARY BALANCE⁽¹⁾ – MARCH 2020	1 900	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) These initiatives include investments totalling \$6.2 billion over six years under the first implementation plan for the electrification and climate change framework policy, as well as environmental protection measures totalling \$472.7 million. Funding for this plan is presented in Section F “Québec’s Financial Situation”.

(3) The amounts for these initiatives exclude \$45.5 million in 2019-2020, \$82.8 million in 2020-2021 and \$104.7 million in 2021-2022 since they are included under the heading “Providing environmental leadership” in the table.

3.2 Five-year financial framework

Revenue amounts to \$121.3 billion in 2020-2021, with growth of 2.8%. It is expected to grow by an average of 2.9% per year by 2024-2025.

Expenditure amounts to \$118.6 billion in 2020-2021, with growth of 5.1%. It is expected to grow by an average of 3.7% per year by 2024-2025.

Deposits in the Generations Fund stand at \$2.7 billion in 2020-2021. They will amount to \$3.0 billion in 2021-2022 and reach \$4.0 billion in 2024-2025.

TABLE A.7

Financial framework, 2019-2020 to 2024-2025

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	AAGR ⁽¹⁾
Revenue							
Own-source revenue	92 846	95 603	98 859	102 094	105 623	109 061	
% change	1.3	3.0	3.4	3.3	3.5	3.3	2.9
Federal transfers	25 097	25 692	26 293	26 529	26 598	26 808	
% change	8.6	2.4	2.3	0.9	0.3	0.8	2.5
Total revenue	117 943	121 295	125 152	128 623	132 221	135 869	
% change	2.8	2.8	3.2	2.8	2.8	2.8	2.9
Expenditure							
Portfolio expenditures	-104 962	-110 300	-113 617	-116 837	-120 375	-123 664	
% change	7.4	5.1	3.0	2.8	3.0	2.7	4.0
Debt service	-7 845	-8 266	-8 630	-8 683	-8 420	-8 460	
% change	-10.1	5.4	4.4	0.6	-3.0	0.5	-0.5
Total expenditure	-112 807	-118 566	-122 247	-125 520	-128 795	-132 124	
% change	6.0	5.1	3.1	2.7	2.6	2.6	3.7
Estimated losses on the C Series investment	-603	—	—	—	—	—	
Shortfall to be offset	—	—	125	250	250	250	
SURPLUS	4 533	2 729	3 030	3 353	3 676	3 995	
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-2 633	-2 729	-3 030	-3 353	-3 676	-3 995	
BUDGETARY BALANCE⁽²⁾	1 900	—	—	—	—	—	

(1) Average annual growth rate (AAGR) from 2019-2020 to 2024-2025.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

□ Change in revenue

Revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

- Own-source revenue totals \$95.6 billion in 2020-2021, with growth of 3.0%. This growth will reach 3.4% in 2021-2022.
 - Revenue from personal income tax amounts to \$35.4 billion in 2020-2021, with growth of 5.8%.
 - Revenue from consumption taxes totals \$23.0 billion in 2020-2021, with growth of 3.8%.
- Federal transfers total \$25.7 billion in 2020-2021, with growth of 2.4% relative to the previous year. They account for 21% of revenue.

TABLE A.8

Revenue, 2019-2020 to 2021-2022 (millions of dollars)

	2019-2020	2020-2021	2021-2022
Personal income tax	33 502	35 435	36 898
<i>% change</i>	5.4	5.8	4.1
Contributions for health services	6 593	6 896	7 059
<i>% change</i>	3.7	4.6	2.4
Corporate taxes	8 712	8 530	8 862
<i>% change</i>	-5.1	-2.1	3.9
School property tax	1 556	1 349	1 323
<i>% change</i>	-16.0	-13.3	-1.9
Consumption taxes	22 118	22 961	23 702
<i>% change</i>	5.3	3.8	3.2
Duties and permits	4 512	4 643	4 546
<i>% change</i>	3.5	2.9	-2.1
Miscellaneous revenue	11 160	10 975	11 354
<i>% change</i>	-3.4	-1.7	3.5
Government enterprises	4 693	4 814	5 115
<i>% change</i>	-15.4	2.6	6.3
Own-source revenue	92 846	95 603	98 859
<i>% change</i>	1.3	3.0	3.4
Federal transfers	25 097	25 692	26 293
<i>% change</i>	8.6	2.4	2.3
TOTAL	117 943	121 295	125 152
<i>% change</i>	2.8	2.8	3.2

□ Change in expenditure

Expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service. In particular:

- expenditures for education and higher education account for 23% of portfolio expenditures. They amount to \$25.7 billion 2020-2021, with growth of 4.5%. They will grow by 3.6% in 2021-2022;
- expenditures for health and social services account for 43% of portfolio expenditures. They total \$47.8 billion in 2020-2021, with growth of 5.3%. They will grow by 4.2% in 2021-2022;
- expenditures for other portfolios amount to \$36.8 billion in 2020-2021, with growth of 5.3%;
- debt service totals \$8.3 billion in 2020-2021, with growth of 5.4%.

TABLE A.9

Expenditure, 2019-2020 to 2021-2022

(millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Éducation et Enseignement supérieur	24 627	25 734	26 672	
<i>% change</i>	6.7	4.5	3.6	4.9
Santé et Services sociaux	45 377	47 760	49 780	
<i>% change</i>	6.6	5.3	4.2	5.4
Other portfolios ⁽²⁾	34 958	36 806	37 165	
<i>% change</i>	8.9	5.3	1.0	5.0
Portfolio expenditures	104 962	110 300	113 617	
<i>% change</i>	7.4	5.1	3.0	5.1
Debt service	7 845	8 266	8 630	
<i>% change</i>	-10.1	5.4	4.4	
TOTAL	112 807	118 566	122 247	
<i>% change</i>	6.0	5.1	3.1	4.7

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

(2) Other portfolios include inter-portfolio eliminations resulting mainly from the elimination of reciprocal transactions between entities in different portfolios.

3.3 Québec's debt

□ Achievement of debt reduction targets

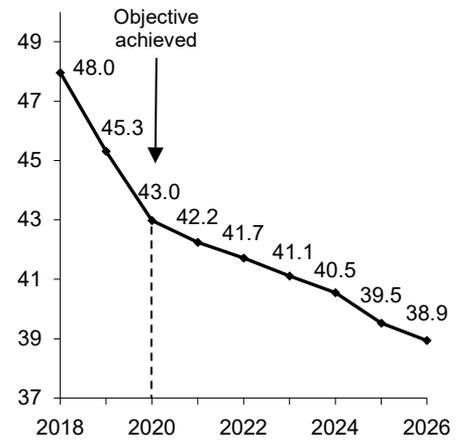
The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

- The objective of reducing the gross debt to 45% of GDP has been achieved. As at March 31, 2020, the ratio of gross debt to GDP will stand at 43.0%.
- The objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2022-2023, that is, three years ahead of schedule.⁴
- The government intends to define new policy directions on debt reduction within the context of achieving its debt reduction targets in 2023.

CHART A.9

Gross debt as at March 31

(percentage of GDP)

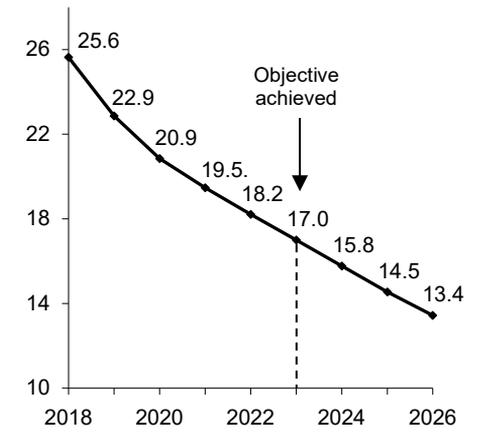


Note: Projection for 2026.

CHART A.10

Debt representing accumulated deficits

(percentage of GDP)



Note: Projection for 2026.

⁴ As announced in the November 2019 *Update on Québec's Economic and Financial Situation*, the government intends, for the purpose of monitoring this objective, to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve. To that end, amendments will have to be made to the *Act to reduce the debt and establish the Generations Fund*.

❑ The benefits of debt reduction

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

— Due to the decrease in the debt burden, Québec benefits from advantageous borrowing costs. Québec currently borrows at lower costs than Ontario.

Québec will continue reducing the debt burden, which will enable it to:

- ensure stable funding for the government's main missions, including health and education;
- cope with the costs associated with an aging population;
- fund investment in public infrastructure;
- fight climate change;
- ease the tax burden on Quebecers;
- counter a potential economic slowdown;
- increase Québec's financial autonomy within the federation.

TABLE A.10

Debt of the Québec government as at March 31 according to various concepts (millions of dollars)

	2019	2020	2021
GROSS DEBT⁽¹⁾	199 098	197 685	202 185
<i>% of GDP</i>	45.3	43.0	42.2
Less: Financial assets, net of other liabilities ⁽²⁾	-26 540	-26 027	-29 560
NET DEBT	172 558	171 658	172 625
<i>% of GDP</i>	39.3	37.3	36.1
Less: Non-financial assets	-72 110	-75 743	-79 439
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS	100 448	95 915	93 186
<i>% of GDP</i>	22.9	20.9	19.5

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) Financial assets include, in particular, participations in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

APPENDIX: ECONOMIC OUTLOOK FOR QUÉBEC

TABLE A.11

Economic outlook for Québec, 2019 to 2024
(percentage change, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024
Production						
Real gross domestic product	2.8	2.0	1.5	1.4	1.4	1.4
Nominal gross domestic product	4.7	4.1	3.4	3.2	3.2	3.2
Nominal gross domestic product (\$billion)	459.9	478.6	495.0	510.8	526.9	544.0
Components of GDP (in real terms)						
Final domestic demand	2.5	1.8	1.4	1.3	1.3	1.5
– Household consumption	1.8	1.9	1.6	1.5	1.4	1.4
– Government spending and investment	3.7	1.9	0.9	1.0	1.1	1.6
– Residential investment	3.1	0.9	0.3	0.0	0.3	0.4
– Non-residential business investment	2.0	2.6	2.3	2.1	2.1	2.1
Exports	1.6	1.9	1.8	1.8	1.8	1.8
Imports	0.2	1.4	1.7	1.7	1.7	1.8
Labour market						
Population (thousands)	8 485	8 542	8 598	8 654	8 709	8 762
Population aged 15 and over (thousands)	7 052	7 101	7 150	7 202	7 255	7 309
Jobs (thousands)	4 340	4 377	4 403	4 424	4 442	4 460
Job creation (thousands)	77.7	37.2	25.8	21.2	17.7	17.8
Unemployment rate (per cent)	5.1	5.0	4.9	4.9	4.8	4.7
Other economic indicators (in nominal terms)						
Household consumption	3.2	3.5	3.5	3.1	3.0	3.0
– Excluding food expenditures and shelter	2.9	3.3	3.3	2.9	2.9	2.9
Housing starts (thousands of units)	48.0	47.6	45.2	43.6	42.1	40.8
Residential investment	7.5	4.1	3.0	2.4	2.5	2.6
Non-residential business investment	4.4	3.2	3.2	2.8	3.5	3.8
Wages and salaries	5.9	4.8	3.7	3.1	3.0	3.0
Household income	5.9	4.6	3.6	3.3	3.2	3.1
Net operating surplus of corporations	4.0	3.6	3.5	3.5	3.5	3.5
Consumer price index	2.1	2.2	2.2	2.0	2.0	2.0
– Excluding food and energy	2.5	2.3	2.1	1.8	1.8	1.8

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

Section B

PROVIDING ENVIRONMENTAL LEADERSHIP

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SUMMARY

The government is making the fight against climate change a priority and reiterating its intention to meet its 2030 greenhouse gas (GHG) emission reduction target.

In relation to that target, the government will soon be unveiling the electrification and climate change framework policy.

In addition to the \$4.1 billion in carbon market revenues, the government will earmark \$2.1 billion for the first implementation plan for the framework policy. The plan will run from January 1, 2021 to March 31, 2026.

- This represents a 50% enhancement in funding compared to revenues from the carbon market. It will be used to undertake concerted environmental action.
- Furthermore, the allocated funding will be double the average annual spending under the 2013-2020 Climate Change Action Plan.

Therefore, more than \$6.2 billion will go towards supporting various initiatives to fight climate change.

In addition, the government is earmarking over \$470 million in this budget to support various other environmental measures. These investments will be made between April 1, 2020 and March 31, 2025.

TABLE B.1

Investments to provide environmental leadership

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
First implementation plan for the framework policy⁽¹⁾								
Initiatives funded by the CAT system	—	-192.3	-795.3	-754.0	-769.5	-788.1	-816.9	-4 116.0
Measures funded by budget appropriations	-115.5	-72.5	-146.4	-291.2	-432.5	-508.9	-537.9	-2 104.9
Subtotal	-115.5	-264.8	-941.7	-1 045.2	-1 202.0	-1 297.0	-1 354.8	-6 220.9
Additional measures to protect the environment	-150.0	-57.6	-65.7	-67.6	-67.5	-64.3	—	-472.7
TOTAL	-265.5	-322.4	-1 007.4	-1 112.8	-1 269.5	-1 361.3	-1 354.8	-6 693.6

Note: Totals may not add due to rounding.

(1) This is the financial framework for the first implementation plan for the framework policy, which will run from January 1, 2021 to December 31, 2026. Revenues from the CAT (cap-and-trade) system will be used to fund initiatives to be determined.

Implementation plan for the framework policy and additional environmental measures

Investments to provide environmental leadership, by sector

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
GHG emission reduction								
– Transportation	-101.9	-117.8	-561.7	-650.1	-704.3	-784.8	-853.2	-3 773.8
– Industry	-13.1	-75.4	-208.3	-186.6	-256.0	-261.7	-268.6	-1 269.6
– Buildings	—	-14.8	-27.0	-27.9	-60.2	-72.3	-107.4	-309.5
– Sectors not cover by the CAT system	—	-15.4	-25.8	-15.9	-14.8	-13.0	-13.6	-98.4
Subtotal	-115.0	-223.4	-822.7	-880.5	-1 035.2	-1 131.7	-1 242.8	-5 451.3
Adaptation, expertise and other measures	-0.5	-41.4	-119.0	-164.7	-166.8	-165.3	-111.9	-769.6
Framework policy	-115.5	-264.8	-941.7	-1 045.2	-1 202.0	-1 297.0	-1 354.8	-6 220.9
Additional measures	-150.0	-57.6	-65.7	-67.6	-67.5	-64.3	—	-472.7
TOTAL	-265.5	-322.4	-1 007.4	-1 112.8	-1 269.5	-1 361.3	-1 354.8	-6 693.6

Note: Totals may not add due to rounding.

1. FIGHTING CLIMATE CHANGE: A CHALLENGE FOR US ALL

Fighting climate change is a priority and demands serious action. That is why, through Budget 2020-2021, the government:

- is reiterating its intention to meet its target of reducing greenhouse gas (GHG) emissions to 37.5% below 1990 levels by 2030 (54 million tonnes of CO₂ equivalent);
- is announcing its commitment to maximize emission reductions in the territory of Québec and take decisive action on climate change adaptation.¹

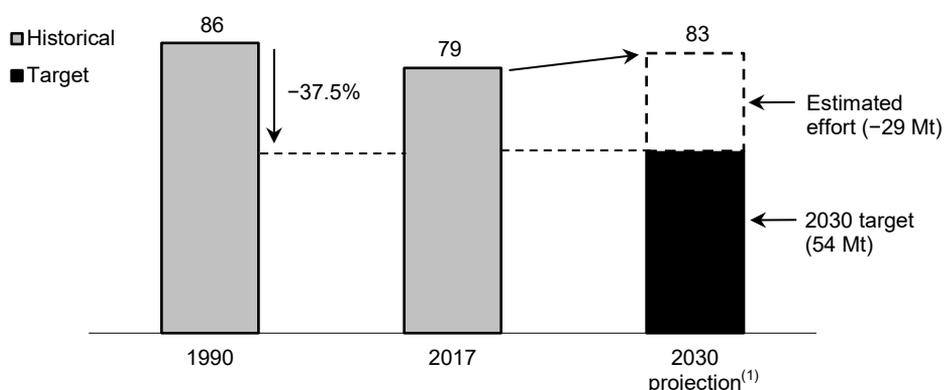
Based on the forecast economic growth, Québec's GHG emissions could rise from 79 to 83 million tonnes of CO₂ equivalent between 2017 and 2030. Achieving the 2030 target could therefore require an effort on a scale of 29 million tonnes of CO₂ equivalent.

The targeted emission reductions and investments in climate change adaptation will be beneficial for the quality of our environment, business development and the well-being of our citizens.

CHART B.1

Greenhouse gas emission reductions required to meet the 2030 target based on economic growth

(million tonnes of CO₂ equivalent, unless otherwise indicated)



Note: Estimates based on information available as of February 2020. The most recent year for which a GHG emissions inventory is available is 2017.

(1) This GHG emission forecast scenario is based on actual data for 2017 to 2019 and on Budget 2020-2021's economic growth forecast for subsequent years. It excludes the impacts of the CAT system and the measures set out in the first implementation plan for the framework policy.

Sources: Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

¹ Québec's approach to fighting climate change is set out in the budget paper *Building a Green Economy*.

❑ The government's approach

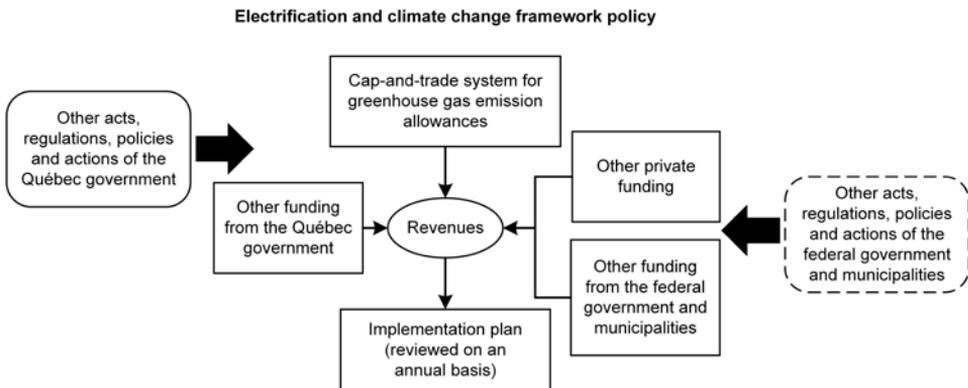
To achieve its climate objectives and take stronger action on climate change adaptation, the government is banking on the upcoming first implementation plan for the electrification and climate change framework policy. The framework policy is underpinned by:

- a cap-and-trade (CAT) system for greenhouse gas emission allowances, which covers approximately 80% of Québec's total GHG emissions;
- full reinvestment of revenues from the CAT system into the measures set out in the implementation plan, which will be reviewed on an annual basis;
- other acts, regulations, policies and actions of the Québec government to help fight climate change, particularly in the transportation and industrial sectors.

Other interventions and funding will contribute to reducing GHG emissions in Québec, such as action by the federal government, municipalities and the private sector.

ILLUSTRATION B.1

Québec's strategy for fighting climate change by 2030



The electrification and climate change framework policy

The publication of the framework policy will allow the government to outline its vision with respect to:

- fighting climate change;
- meeting the 2030 reduction target;
- enhancing Québec's resilience to climate change;
- contributing to Québec's economic development.

Later in 2020, the Minister of the Environment and the Fight Against Climate Change will release the first implementation plan for the framework policy, which will cover the period from January 1, 2021 to March 31, 2026. This plan will set out concrete actions and measures that the government will put in place by 2025-2026.

- The implementation plan will focus, in particular, on electrification to reduce Québec's GHG emissions as well as on climate change adaptation.
- The government will update its implementation plan on an annual basis by, among other things, adjusting the amounts set out in the five-year financial framework to take into account economic growth, GHG emissions and the financial resources that could be made available.

Electrification and climate change framework policy



❑ Estimated reduction potentials for meeting the 2030 target: where should we focus our efforts?

Achieving the 2030 target is possible given anticipated technological developments.

The reduction potentials show the technical potential for reducing Québec's GHG emissions to meet the target of 54 million tonnes of CO₂ equivalent, at the lowest cost and based on current knowledge.

The reduction potentials may vary with the sector and over time based on, among other things, the cost of available emission reduction technologies and the ability of businesses and households to adopt them.

— For example, reduction potentials include the acquisition of electric vehicles, cleaner industrial processes, electric heating systems rather than fossil-fuel heating systems and the conversion of waste into renewable natural gas.

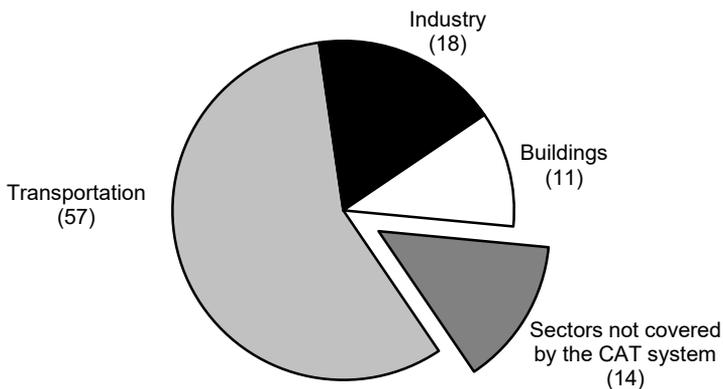
Based on the modellings performed, it is estimated that by 2030:

- the transportation sector could account for around 57% of the technical emission reduction potential of the economy as a whole;
- the industrial sector could contribute nearly 18% of the reductions, while the buildings sector would enable an emission reduction of nearly 11%;
- the other sectors not covered by Québec's cap-and-trade system would account for 14% of total reductions.

The implementation plan for the framework policy will be reviewed on an annual basis to allow for flexibility so that changes in reduction potentials over time can be taken into account.

CHART B.2

Illustration of technical emission reduction potential in 2030, by sector (percentage of the total effort to be made in 2030)



Note: Estimate based on information available as of February 2020.

Sources: Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

Estimating technical emission reduction potential and adopting new technologies

Emission reduction potentials reflect the optimal distribution of efforts required to achieve the 37.5% reduction target between 1990 and 2030 in Québec, while minimizing the financial costs to households, businesses and governments.

The reduction potentials for each sector take into account the current and projected cost of reduction technologies. The trajectory of emission reductions by sector is then optimized by minimizing costs.

– Therefore, reduction potentials do not estimate the impact of measures on achievement of the 2030 target.

The resulting technical potentials are based on the best knowledge available at the moment. However, the potentials are adjusted over time according to the evolution of technologies, their cost and the rate of their adoption.

Transportation: significant reduction potential by 2030

The transportation sector is projected to have the highest technical potential for reduction by 2030 (57% of the total reduction potential).

This is due, in particular, to:

- the opportunities afforded by the electrification of transportation in the coming years;
 - The price of batteries for electric vehicles decreased by 87% between 2010 and 2019. This downward trend is expected to continue by 2030.
 - In addition, the range of electric vehicles is increasing every year, which could boost consumer appeal.
 - Finally, within the next few years, a number of businesses will launch all-electric heavy vehicles, particularly for freight transport.
- a reduction in the number of vehicles on Québec roads, attributable, among other things, to an increase in the use of public transit.

❑ **\$6.2 billion in funding for the first implementation plan for the framework policy**

Meeting the 2030 reduction target demands large-scale action. For that purpose, the government will soon unveil the electrification and climate change framework policy, which is in line with the 2013-2020 Climate Change Action Plan.

From now to the end of the 2013-2020 Climate Change Action Plan, funding for the measures planned in 2019-2020 and 2020-2021 will continue, with forecast expenditure of \$785.5 million in 2019-2020 and \$724.9 million in 2020-2021.

■ **Double the annual funds compared to the previous plan**

To step up government action, the first implementation plan for the framework policy provides \$6.2 billion over six fiscal years.

This represents average funding of over \$1 billion per year, compared to \$526 million under the previous plan.² This is double the annual spending under the 2013-2020 Climate Change Action Plan.

■ **A 50% increase in financing in relation to revenues from the carbon market**

The government recognizes the climate emergency and the need to take environmental action. That is why it is increasing the funding for the implementation plan for the framework policy by adding \$2.1 billion in appropriations to the financial framework over and above the \$4.1 billion in carbon market revenues, thereby raising the total funding to \$6.2 billion.

These additional funds, which represent a 50% increase relative to revenues from the carbon market, will be used to support the initiatives taken by various departments, thereby enabling concerted environmental action.

² Under the 2013-2020 Climate Change Action Plan, a total of \$4.2 billion was being spent over eight years to fight climate change, that is, from January 1, 2013 to December 31, 2020, an average of \$526 million per year.

■ Unprecedented investments in public transit

The government is adopting a long-term vision and is giving itself the means to offer Quebecers reliable and efficient alternatives to automobile transportation. These actions will make it possible to offset the effects of the increase in Québec's vehicle fleet.

In this regard, electrification of public transit is also a way for Québec to prosper while reducing its GHG emissions.

The 2020-2030 Québec Infrastructure Plan (QIP) provides for \$15.8 billion to improve public transit services.

A number of projects that are being carried out, planned or under study will make it possible to improve electric public transit services in six cities and regions, including:

- in Québec City, the structuring public transit network;
- in Gatineau, a structuring electric public transit project to link the western part of Gatineau to downtown Ottawa;
- in Montréal, a structuring electric public transit projects to link the eastern, northeastern and southwestern parts of Montréal to downtown Montréal;
- in Laval, a structuring electric public transit projects to extend the Réseau express métropolitain (REM) to central Laval and connect the eastern and western parts of Laval;
- in Longueuil, a structuring electric public transit projects on the Taschereau Boulevard and extension of the metro's yellow line;
- in Montérégie, a structuring electric public transit project to extend the REM on the south shore in order to serve the Chambly–Saint-Jean-sur-Richelieu area.

In addition to the Québec government, other partners will be called on to contribute financially to these new projects. These partners include the federal government, the Caisse de dépôt et placement du Québec, Canada Infrastructure Bank and public transit authorities.

The government also indicated that it intended to use all means available to maximize the benefits that Québec businesses will gain from these projects, while making sure that it complies with Canadian and international trade commitments.

- Completion of the tramway and light train projects will thus support the development of Québec's rail industry.

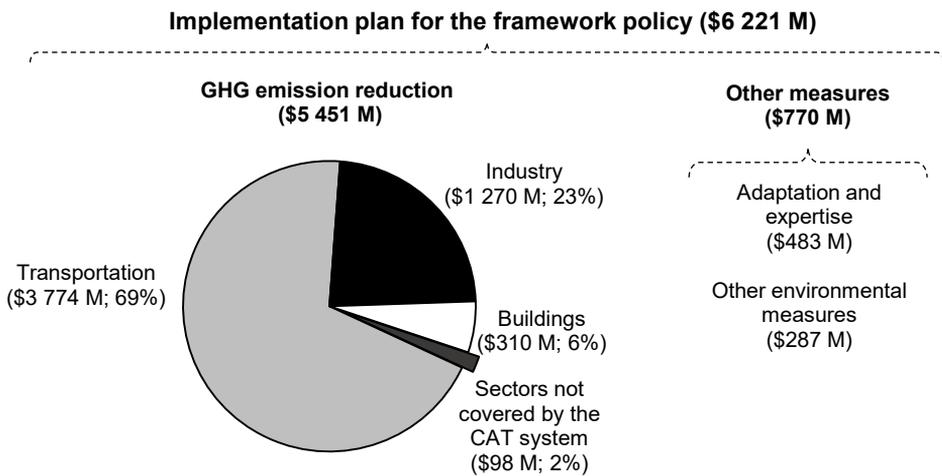
■ **Investments in sectors with the greatest GHG reduction potential**

The financial framework for the first implementation plan of the framework policy includes \$6.2 billion in investments over six fiscal years, from January 1, 2021 to March 31, 2026.

The government allocates these funds to various sectors taking into account the technical potential for GHG reduction. That is why larger sums are allocated to sectors that offer great technical potential for GHG emission reduction, particularly the transportation sector, which accounts for 57% of the total reduction potential.

CHART B.3

Investments for the first implementation plan for the framework policy by sector – January 1, 2021 to March 31, 2026
(millions of dollars and per cent)



Note: Totals may not add due to rounding.

■ Substantial investments to reduce GHG

The first implementation plan for the framework policy will be supported by major investments to mitigate climate change.

For that purpose, \$5.5 billion will be injected from January 2021 to March 2026 to reduce GHG emissions, including:

- \$3.8 billion in the transportation sector;
- \$1.3 billion in the industrial sector to foster business's decarbonization while ensuring they remain competitive;
- \$309.5 million in the buildings sector, that is, \$175.0 million for residential buildings and \$134.5 million for commercial and institutional buildings;
- \$98.4 million to establish measures for sectors not covered by the cap-and-trade system, particularly the residual materials sector.

In addition, \$769.6 million is earmarked for measures aimed at, among other things, adapting to climate change and developing Québec's expertise and knowledge in this regard.

TABLE B.2

Breakdown of investments for the implementation plan for the framework policy, by sector – 2019-2020 to 2025-2026
(millions of dollars)

	2019- 2020 ⁽¹⁾	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
GHG EMISSION REDUCTION								
Transportation								
– Light vehicles	-31.9	-51.9	-264.2	-264.7	-268.6	-286.9	-296.6	-1 464.8
– Heavy trucks, public transit and other	-70.0	-65.9	-297.5	-385.4	-435.7	-497.9	-556.6	-2 309.0
Subtotal – Transportation	-101.9	-117.8	-561.7	-650.1	-704.3	-784.8	-853.2	-3 773.8
Industry	-13.1	-75.4	-208.3	-186.6	-256.0	-261.7	-268.6	-1 269.6
Buildings								
– Residential	—	-8.1	-17.1	-17.0	-31.0	-40.8	-61.0	-175.0
– Commercial and institutional	—	-6.7	-9.9	-10.9	-29.2	-31.5	-46.4	-134.5
Subtotal – Buildings	—	-14.8	-27.0	-27.9	-60.2	-72.3	-107.4	-309.5
Sectors not covered by the CAT system	—	-15.4	-25.8	-15.9	-14.8	-13.0	-13.6	-98.4
GHG EMISSION REDUCTION	-115.0	-223.4	-822.7	-880.5	-1 035.2	-1 131.7	-1 242.8	-5 451.3
Other measures								
– Adaptation and expertise	—	-21.4	-75.9	-101.6	-111.2	-107.2	-65.6	-482.9
– Other environmental measures	-0.5	-20.0	-43.0	-63.1	-55.6	-58.1	-46.3	-286.7
Subtotal – Other measures	-0.5	-41.4	-119.0	-164.7	-166.8	-165.3	-111.9	-769.6
TOTAL	-115.5	-264.8	-941.7	-1 045.2	-1 202.0	-1 297.0	-1 354.8	-6 220.9

Note: Totals may not add due to rounding.

(1) Amounts spent in 2019-2020 to ensure that projects are carried out in the period covered by the plan.

■ Concrete actions

For the purposes of the first framework policy implementation plan, \$4.1 billion will be drawn from the Electrification and Climate Change Fund,³ that is, revenues generated by the cap-and-trade system. The amount will support, among other things:

- continuation of the Roulez vert program, which helps to increase the electrification of passenger vehicles by granting rebates of up to \$8 000 on the purchase or lease of an electric vehicle by March 31, 2021;⁴
- continuation of the Chauffez vert program, which aims to encourage the owners of homes with fossil fuel heating systems to replace them with renewable energy systems;
- decarbonization of the industrial sector, including through additional funding for the ÉcoPerformance program and the Biomasse forestière résiduelle program.

These programs represent just a subset of the measures in the first implementation plan for the framework policy. The measures will be announced at a later date by the Minister of the Environment and the Fight Against Climate Change.

³ Bill n° 44 provides that the Green Fund will be renamed the Electrification and Climate Change Fund.

⁴ The parameters of the rebates on the purchase or lease of an electric vehicle that will apply after March 31, 2021, will be specified at a later date. The rebates will provide financial assistance that reflects market changes.

Brief description of the targeted programs

The **Roulez vert program** provides financial assistance of up to:

- \$8 000 on the purchase or lease of a new electric vehicle;¹
- \$4 000 on the purchase of an all-electric used vehicle;
- \$600 on the purchase of a home charging station;
- \$5 000 on the purchase of workplace or multi-unit residential building charging stations.

The **Chauffez vert program** provides financial assistance that varies according to the type of home. For a single-family home, it can be up to:

- \$1 275 for the replacement of a fuel oil heating system;
- \$250 for the replacement of an oil-fired water heater.

The **ÉcoPerformance program** is designed to reduce GHG emissions and energy consumption in businesses by funding projects or measures tied to energy consumption and production as well as to process improvement.

The purpose of the **Biomasse forestière résiduelle program** is to reduce GHG emissions and fossil fuel consumption by funding projects to convert residual forest biomass to energy.

¹ Includes all-electric and hybrid plug-in vehicles for which the manufacturer's suggested retail price is \$60 000 or under.

■ Initiatives aimed at several sectors

In addition to the funding drawn from the revenues from the cap-and-trade system, the government will provide another \$2.1 billion in appropriations to different government departments for the purpose of the first implementation plan for the framework policy. This sum will be used to implement:

- actions related to public transit and electrification of the transportation sector;
- initiatives to support the industrial sector's decarbonization;
- measures related to sectors not covered by the CAT system that will lead to GHG reduction;
- measures related to Québec's adaptation to climate change and the development of Québec expertise;
- measures related to other sectors that, while not focusing on fighting climate change, have a beneficial effect on the environment.

TABLE B.3

Financial impact of the measures funded through appropriations for the first implementation plan for the framework policy
(millions of dollars)

	Total 5 years ⁽¹⁾	Total 6 years ⁽²⁾	QIP
Transportation			
– Public transit projects	—	—	–15 777.5
– Funding public transit	–850.0	–1 300.0	—
– Increasing the draw of natural environments	–70.0	–70.0	—
– Electrifying the government's vehicle fleet	—	—	–13.4
– Launching a public awareness and education campaign on energy transition	–2.5	–2.5	—
Industry			
– Supporting the production and distribution of renewable natural gas	–70.0	–70.0	—
– Continuing the development of the green hydrogen sector	–14.0	–17.0	—
– Fostering innovative products in the electric vehicle industry and battery recycling	–45.0	–55.0	—
– Promoting the agri-food sector's modernization by extending the three-phase network	–15.2	–15.2	—
Buildings			
– Encouraging renewable energy access for all Quebecers	–25.0	–30.0	—
Sectors not covered by the CAT system			
– Encouraging organic waste collection	–10.0	–10.0	—
– Improving the quality of materials leaving sorting centres	–20.0	–20.0	—
– Establishing a recovery system for large household appliances	–52.7	–64.2	—
Adaptation and expertise			
– Mitigating flood risks	–129.0	–129.0	–100.0
– Building knowledge about flood risk mapping	–29.8	–37.3	—
– Enhancing support to municipalities for disaster prevention	–40.0	–50.0	—
– Building tourism businesses' capacity to adapt to climate change	–4.5	–4.5	—
Other environmental measures			
– Increasing the forest industry's contribution to fighting climate change	–63.8	–82.2	–50.0
– Expanding protected areas	–50.0	–50.0	—
– Strengthening protection of drinking water sources	–25.0	–25.0	—
– Supporting contaminated site rehabilitation	–25.0	–33.0	—
– Promoting the development of sustainable tourism projects	–25.5	–25.5	—
Measures to be identified in the next budget	—	–14.5	—
TOTAL	–1 567.0	–2 104.9	–15 940.9

QIP: 2020-2030 Québec Infrastructure Plan.

(1) Financial framework for the period April 1, 2020 to March 31, 2025.

(2) Financial framework for the period April 1, 2020 to March 31, 2026.

❑ **\$1-billion reduction in hydrocarbon imports in 2030**

Investments planned for implementing the framework policy will have a structuring effect on Québec's economy, particularly by reducing our reliance on oil.

- They will help improve Québec's trade balance by reducing its hydrocarbon imports, which are expected to drop by more than \$1 billion (7% of projected hydrocarbon imports in 2030).

In addition to the cap-and-trade system, several actions will lead to lower demand for hydrocarbons. For example:

- the Roulez vert program, which supports people who want to purchase an electric vehicle, will help replace oil imports with electricity produced in Québec, thereby contributing to our collective wealth;
- the ÉcoPerformance program, which encourages businesses to purchase more efficient equipment, thereby reducing their fossil fuel consumption;
- the Chauffez vert program, which will allow for the continued conversion of oil-fired heating systems to electricity and will help increase the use of electricity in the buildings sector.

2. MEASURES TO FIGHT CLIMATE CHANGE FUNDED THROUGH BUDGET APPROPRIATIONS

Recognizing the need to scale up its environmental action, the government is enhancing the funding derived from the carbon market by adding \$2.1 billion in budget appropriations for the first implementation plan for the framework policy.

This sum, which represents a 50% increase relative to the revenues from the cap-and-trade system, will foster the implementation of numerous measures targeting GHG emission reduction and climate change adaptation. These initiatives will help support, in particular:

- public transit and electrification of transportation;
- the industrial sector's decarbonization;
- residual materials management, which is not covered by the cap-and-trade system;
- climate change adaptation and the development of Québec expertise in that regard;
- protection of natural areas and support for other sectors having a beneficial effect on the environment.

TABLE B.4

Financial impact of the measures to fight climate change funded through budget appropriations
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Transportation							
Funding public transit ⁽¹⁾	—	—	—	-150.0	-300.0	-400.0	-850.0
Increasing the draw of natural environments ⁽²⁾	-70.0	—	—	—	—	—	-70.0
Electrifying the government's vehicle fleet ⁽³⁾	—	—	—	—	—	—	—
Launching a public awareness and education campaign on energy transition ^{(4),(5)}	—	-1.0	-0.8	-0.7	—	—	-2.5
Subtotal	-70.0	-1.0	-0.8	-150.7	-300.0	-400.0	-922.5
Industry							
Supporting the production and distribution of renewable gas ⁽⁶⁾	-45.0	-12.5	-12.5	—	—	—	-70.0
Continuing the development of the green hydrogen industry ^{(4),(5)}	—	-2.0	-3.0	-3.0	-3.0	-3.0	-14.0
Fostering innovative products in the electric vehicle industry and battery recycling ^{(4),(7)}	—	-5.0	-10.0	-10.0	-10.0	-10.0	-45.0
Promoting the agri-food sector's modernization by extending the three-phase network ^{(4),(5)}	—	-1.1	-4.7	-4.7	-4.7	—	-15.2
Subtotal	-45.0	-20.6	-30.2	-17.7	-17.7	-13.0	-144.2
Buildings							
Encouraging renewable energy access for all Quebecers ^{(4),(5)}	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0

TABLEAU B.4

Financial impact of the measures to fight climate change funded through budget appropriations (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Sectors not covered by the CAT system							
Encouraging organic waste collection ⁽⁸⁾	—	-1.0	-3.5	-3.5	-2.0	—	-10.0
Improving the quality of materials leaving sorting centres ⁽⁸⁾	—	-10.0	-10.0	—	—	—	-20.0
Establishing a recovery system for large household appliances ⁽⁸⁾	—	-4.4	-11.9	-12.4	-12.5	-11.5	-52.7
Subtotal	—	-15.4	-25.4	-15.9	-14.5	-11.5	-82.7
Adaptation and expertise							
Mitigating flood risks ^{(4),(9),(10)}	—	-6.0	-28.0	-36.0	-37.0	-22.0	-129.0
Building knowledge about flood risk mapping ⁽¹¹⁾	—	-4.0	-4.0	-6.8	-7.5	-7.5	-29.8
Enhancing support to municipalities for disaster prevention ⁽¹²⁾	—	—	-10.0	-10.0	-10.0	-10.0	-40.0
Building tourism businesses' capacity to adapt to climate change ^{(4),(13)}	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
Subtotal	—	-10.5	-43.0	-53.8	-55.5	-40.5	-203.3

TABLE B.4

Financial impact of the measures to fight climate change funded through budget appropriations (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Other environmental measures							
Increasing the forest industry's contribution to fighting climate change ^{(4),(14),(15)}	—	-6.0	-8.5	-11.6	-19.3	-18.4	-63.8
Expanding protected areas ⁽⁸⁾	—	-10.0	-20.0	-20.0	—	—	-50.0
Strengthening protection of drinking water sources ⁽⁸⁾	—	-1.0	-6.0	-6.0	-6.0	-6.0	-25.0
Supporting contaminated site rehabilitation ⁽⁸⁾	—	-2.0	-2.0	-5.0	-8.0	-8.0	-25.0
Promoting the development of sustainable tourism projects ^{(4),(13)}	-0.5	-1.0	-5.5	-5.5	-6.5	-6.5	-25.5
Subtotal	-0.5	-20.0	-42.0	-48.1	-39.8	-38.9	-189.3
TOTAL	-115.5	-72.5	-146.4	-291.2	-432.5	-508.9	-1 567.0
Additional sums in 2025-2026							-537.9
TOTAL – First implementation plan for the framework policy	-115.5	-72.5	-146.4	-291.2	-432.5	-508.9	-2 104.9

- (1) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques to enable transfer of sums from the Electrification and Climate Change Fund to the Land Transportation Network Fund. These sums total \$1.3 billion over six years.
- (2) The amounts for 2019-2020 will be drawn from budgetary resources made available during the fiscal year. The funding for these initiatives is granted to the Ministère des Affaires municipales et de l'Habitation.
- (3) Investments of \$13.4 million are provided in the 2020-2030 Québec Infrastructure Plan.
- (4) The amounts for 2020-2021 will be drawn from Contingency Fund.
- (5) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.
- (6) The amount of \$5.0 million for 2019-2020 will be drawn from budgetary resources made available during the fiscal year. Another \$40 million in appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.
- (7) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.
- (8) The funding for these initiatives is granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.
- (9) Appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation
- (10) Investments of \$100.0 million are provided in the 2020-2030 Québec Infrastructure Plan.
- (11) The amounts will be drawn from the Territorial Information Fund.
- (12) The amounts for 2021-2022 will be drawn from Contingency Fund. Appropriations will be granted to the Ministère de la Sécurité publique.
- (13) Appropriations will be granted to the Ministère du Tourisme.
- (14) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.
- (15) Investments of \$50.0 million are provided for in the 2020-2030 Québec Infrastructure Plan.

2.1 Public transit and electrification of transportation

2.1.1 Funding public transit

Public transit plays a major role in the fight against climate change. It contributes to achievement of the government's GHG emission reduction target, saves energy resources and reduces air pollution and traffic congestion.

To step up the development of public transit and make it more efficient, the government is providing an additional \$850.0 million in budget appropriations on top of the carbon market revenues.

2.1.2 Increasing the draw of natural environments

The agreements on greenways and blueways in Montréal and Québec enable the government, in partnership with municipal bodies, to contribute to structural, attractive and sustainable enhancement of natural environments in the greater Montréal and Québec areas.

— Given the success of past initiatives and municipalities' growing enthusiasm for such projects, the government intends to continue working with its municipal partners in this regard.

In addition, to allow other regions of Québec to benefit from the structuring effects of developing natural environments, the government is enhancing the support for projects that improve the supply and accessibility of bicycle paths.

The government is thus providing \$70.0 million in funding to foster the development and accessibility of natural environments. Of that amount, \$50.0 million will be granted to the Communauté métropolitaine de Montréal, \$10.0 million to the Communauté métropolitaine de Québec and \$10.0 million to support the establishment of bicycle paths in other regions.

2.1.3 Launching a public awareness and education campaign on energy transition

Energy transition is the gradual replacement of fossil-fuel energy sources with low-carbon renewable energy sources.

To better inform and get the public on board, the government is providing \$2.5 million in funding over three years to prepare and launch a public awareness and education campaign on Québec's energy transition.

2.2 Energy transition in the industrial sector

2.2.1 Supporting the production and distribution of renewable natural gas

Renewable natural gas (RNG) production facilitates Québec's transition to a green, low-carbon economy.

To support the development of this emerging industry in Québec, gas distributors will be required to inject a minimum of 5% of RNG in their systems as of 2025.

To help achieve this target, the government is investing \$70.0 million over three years to support:

- RNG production projects;
- the connection of RNG production facilities with the natural gas distribution network.

2.2.2 Continuing the development of the green hydrogen industry

Using green hydrogen in the industrial and heavy transport sectors could make a significant contribution to Québec's GHG emission reduction target.

In Budget 2020-2021, the government is providing \$14.0 million over five years to support the development of the green hydrogen industry in Québec.

2.2.3 Fostering innovative products in the electric vehicle industry and battery recycling

The development of new electric vehicles and their key components requires substantial investments in research, innovation and marketing.

To support the development of innovative products in the electric vehicle industry in Québec, the government is earmarking \$27.0 million over five years to support research, innovation and marketing for these products.

Furthermore, the growth in electric vehicle sales both in Québec and other parts of the world calls for greater efforts for recycling electric vehicle batteries.

To enable Québec to carve out a niche in this industry, the government is providing \$18.0 million over five years to develop the recycling sector for electric vehicle batteries.

2.2.4 Promoting the agri-food sector's modernization by extending the three-phase network

In the agri-food sector, there is no alternative to the fossil fuels used by certain high-energy consuming appliances in regions that do not have a three-phase network.⁵

To encourage equipment modernization and the substitution of fossil-fuel energy sources by clean electricity in the agri-food sector, the government will take measures to better serve certain rural areas by extending the three-phase network.

To that end, the government is providing \$15.2 million over four years, in Budget 2020-2021, to finance projects to extend the three-phase network.

2.3 Energy efficiency of buildings

2.3.1 Encouraging renewable energy access for all Quebecers

To enable remote communities served by off-grid systems to benefit from clean, renewable energy, the government will encourage the energy transition of these systems.

For that purpose, the government is providing \$25.0 million over five years to support the energy transition of off-grid systems.

2.4 Initiatives targeting sectors not covered by the cap-and-trade system

2.4.1 Encouraging organic waste collection

Organic waste sent to landfills is a large source of GHG emissions and also reduces the life of engineered landfills. Efforts must therefore be made to divert organic waste from engineered landfills and convert more of them into other products.

The industrial, commercial and institutional (ICI) sector, which includes supermarkets, restaurants and hospitals for instance, lags significantly behind other sectors when it comes to recovering organic waste.

The ICI sector is a major generator of organic waste, which is why the government intends to support initiatives by industry, commerce and institutions to reduce, reuse and recycle food and green waste.

— In Budget 2020-2021, the government is earmarking \$10.0 million over four years to that end.

⁵ The three-phase network consists of three currents and delivers power instantaneously without a pulsed component, resulting in less loss and better efficiency.

2.4.2 Improving the quality of materials leaving sorting centres

To overcome the significant challenges they face, sorting centres need to be modernized. New technologies and better practices that ensure optimum quality of sorted materials are important elements of the government's proposed modernization of the selective collection system.

With that in mind, the government is providing an additional \$20.0 million in funding over two years to enable sorting centres to continue their efforts to improve the quality of recyclables leaving the centres.

2.4.3 Establishing a recovery system for large household appliances

Currently, there is no specific system for recovering the material and components of large household appliances, such as refrigerators and home air conditioners. Yet, the refrigerants used in household appliances and air conditioning systems are a source of GHGs if they are not recovered and properly destroyed.

To establish an effective and safe system for recovering large household appliances and air conditioning units, without hurting the competitiveness of Québec businesses, the government is providing \$52.7 million in transitional assistance over five years as part of Budget 2020-2021.

2.5 Climate change adaptation and development of expertise

2.5.1 Mitigating flood risks

The major floods seen in recent years have brought to light the need to review land use planning in order to ensure human safety and property protection, as well as the resilience of communities to floods.

The government wants to adopt an innovative, watershed-based approach to land use integrating planning and resilient systems so as to protect the most vulnerable areas and provide relocation support.

— Substantial investments will be made to support the creation of offices for flood risk management projects, wetland protection and restoration, establishment of freedom space for watercourses or spill areas and sustainable district planning.

The government is providing \$129.0 million in funding for that purpose. This sum is in addition to the \$100.0 million in further investments under the 2020-2030 Québec Infrastructure Plan.

— In addition, the Ministère des Affaires municipales et de l'Habitation has earmarked \$244.0 million in its infrastructure investment envelope to round out the funding for this initiative.

Disaster Mitigation and Adaptation Fund

The Ministère des Affaires municipales et de l'Habitation will be responsible for ensuring management of the Canada-Québec agreement in relation to the Disaster Mitigation and Adaptation Fund (DMAF).

- The purpose of the DMAF is to support large-scale infrastructure projects to help communities better manage the risks of disasters triggered by natural hazards. These events are growing in frequency as a result of climate change.

The sum of \$300.0 million is earmarked in the 2020-2030 Québec Infrastructure Plan to ensure Québec's participation in eligible projects under the DMAF.

- It is primarily under this agreement that the work to repair, reinforce, heighten and seal the dike in Sainte-Marthe-sur-le-Lac will be funded.

2.5.2 Building knowledge about flood risk mapping

The government wants to foster the development and dissemination of knowledge about flood risk mapping, the goal of which is to minimize human and property exposure to future floods.

To that end, the government is providing \$29.8 million over five years to, among other things:

- acquire LiDAR⁶ and bathymetric data;
- accurately delineate the water system using digital terrain model technology;
- make available a 3D building reference;
- make available a database of digital aerial photographs and satellite images;
- disseminate information on areas at risk of flooding.

2.5.3 Enhancing support to municipalities for disaster prevention

The government supports municipalities in developing an emergency preparedness and prevention plan for major disasters, including work to mitigate and eliminate risks of soil erosion, coastal flooding, floods, wildfires and landslides.

To address the significant needs for knowledge about natural disaster-related risks and risk prevention and mitigation work, the government is planning \$40.0 million in additional funding over four years.

⁶ LiDAR (Light Detection and Ranging) technology provides accurate data on ground elevation, forest canopy heights and slopes.

2.5.4 Building tourism businesses' capacity to adapt to climate change

The Ministère du Tourisme, through its actions and those of its partners, wants to ensure that knowledge is shared with tourism businesses and stakeholders by assisting them in developing innovative solutions for responsible tourism growth.

To that end, a sum of \$4.5 million will go towards building tourism businesses' capacity to adapt to climate change.

2.6 Other environmental measures

2.6.1 Increasing the forest industry's contribution to fighting climate change

The government is providing \$63.8 million over five years to implement several initiatives to, in particular:

- increase forest productivity so that, after harvesting, the forest can grow back faster and over a larger area;
- carry out silviculture work to foster the planting of seedlings in public and private forests;
- acquire knowledge on how the different silviculture operations affect carbon sequestration and on our forests' adaptation to climate change, with a view to optimizing future silvicultural decisions.

This amount is in addition to another \$50.0 million in investments provided in the 2020-2030 Québec Infrastructure Plan.

2.6.2 Expanding protected areas

Taking action to conserve biodiversity and contribute to the creation of protected areas is crucial to natural resource preservation.

The government therefore intends to continue providing support to Québec conservation agencies and municipalities for their nature conservation efforts.

- Obtaining financial support from the Québec government makes it considerably easier for Québec organizations to obtain funding under federal programs, while increasing the positive impacts on environmental protection and the achievement of international targets.

The government is earmarking \$50.0 million over three years in Budget 2020-2021 to develop and increase the surface area of protected areas.

2.6.3 Strengthening protection of drinking water sources

Municipalities are required to conduct vulnerability assessments to identify threats and risks to their drinking water supplies and establish emergency and protection plans.

To support local and regional players in the establishment of these plans, the government intends to assist municipalities in implementing measures to protect drinking water sources and assuming their responsibilities in this regard.

- The government is earmarking \$25.0 million in financial support over five years to help municipalities strengthen protection of drinking water sources.

2.6.4 Supporting contaminated site rehabilitation

Cleaning contaminated sites in all Québec municipalities is part of sound, sustainable soil management.

Reclaiming contaminated sites, which are often located in the heart of cities and served by various infrastructure, is a way of revitalizing living environments, densifying land use and preventing sprawl.

Against this backdrop, the government is increasing the funding envelope for the ClimatSol-Plus program by \$25.0 million over five years to support municipalities in carrying out new site rehabilitation projects.

2.6.5 Promoting the development of sustainable tourism projects

The Ministère du Tourisme will undertake projects in certain sustainable tourism niches according to the needs expressed by the industry, for example:

- by supporting projects that consider the environment, including projects that reduce residual materials with the goal of zero-waste tourism in certain localities;
- by promoting sustainable tourism products, including those offered by ski resorts.

To that end, \$25.5 million in funding is being provided to promote the development of sustainable tourism projects.

3. ADDITIONAL MEASURES TO PROTECT THE ENVIRONMENT

In addition to the investments totalling \$6.2 billion provided for in the first implementation plan for the framework policy, the government is announcing over \$470 million more in funding to establish other measures to protect the environment. These initiatives will make it possible to, for example:

- adapt the government's actions to climate change impacts, including its initiatives to maintain government dams in proper working order;
- ensure sustainable management of residual materials;
- support best practices in agriculture and help businesses develop environmental technologies.

TABLE B.5

Financial impact of the additional measures to protect the environment (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Ensuring government dam safety ^{(1),(2)}	—	-3.0	-3.0	-4.0	-5.0	-5.0	-20.0
Building capacities for action in civil protection ^{(3),(4),(5)}	—	-3.9	-5.2	-5.3	-5.0	-4.7	-24.1
Making optimum use of eco-centres ⁽¹⁾	—	-1.0	-1.0	-1.0	-1.0	—	-4.0
Diversifying outlets for recycled plastic ⁽¹⁾	—	—	-2.0	-2.0	-2.0	—	-6.0
Implementing the sustainable agriculture plan ⁽⁶⁾	—	-25.0	-25.0	-25.0	-25.0	-25.0	-125.0
Developing critical and strategic minerals ⁽⁷⁾	—	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
Taking advantage of the St. Lawrence River's potential ^{(3),(8),(9),(10)}	—	-6.7	-11.5	-12.3	-11.5	-11.6	-53.6
Fostering the safety of the railway network and its integration into the supply chain of businesses ⁽¹¹⁾	—	—	—	—	—	—	—
Enhancing the "Réflexe Montréal" framework agreement ⁽¹²⁾	-150.0	—	—	—	—	—	-150.0
TOTAL	-150.0	-57.6	-65.7	-67.6	-67.5	-64.3	-472.7

(1) The funding for these initiatives is granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

(2) Investments of \$20.0 million are provided in the 2020-2030 Québec Infrastructure Plan.

(3) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(4) Appropriations will be granted to the Ministère de la Sécurité publique.

(5) Investments of \$3.2 million are provided in the 2020-2030 Québec Infrastructure Plan.

(6) The sums will be funded using the budgetary surpluses of La Financière agricole du Québec.

(7) The sums will be drawn from the mining heritage component of the Natural Resources Fund.

(8) Appropriations of \$33.5 million will be granted to the Ministère des Transports.

(9) Appropriations of \$20.1 million will be granted to the Ministère de la Sécurité publique.

(10) Investments of \$80.0 million are provided in the 2020-2030 Québec Infrastructure Plan.

(11) Investments of \$70.2 million are provided in the 2020-2030 Québec Infrastructure Plan.

(12) The amounts for 2019-2020 will be drawn from budgetary resources made available during the fiscal year.

The funding for these initiatives is granted to the Ministère des Affaires municipales et de l'Habitation.

3.1 Ensuring government dam safety

The government is responsible for managing hundreds of dams, which play an important role in water management. The dams are designed to meet various objectives, including controlling flooding, generating electricity and maintaining adequate water levels for vacation areas and drinking water supplies.

It is important to ensure that dams are fully operational and safe so as to protect persons and property and maintain their key role in Québec's sustainable development.

For the purposes of dam monitoring, conformance to standards and proper maintenance, the government is earmarking \$40.0 million, including \$20.0 million in investments under the 2020-2030 Québec Infrastructure Plan.

3.2 Building capacities for action in civil protection

The government plays a crucial role in protecting human health and safety and property before, during and after major disasters.

The magnitude and frequency of disasters, as seen during last spring's floods, require that the government adapt its operational procedures in order to improve its delivery of services and the support it provides to its partners.

For that reason, the government is providing \$27.3 million to improve its disaster response capability. This sum takes into account \$3.2 million in investments under the 2020-2030 Québec Infrastructure Plan.

3.3 Making optimum use of eco-centres

The purpose of eco-centres is to recover residual materials that cannot be recycled or sent to engineered landfills, such as building materials and wood.

Eco-centres provide a vital public service. However, there are not enough of them in Québec and their operation does not always allow them to optimally respond to the needs of the recyclables market.

Against this backdrop, the government wants to help municipalities roll out the eco-centre network and improve recycling practices.

— To that end, the government is earmarking \$4.0 million over four years for the optimization of eco-centres.

3.4 Diversifying outlets for recycled plastic

Recycling plastic presents many challenges in terms of sorting and conditioning materials.

Better separation of plastic materials from other waste would address the needs of recycling firms and the use of new conditioning techniques would enable Québec to improve its plastic recycling performance.

— By improving the quality of recycled plastic, Québec could quickly develop local and external market outlets for this material.

To help diversify the outlets for recycled plastic, the government is providing \$6.0 million over three years in Budget 2020-2021.

3.5 Implementing the sustainable agriculture plan

The agricultural sector must innovate and work together to respond to a multiplicity of matters in order to ensure the sustainability of agriculture and ramp up the transition to resilient, responsible agricultural practices. These practices will help to, in particular, fight climate change and contribute to the preservation of ecosystems and water quality.

It is in this context that the government will implement its sustainable agriculture plan, the details of which will be announced at a later date by the Minister of Agriculture, Fisheries and Food.

— The government wants to support best practices in agriculture and give farmers better assistance in taking concrete action to reduce the risks related to pesticide use and build healthy soil.

To that end, the government is providing \$125.0 million over five years, as part of Budget 2020-2021, to implement the sustainable agriculture plan.

3.6 Developing critical and strategic minerals

Seeking to foster the development of critical and strategic minerals, the government is providing \$90.0 million in Budget 2020-2021, primarily to:

— step up knowledge acquisition, education and awareness regarding critical and strategic minerals as well as the promotion of their potential;

— encourage innovation and develop expertise and value chains associated with critical and strategic minerals;

— contribute to the development of the green sector, recycling and exemplary environmental practices.

3.7 Taking advantage of the St. Lawrence River's potential

The government intends to take full advantage of the potential for economic and social development afforded by the St. Lawrence River's strategic geographic location.

To that end, the government plans to give concrete expression to its new maritime vision, which includes environmental protection initiatives totalling \$53.6 million, that is:

- \$21.0 million to support river shuttle networks to help fight climate change;
 - This sum is in addition to the \$80 million in investments under the 2020-2030 Québec Infrastructure Plan to promote intermodality and the use of cabotage.
- \$12.5 million to protect marine ecosystems and mitigate the impacts of marine transport on them;
- \$20.1 million to ensure continuation of the mission of the Centre d'expertise en gestion des risques d'incidents maritimes.

3.8 Fostering the safety of the railway network and its integration into the supply chain of businesses

Transportation services by high-performance and accessible trains, particularly for transporting goods, are essential for fostering complementarity between the road network and the rail network.

In Budget 2020-2021, the government is investing \$70.2 million in the 2020-2030 Québec Infrastructure Plan to:

- improve the railway network's safety through additional support for municipalities;
- increase the use of rail transportation by supporting businesses that wish to integrate this form of transportation into their supply chain;
- foster the maintenance and improvement of the railway network under Québec jurisdiction and its resilience against the effects of climate change.

3.9 Enhancing the “Réflexe Montréal” framework agreement

The “Réflexe Montréal” framework agreement defining the respective commitments of the Québec government and the Ville de Montréal with regard to the recognition of Montréal as Québec's metropolis was signed on December 8, 2016. The government agreed to ensure that the characteristics and challenges specific to Montréal due to its special metropolis status are taken into account in the government's actions.

The Ville de Montréal is currently facing major challenges in the area of green infrastructure for water management. Against this backdrop, the government is providing a one-off, \$150-million enhancement to the framework agreement to enable the Ville de Montréal to step up its investments in green infrastructure for water management.

FINANCIAL IMPACT OF THE MEASURES

TABLE B.6

Financial impact of the measures to provide environmental leadership (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Measures to fight climate change funded through budget appropriations							
Transportation							
Funding public transit	—	—	—	-150.0	-300.0	-400.0	-850.0
Increasing the draw of natural environments	-70.0	—	—	—	—	—	-70.0
Electrifying the government's vehicle fleet	—	—	—	—	—	—	—
Launching a public awareness and education campaign on energy transition	—	-1.0	-0.8	-0.7	—	—	-2.5
Industry							
Supporting the production and distribution of renewable natural gas	-45.0	-12.5	-12.5	—	—	—	-70.0
Continuing to develop the green hydrogen industry	—	-2.0	-3.0	-3.0	-3.0	-3.0	-14.0
Fostering innovative products in the electric vehicle industry and battery recycling	—	-5.0	-10.0	-10.0	-10.0	-10.0	-45.0
Promoting the agri-food sector's modernization by extending the three-phase network	—	-1.1	-4.7	-4.7	-4.7	—	-15.2
Buildings							
Encouraging renewable energy access for all Quebecers	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Sectors not covered by the CAT system							
Encouraging organic waste collection	—	-1.0	-3.5	-3.5	-2.0	—	-10.0
Improving the quality of materials leaving sorting centres	—	-10.0	-10.0	—	—	—	-20.0
Establishing a recovery system for large household appliances	—	-4.4	-11.9	-12.4	-12.5	-11.5	-52.7

TABLE B.6

Financial impact of the measures to provide environmental leadership
(cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Adaptation and expertise							
Mitigating flood risks	—	-6.0	-28.0	-36.0	-37.0	-22.0	-129.0
Building knowledge about flood risk mapping	—	-4.0	-4.0	-6.8	-7.5	-7.5	-29.8
Enhancing support to municipalities for disaster prevention	—	—	-10.0	-10.0	-10.0	-10.0	-40.0
Developing tourism businesses' capacity to adapt to climate change	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
Other environmental measures							
Increasing the forest industry's contribution to the fight against climate change	—	-6.0	-8.5	-11.6	-19.3	-18.4	-63.8
Expanding protected areas	—	-10.0	-20.0	-20.0	—	—	-50.0
Strengthening protection of drinking water sources	—	-1.0	-6.0	-6.0	-6.0	-6.0	-25.0
Supporting contaminated site rehabilitation	—	-2.0	-2.0	-5.0	-8.0	-8.0	-25.0
Promoting the development of sustainable tourism projects	-0.5	-1.0	-5.5	-5.5	-6.5	-6.5	-25.5
Subtotal	-115.5	-72.5	-146.4	-291.2	-432.5	-508.9	-1 567.0
Additional sums in 2025-2026							-537.9
Subtotal							-2 104.9
Initiatives funded by the CAP system ⁽¹⁾	—	-192.3	-795.3	-754.0	-769.5	-788.1	-4 116.0
TOTAL – First implementation plan for the framework policy							-6 220.9

TABLE B.6

Financial impact of the measures to provide environmental leadership
(cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Additional measures to protect the environment							
Ensuring government dam safety	—	-3.0	-3.0	-4.0	-5.0	-5.0	-20.0
Building capacities for action in civil protection	—	-3.9	-5.2	-5.3	-5.0	-4.7	-24.1
Making optimum use of eco-centres	—	-1.0	-1.0	-1.0	-1.0	—	-4.0
Diversifying outlets for recycled plastic	—	—	-2.0	-2.0	-2.0	—	-6.0
Implementing the sustainable agriculture plan	—	-25.0	-25.0	-25.0	-25.0	-25.0	-125.0
Developing critical and strategic minerals	—	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
Taking advantage of the St. Lawrence River's potential	—	-6.7	-11.5	-12.3	-11.5	-11.6	-53.6
Fostering the safety of the railway network and its integration into the supply chain of businesses	—	—	—	—	—	—	—
Enhancing the "Réflexe Montréal" framework agreement	-150.0	—	—	—	—	—	-150.0
Subtotal	-150.0	-57.6	-65.7	-67.6	-67.5	-64.3	-472.7
TOTAL	-265.5	-322.4	-1 007.4	-1 112.8	-1 269.5	-1 361.3	-6 693.6

Note: Totals may not add due to rounding.

(1) The CAP system will fund \$816.9 million worth of initiatives in 2025-2026

Section C

INCREASING THE POTENTIAL OF THE ECONOMY AND CREATING WEALTH

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SUMMARY

The government's ambition is to increase the potential of Québec's economy to create more wealth.

Since the fall of 2018, major steps are being taken to take advantage of the current labour pool, attract new skilled workers in advanced fields, increase Quebecers' disposable income as well as stimulate investment and business growth.

In Budget 2020-2021, the government is continuing its action and announcing a series of initiatives totalling close to \$5.9 billion by 2024-2025. These initiatives are aimed at addressing the determinants of economic growth such as education, productivity, innovation and human capital.

In addition, the government is continuing to reduce the tax burden on Quebecers.

TABLE C.1

Financial impact of the initiatives to increase the potential of the economy and create wealth (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Doing more and better in education	-50.0	-260.3	-288.7	-288.7	-288.7	-288.7	-1 465.1
Putting money back in the pockets of Quebecers	—	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8
Promoting our cultural distinctiveness	-9.6	-90.0	-88.5	-87.0	-91.8	-90.0	-456.9
Enhancing business productivity and competitiveness	-83.0	-107.7	-142.1	-198.7	-230.2	-285.3	-1 047.0
Promoting workers' integration and retention in the labour market	-10.0	-66.4	-33.0	-34.2	-34.5	-34.6	-212.7
Boosting the regions' economic development	-93.2	-124.1	-167.8	-164.1	-159.4	-192.8	-901.4
Developing our natural resources responsibly	-187.3	-86.5	-93.9	-93.7	-97.9	-88.1	-647.4
Fostering healthy competition	—	-8.4	-14.7	-9.5	49.0	55.5	71.9
TOTAL	-433.1	-925.3	-1 075.9	-1 129.4	-1 113.3	-1 190.4	-5 867.4

1. DOING MORE AND BETTER IN EDUCATION

Education is a priority for this government. Quality services in education contribute to the collective prosperity of Quebecers and the development of our society. They are essential for ensuring sustainable economic growth and training skilled workers. In addition, education stimulates research and innovation.

□ Nearly \$1.5 billion more for education

In Budget 2020-2021, the government is providing additional investments of close to \$1.5 billion by 2024-2025, including \$260.3 million in 2020-2021:

- \$140.6 million to improve the educational success of youth;
- \$100.0 million to raise the graduation rate for higher education and bring institutions closer to their communities;
- \$19.7 million to promote participation in recreation and sports opportunities.

These additional investments will help bring spending growth on education and higher education to 4.5% in 2020-2021.

Moreover, the government is injecting funding into the 2020-2030 Québec Infrastructure Plan to improve education and higher education infrastructure.

The Minister of Education and Higher Education and the Minister for Education will announce the details of the measures and their implementation at a later date.

TABLE C.2

Financial impact of the measures to do more and better in education (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving educational success for youth	—	-140.6	-169.0	-169.0	-169.0	-169.0	-816.6
Raising the graduation rate for higher education and bringing institutions closer to their communities ⁽¹⁾	-50.0	-100.0	-100.0	-100.0	-100.0	-100.0	-550.0
Promoting participation in recreation and sports opportunities	—	-19.7	-19.7	-19.7	-19.7	-19.7	-98.5
TOTAL	-50.0	-260.3	-288.7	-288.7	-288.7	-288.7	-1 465.1

Note: Funding for these initiatives is provided to the Ministère de l'Éducation et de l'Enseignement supérieur and to the Sports and Physical Activity Development Fund, if necessary.

(1) For 2019-2020, an amount of \$30.0 million will be drawn from budgetary resources made available during the fiscal year. Also, appropriations of \$20.0 million will be drawn from the Contingency Fund.

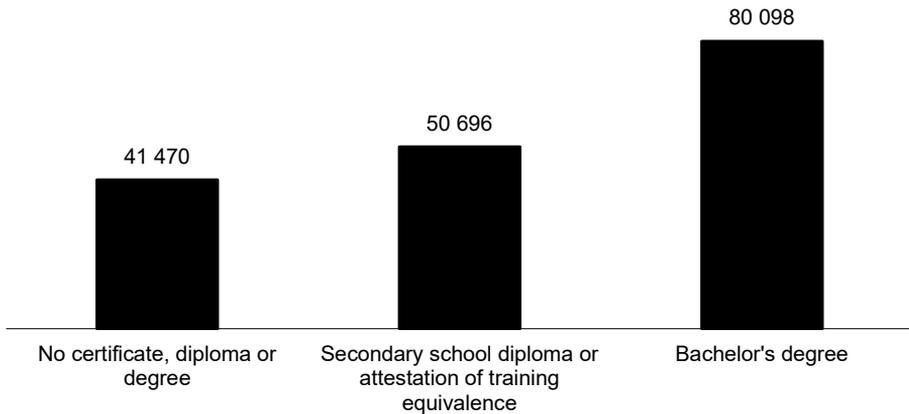
A close relationship between education and standard of living

Quebecers who complete post-secondary education improve their standard of living. Indeed, according to the 2016 census of population, educational attainment has a significant positive impact on Quebecers' income.

- People aged 25 to 64 with no certificate, diploma or degree had an average total income of \$41 470. People whose highest level of education was a secondary school diploma had an income of \$50 696.
- The average total income of people whose highest level of education was a bachelor's degree was \$80 098 per year, almost 60% more than the income of people with a secondary school diploma.

Average total income of persons aged 25 to 64 in Québec based on the highest level of education in 2016

(dollars)



Note: Full-time equivalent employees who worked all year.

Source: Statistics Canada.

Social mobility

Social mobility is defined as the movement of individuals from one social category to another. It is what enables, for example, individuals whose income is higher than that of their parents to belong to a social category different from that of their parents.

Strong social mobility allows a society to ensure that individuals' talents are developed to their full potential. It has a positive effect on economic growth and standards of living, and also impacts social cohesion and democratic participation.

Social mobility in Canada and Québec

Canada is doing well in terms of social mobility on a global scale, it ranks 14th in the World Economic Forum's Global Social Mobility Index 2020.

Québec also has strong social mobility and is within the Canadian average.

Taking positive action on social mobility

Two main factors have a positive effect on social mobility: access to quality education and access to employment.

In terms of education, Québec can rely on low-cost childcare and education services. The government has also made significant investments to improve the accessibility and quality of the education system, and to implement:

- 4-year-old kindergarten across Québec;
- special education services that address the needs of students experiencing learning difficulties;
- training adapted to the labour market.

With respect to employment, Québec benefits from exceptional unemployment rates, which are at historically low levels. The government is also taking action on access to employment and labour market participation in order to:

- foster a better integration of immigrants into Québec society;
- encourage experienced workers to remain in or re-enter the labour market.

Sources: Institut du Québec, Organisation for Economic Co-operation and Development, World Economic Forum.

1.1 Improving educational success for youth

One of the government's goals in terms of youth success is to act early by giving all children the best conditions in which to grow and learn so they can reach their full potential.

To honour this commitment, the government is planning additional investments totalling \$816.6 million by 2024-2025. These funds are intended to improve services in schools and provide stimulating learning environments that will boost the education success of young people.

TABLE C.3

Financial impact of the measures to improve the educational success of youth (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Supporting the implementation of 4-year-old kindergarten	-19.2	-25.6	-28.6	-31.6	-31.6	-136.6
Fostering student retention	-10.0	-13.0	-13.0	-13.0	-13.0	-62.0
Ensuring a minimum level of services for students with special needs	-20.8	-26.3	-26.3	-26.3	-26.3	-126.0
Adding special classes for gifted students and students experiencing difficulties	-14.6	-20.0	-20.0	-20.0	-20.0	-94.6
Enhancing food aid at the preschool, primary and secondary levels	-7.7	-11.0	-11.0	-11.0	-11.0	-51.7
Ensuring safe school transportation	-16.1	-21.2	-21.2	-21.2	-21.2	-100.9
Providing students with more stimulating learning environments	-30.0	-24.0	-21.0	-18.0	-18.0	-111.0
Offering students lively, animated schoolyards	-8.0	-11.5	-11.5	-11.5	-11.5	-54.0
Sharing school and municipal infrastructure	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Providing access to quality equipment	-3.5	-3.5	-3.5	-3.5	-3.5	-17.5
Other measures	-6.7	-8.9	-8.9	-8.9	-8.9	-42.3
TOTAL	-140.6	-169.0	-169.0	-169.0	-169.0	-816.6

❑ Supporting the implementation of 4-year-old kindergarten

The Québec government has committed, starting in 2019-2020, to extend the 4-year-old kindergarten program. Additional investments of \$136.6 million planned over five years starting in 2020-2021 will make it possible to:

- provide facilities to meet the increasing demand from this clientele for municipal day camps during the summer period;
- support educational institutions in acquiring quality educational materials for children who will be attending kindergarten full-time over the next few years;
- hire specialist teachers to encourage physical activity, motor development, the adoption of healthy lifestyles and the discovery of the arts.

Rollout of 4-year-old kindergarten

Bill 5 was adopted in the fall of 2019 to gradually make universal, non-compulsory 4-year-old kindergarten accessible.

To date, 660 4-year-old kindergarten classes have been opened in the public system, and all of them are located in disadvantaged neighbourhoods.

- For the 2020-2021 school year, the addition of 350 classes in the public system will bring the total number of 4-year-old kindergarten classes to 1 010.

The government's goal is to reach 2 600 4-year-old kindergarten classes by 2023-2024.

Rollout of 4-year-old kindergarten (number)

	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Classes	50	76	86	187	288	394	660	1 010	1 410	1 960	2 600

Source: Ministère de l'Éducation et de l'Enseignement supérieur.

❑ Fostering student retention

The government has taken concrete action in recent years to make sure that more young people graduate. In a context of labour shortage, additional investments are required to increase the level of qualification of potential workers.

New investments will ensure collaboration between schools and organizations that work with young people and will encourage their retention in school.

In Budget 2020-2021, the government is therefore providing investments of \$62.0 million by 2024-2025 to, in particular, hire new professional resources.

❑ Ensuring a minimum level of services for students with special needs

To succeed, students with special needs must be able to benefit from a minimum level of services. The government is committed to ensuring a basic level of auxiliary educational services in each school and each adult education and vocational training centre by providing resources qualified in the areas of learning assistance, support and follow-up for students with special needs.

In Budget 2020-2021, the government is providing investments of \$126.0 million by 2024-2025 to hire new professional, support and teaching resources.

❑ Adding special classes for gifted students and students experiencing difficulties

The learning pace varies greatly among students. To provide better support to students whose needs cannot be met in regular classrooms, the government will create at least 150 new special classes. Additional direct services will be offered to students with special needs, in particular to high-potential students.

In Budget 2020-2021, the government is therefore providing investments of \$94.6 million by 2024-2025 to create new special education classes and support students through various measures.

❑ **Enhancing food aid at the preschool, primary and secondary levels**

Healthy eating is essential to the educational development of young people. The government intends to support all students who need its help, regardless of their socioeconomic background.

Actions will be implemented to consolidate and enhance existing food aid measures to support students. Tools will also be provided to institutions, including guidance and coaching on best practices for food aid and healthy eating, in order to identify students with food needs and offer them meals.

In Budget 2020-2021, the government plans to invest \$51.7 million by 2024-2025 to improve food aid at the preschool, primary and secondary levels.

❑ **Ensuring safe school transportation**

The government wants to ensure that high standards of transportation safety are maintained. To that end, it intends to support the implementation of various initiatives. Additional investments are also planned to attract and retain school bus drivers.

In Budget 2020-2021, the government is investing \$100.9 million by 2024-2025 to ensure that school bus services remain safe and efficient.

❑ **Providing students with more stimulating learning environments**

The government is setting aside funds to increase budgets for leasing buildings that will be used, in particular, for student relocation during school construction and expansion activities. This investment will make it possible to accelerate school infrastructure renovation and increase the number of students who have access to schools in good condition.

In Budget 2020-2021, the government plans to invest \$111.0 million by 2024-2025 to provide students with more stimulating learning environments.

❑ Offering students lively, animated schoolyards

The government recently took action to ensure that all elementary school students in Québec enjoy two recesses a day, each lasting a minimum of 20 minutes.

Out of a concern that students be able to develop in healthy, safe and quality environments, the government is providing additional funding for schools to purchase new recreation equipment.

In Budget 2020-2021, the government is providing for an injection of \$54.0 million by 2024-2025 to offer students lively, animated schoolyards.

— These amounts will partially fund the investments of \$17.0 million provided for this purpose in the 2020-2030 Québec Infrastructure Plan.

❑ Sharing school and municipal infrastructure

Sharing facilities and spaces between schools and neighbourhoods benefits the school as well as the neighbourhoods' residents and users. Schools can use neighbourhood spaces to support their educational mission. Schools that are opened up to their neighbourhoods can also become catalysts for urban development.

In Budget 2020-2021, the government is increasing by \$20.0 million by 2024-2025 the amounts allocated for the sharing of school and municipal infrastructure. The government's intention is to enable all Québec regions to make optimal use of existing infrastructure and thereby create opportunities for sports activities. This \$4.0 million increase per year thereby doubles the amounts allocated for that purpose.

❑ Providing access to quality equipment

The government supports concrete actions to help counter the labour shortage for high-demand trades. Funding is therefore being allocated to the Ministère de l'Éducation et de l'Enseignement supérieur to maintain school infrastructure in good condition or carry out restoration work. Funding is also being allocated for equipment maintenance.

To that end, in Budget 2020-2021, the government is providing for investments of \$17.5 million by 2024-2025 to maintain the equipment for vocational training and general adult education.

1.2 Raising the graduation rate for higher education and bringing institutions closer to their communities

Higher education is an essential lever for the development of Québec's economy and society. This is especially true in a context of generalized labour shortage, which can hamper business development and innovation processes.

To promote higher education graduation, the government plans to invest \$550.0 million by 2024-2025 to foster success and support research in areas of strategic importance for Québec.

TABLE C.4

Financial impact of the measures to raise the graduation rate for higher education and bring institutions closer to their communities (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Promoting success in higher education and reducing labour shortages	—	-60.0	-60.0	-60.0	-60.0	-60.0	-300.0
Creating niches of expertise in higher education	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Awarding scholarships in engineering and computer science	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Training doctors in the regions	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Improving academic institutions' research capacity	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Increasing support to college centres for technology transfer (CCTT)	-50.0	—	—	—	—	—	-50.0
TOTAL	-50.0	-100.0	-100.0	-100.0	-100.0	-100.0	-550.0

❑ **Promoting success in higher education and reducing labour shortages**

The Ministère de l'Éducation et de l'Enseignement supérieur wants to set up a project focused on success to increase the graduation rate for higher education. It is a continuation of the plan put in place to ensure the success of primary and secondary school students, and is aimed primarily at encouraging more students to pursue and be successful with graduate studies, particularly in the fields most in demand, such as science, research, engineering and computer science.

In Budget 2020-2021, the government is therefore providing \$300.0 million by 2024-2025 to raise the graduation rate for higher education.

❑ **Creating niches of expertise in higher education**

In an effort to bring educational institutions and socioeconomic groups closer together, and to foster innovation and help mitigate the problem of labour shortages, the government will support colleges and universities, particularly those offering engineering and computer science programs, by creating future-oriented niches in fields such as artificial intelligence and technological innovation.

This support will contribute to the enrichment and enhancement of scientific knowledge transfer to communities and autonomous community action organizations while promoting the implementation of innovation projects jointly funded by businesses.

In Budget 2020-2021, the government is providing \$150.0 million by 2024-2025 to create niches of expertise in higher education.

❑ **Awarding scholarships in engineering and computer science**

To encourage students to undertake and complete studies in fields leading to in-demand jobs, particularly in computer science and computer engineering, the government will offer students merit scholarships of \$1 000 upon successful completion of the first semester of studies and upon graduation. In total, maximum scholarships of \$2 000 could be awarded to students who meet these conditions.

In Budget 2020-2021, the government is therefore providing investments of \$25.0 million by 2024-2025 to award scholarships to undergraduate students in computer science and computer engineering, as well as in electrical, communications and electronics engineering.

❑ Training doctors in the regions

The government wants to make medical studies more accessible in the regions in order to ensure medical presence over a larger territory.

Accordingly, support will be provided to Laval and McGill universities to facilitate establishing medical faculties in the Outaouais region and on the south shore of Québec as well as in the Bas-Saint-Laurent region.

In Budget 2020-2021, the government is providing investments of \$10.0 million by 2024-2025 to increase access to medical studies in the regions.

❑ Improving academic institutions' research capacity

In collaboration with the Institut national de la recherche scientifique, five joint research units will be created in regional universities of the Université de Québec's network. These units will make it possible to increase knowledge related to strategic sectors in their respective regions.

In Budget 2020-2021, the government is therefore providing \$15.0 million by 2024-2025 to improve the research capacity of academic institutions in the regions.

Moreover, investments of \$50.0 million are planned for 2019-2020 to provide financial support to college centres for technology transfer (CCTT), which contribute to the economic development of their respective regions and Québec as a whole.

1.3 Promoting participation in recreation and sports opportunities

Physical and sports activities benefit everyone, both in terms of physical and psychological health and of feelings of personal satisfaction and fulfillment. They also have positive effects on students' willingness to learn and grow.

To promote recreation and sports in Québec, the government is providing for investments, in Budget 2020-2021, totalling \$98.5 million by 2024-2025.

TABLE C.5

Financial impact of the measures to promote participation in recreation and sports opportunities (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing sports and recreational facilities in schools	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Strengthening the Policy on Physical Activity, Sport and Recreation	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Getting young people moving	-1.7	-1.7	-1.7	-1.7	-1.7	-8.5
Supporting student sport	-1.6	-1.6	-1.6	-1.6	-1.6	-8.0
Tackling abuse and harassment	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Increasing by 5% support for the Soutien à l'action bénévole program	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Recognizing sporting excellence in Québec	-1.4	-1.4	-1.4	-1.4	-1.4	-7.0
TOTAL	-19.7	-19.7	-19.7	-19.7	-19.7	-98.5

Note: Totals may not add due to rounding.

☐ Enhancing sports and recreational facilities in schools

The government wants to invest in enhancing sports and recreation infrastructure in schools by implementing more than 60 projects.

To that end, the government will propose legislative amendments and is providing for investments, in Budget 2020-2021, of \$50.0 million to the Sports and Physical Activities Development Fund by 2024-2025.

— Total allocations will amount to \$100.0 million over ten years and will fund the investments of \$100.0 million provided for this purpose in the 2020-2030 Québec Infrastructure Plan.

❑ **Strengthening the Policy on Physical Activity, Sport and Recreation**

Regular participation in physical, sports and recreational activities has many benefits, not only for health, but also for school retention and educational success.

The Policy on Physical Activity, Sport and Recreation aims to increase by at least 10%, by 2027, the proportion of the Québec population that achieves the recommended minimum amount of physical activity and to increase it by 20% among young people aged 6 to 17.

In Budget 2020-2021, the government is injecting \$20.0 million by 2024-2025 to improve access to physical, sports and recreational activities.

❑ **Getting young people moving**

The Ministère de l'Éducation et de l'Enseignement supérieur administers the *Force 4* program, which is designed to support and promote activities in preschool and primary school institutions that participate in the *À l'école, on bouge!* measure. This program provides schools with physical activity material as well as activity sheets and video clips on active breaks.

In 2017-2018 and 2018-2019, 576 schools participated in the *Force 4* program, reaching more than 175 000 young people. As a result, close to 600 giant cubes of physical activity material were distributed.

In Budget 2020-2021, the government is investing \$8.5 million by 2024-2025 to provide this material to an additional 200 schools.

❑ **Supporting student sport**

To improve accessibility to student sport participation from a financial perspective, the government is allowing for the affiliation of coaches and student-athletes with Québec sports federations, without increasing the financial burden on parents.

In Budget 2020-2021, therefore, the government is providing for investments of \$8.0 million by 2024-2025 to increase support for student sport.

❑ Tackling abuse and harassment

The government wants to make sure that sports federations have the necessary resources to deal with cases of abuse and harassment.

In Budget 2020-2021, the government is providing for investments of \$2.5 million by 2024-2025 to equip federations with the tools they need to fight abuse, harassment, neglect and violence.

❑ Increasing by 5% support for the Soutien à l'action bénévole program

The government wants to help organizations that are working to meet their communities' needs in the areas of recreation, sport or community action.

In Budget 2020-2021, the government is investing \$2.5 million by 2024-2025 to fund projects under the Soutien à l'action bénévole program.

❑ Recognizing sporting excellence in Québec

The government wants to provide strategic and optimal support for athletes who have the potential to participate at major sporting events in Canada and abroad, and likely to win medals at those events.

In Budget 2020-2021, the government is providing for investments of \$7.0 million by 2024-2025 to help showcase the talent of Québec athletes.

1.4 Improving education and higher education infrastructure

Education infrastructure must provide healthy, safe, accessible environments conducive to students' learning and development.

The 2020-2030 Québec Infrastructure Plan includes \$25.5 billion in education and higher education infrastructure investments, including \$19.2 billion for primary and secondary schools.

— These sums will go toward renovating and building schools, maintaining buildings and adding learning spaces, in particular through the gradual rollout of 4-year-old kindergarten.

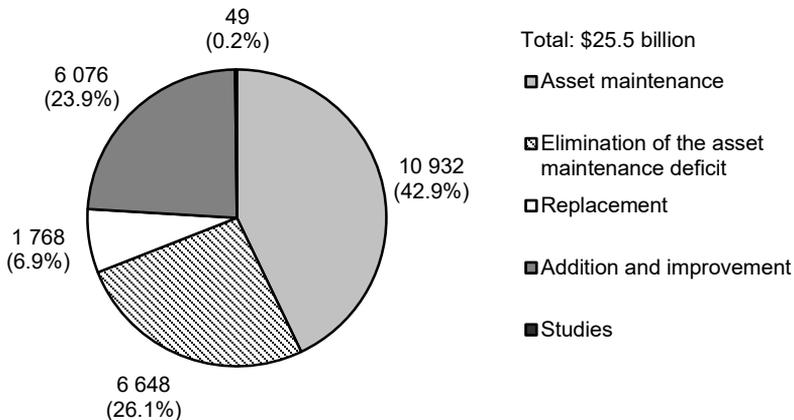
Some 76% of the total planned investments, that is, \$19.4 billion, will go toward maintaining existing infrastructure, including \$6.6 billion toward the asset maintenance deficit.

Investments for the upgrading or construction of education infrastructure total \$6.1 billion.

CHART C.1

2020-2030 Québec Infrastructure Plan for education and higher education by investment type

(millions of dollars, unless otherwise indicated)



Source: Secrétariat du Conseil du trésor.

2. PUTTING MONEY BACK IN THE POCKETS OF QUEBECERS

The government is committed to putting more money back in the pockets of Quebecers. Significant steps have been taken in that regard, including reducing school taxes, providing more financial assistance to families and seniors, and increasing support for caregivers and parents of children with disabilities.

In Budget 2020-2021, the government is continuing to deliver on this commitment by announcing an additional reduction in school tax rates, bringing to close to \$12 billion over six years the money given back to Quebecers since the fall of 2018.

2.1 Additional reduction in school tax rates

The government has committed to gradually standardizing school tax rates in order to introduce a single rate throughout Québec based on the lowest effective rate in 2018-2019.

— A first step toward standardizing school tax rates was taken in 2019.

In Budget 2020-2021, the government is following through on its commitment by announcing an additional reduction in school tax rates as of July 1, 2020.

— Reducing school taxes will once again allow the government to put money back in the pockets of Quebecers.

To that end, additional amounts of more than \$1.2 billion are planned, including more than \$180 million starting in 2020-2021.

This additional reduction will this year again lead to a reduction in school taxes, and will also reduce rate inequities between regions, streamline tax administration and help maintain funding for schools.

TABLE C.6

Financial impact of the additional reduction in school tax rates (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Additional reduction in school tax rates	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8

❑ Illustration of the decrease in the school tax

By way of illustration, the implementation of the single school tax rate will eventually allow the owner of a \$275 000 dwelling located in Montréal to save \$182 compared to 2018. For the same dwelling located in Mauricie or Saguenay–Lac-Saint-Jean, the school tax reduction will amount to \$509.

TABLE C.7

Illustration of the decrease in the school tax in the case of a home assessed at \$275 000 (dollars)

	2018		Single rate – Upon full implementation		Difference
	Tax rate ⁽¹⁾	School tax ⁽²⁾	Tax rate ^{(1),(3)}	School tax ⁽²⁾	
Bas-Saint-Laurent	0.26107	653	0.10540	264	-389
Saguenay–Lac-Saint-Jean	0.30932	773	0.10540	264	-509
Capitale-Nationale	0.13360	334	0.10540	264	-70
Mauricie	0.30932	773	0.10540	264	-509
Estrie	0.18434	461	0.10540	264	-197
Montréal	0.17832	446	0.10540	264	-182
Outaouais	0.13694	342	0.10540	264	-78
Abitibi-Témiscamingue	0.13694	342	0.10540	264	-78
Côte-Nord	0.23901	598	0.10540	264	-334
Nord-du-Québec	0.30551	764	0.10540	264	-500
Gaspésie	0.28500	713	0.10540	264	-449
Îles-de-la-Madeleine	0.28420	711	0.10540	264	-447
Chaudière-Appalaches	0.22586	565	0.10540	264	-301
Laval	0.23095	577	0.10540	264	-313
Lanaudière	0.27072	677	0.10540	264	-413
Laurentides ⁽⁴⁾	0.10540	264	0.10540	264	—
Montérégie	0.17832	446	0.10540	264	-182
Centre-du-Québec	0.29640	741	0.10540	264	-477

Note: According to data compiled by the Institut de la statistique du Québec, the average value of a single-family home in Québec in 2019 was \$275 148. Statistics are available in the Databank of Official Statistics on Québec.

(1) Rate per \$100 of adjusted standardized assessment.

(2) The school tax payable includes the basic exemption for the first \$25 000 of the adjusted standardized assessment.

(3) The single tax rate corresponds to the lowest effective rate in Québec in 2018-2019, that is, the rate in the Laurentides region.

(4) Taxpayers in the Laurentides region already pay the lowest tax rate in Québec.

❑ Close to \$12 billion since the fall of 2018

Actions for the benefit of Quebecers

The government has made it a priority to put more money back in the pockets of Quebecers. Taking into account the additional reduction in school tax rates announced in this budget, close to \$12 billion will be given back to Quebecers over six years.

Support for families

As of 2020, close to 679 000 families have benefited from the enhancements to the family allowance, which have raised the maximum amount to \$2 515 for each child, and the minimum amount to \$1 000.

In addition, the additional contribution for childcare was abolished, which resulted in savings of up to \$5 400 per year for 140 000 families.

The government also developed the See to succeed program, which reimburses \$250 for the purchase of eyeglasses for minor children.

In total, \$5.8 billion in additional support over six years are being provided to Québec families.

Measures for seniors and caregivers

Low-income seniors aged 70 or over are now eligible for the senior assistance amount, which can reach \$200 for a senior living alone and \$400 for a senior couple.

In addition, workers 60 years of age or older can benefit from the enhancement to the tax credit for career extension, which represents tax savings of up to \$1 650.

The government has also taken action to improve the living conditions of caregivers and is introducing the refundable tax credit for caregivers.

These measures total nearly \$2.1 billion over six years for seniors and caregivers.

Support for special situations

People who have to go to the hospital now pay less parking fees thanks to the reduction in parking fees at healthcare institutions.

Moreover, the increase in the exemption for support payments in respect of dependent children provides separating parents with the assurance that support payments will not excessively reduce their social transfers.

Similarly, parents of a disabled child can now count on the addition of a second level to the supplement for handicapped children with exceptional care needs, which recognizes the exceptional nature of the responsibilities they must assume.

In addition, the measures in this budget make it possible to accelerate the eligibility of handicapped children over the age of 18 who require exceptional care for more generous social solidarity benefits and provide them with a minimum of 20.5 hours of home support services.

To help Quebecers deal with these special situations, the government is investing a total of more than \$1.2 billion over six years.

TABLE C.8

Financial impact of the actions for the benefit of Quebecers since the fall of 2018
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
School tax							
First phase announced in Budget 2019–2020	-200.0	-266.9	-262.1	-256.5	-251.2	-245.7	-1 482.4
Second phase announced in Budget 2020-2021 ⁽¹⁾	—	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8
Subtotal	-200.0	-448.8	-509.3	-510.0	-511.0	-512.1	-2 691.2
Support for families							
Enhancements to the family allowance	-381.8	-789.4	-811.1	-830.9	-849.0	-867.6	-4 529.8
Freeze on and elimination of the additional contribution for childcare	-204.8	-173.4	-179.0	-184.8	-190.7	-196.8	-1 129.5
See to succeed	—	-36.0	-36.0	-36.0	-36.0	-36.0	-180.0
Subtotal	-586.6	-998.8	-1 026.1	-1 051.7	-1 075.7	-1 100.4	-5 839.3
Measures for seniors and caregivers							
Introduction of the senior assistance amount	-107.6	-113.6	-118.6	-123.6	-128.9	-134.4	-726.7
Banking on career extension for people aged 60 or over	-104.5	-105.6	-106.6	-107.7	-108.8	-109.9	-643.1
Improvement in the quality of life of caregivers ⁽¹⁾	-21.0	-40.0	-40.0	-31.0	-31.0	-31.0	-194.0
Refundable tax credit for caregivers ⁽¹⁾	—	-102.3	-104.3	-106.4	-108.5	-110.7	-532.2
Subtotal	-233.1	-361.5	-369.5	-368.7	-377.2	-386.0	-2 096.0
Support for special situations							
Increase in the exemption of support payments in respect of dependent children	-28.4	-36.2	-36.2	-36.2	-36.2	-36.2	-209.4
Introduction of a second level for the supplement for handicapped children with exceptional care needs	-13.7	-49.5	-32.4	-33.0	-33.7	-34.4	-196.7
Support for parents of adult children with disabilities ⁽¹⁾	—	-20.0	-22.0	-26.0	-28.0	-30.0	-126.0
Reduction in healthcare institutions parking fees	-25.0	-120.0	-120.0	-132.0	-145.0	-159.6	-701.6
Subtotal	-67.1	-225.7	-210.6	-227.2	-242.9	-260.2	-1 233.7
TOTAL	-1 086.8	-2 034.8	-2 115.5	-2 157.6	-2 206.8	-2 258.7	-11 860.2

(1) Measures announced or enhanced in Budget 2020-2021.

3. PROMOTING OUR CULTURAL DISTINCTIVENESS

In light of Québec's geographic, linguistic and historical realities, its cultural sector plays a vital role in the expression and dissemination of the Québec identity.

- The artistic creativity and dynamism of cultural enterprises help shape Québec's identity while actively contributing to its economic development.

In 2017, the cultural sector accounted for 166 100 jobs, representing 3.9% of all the jobs held in Québec.

- Furthermore, the industry contributed \$11 billion to Québec's economy, or 2.8% of GDP.

The government recognizes the importance of the cultural sector's contribution to the Québec economy. Over the past year, the government has implemented several initiatives aimed, in particular, at democratizing culture and thereby making it more accessible to all Quebecers.

In Budget 2020-2021, to further promote Québec's cultural distinctiveness and benefit from its growth potential, the government is providing close to \$457 million in additional investments over six years to:

- open up, create and export Québec culture;
- support cultural organizations and museums;
- protect, promote and develop the French language.

TABLE C.9

Financial impact of the measures to promote our cultural distinctiveness (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Opening up, creating and exporting Québec culture	-9.6	-73.0	-71.5	-70.0	-74.8	-73.0	-371.9
Supporting cultural organizations and museums	—	-7.0	-7.0	-7.0	-7.0	-7.0	-35.0
Protecting, promoting and developing the French language ⁽¹⁾	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
TOTAL	-9.6	-90.0	-88.5	-87.0	-91.8	-90.0	-456.9

(1) Funding is granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration.

3.1 Opening up, creating and exporting Québec culture

Cultural consumption has changed significantly over the past ten years. There are numerous opportunities for Québec's cultural sector, particularly related to the opening of new markets, breaking down barriers between disciplines, and creation.

To enable cultural enterprises to benefit from these new possibilities, the government is providing \$371.9 million over six years, in Budget 2020-2021, to open up, create and export Québec culture. The amounts made available will be used to:

- stimulate cultural vision and innovation;
- support the music industry;
- establish cultural infrastructure in the regions;
- redevelop the Espace de la Capitale-Nationale.

TABLE C.10

Financial impact of the measures to open up, create and export Québec culture (millions of dollars)

	2019-2020 ⁽¹⁾	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Stimulating cultural vision and innovation ⁽²⁾	-2.6	-71.1	-63.9	-57.2	-60.3	-55.5	-310.6
Supporting the music industry	—	-0.5	-2.8	-5.0	-5.5	-5.7	-19.5
Establishing cultural infrastructure in the regions ⁽²⁾	—	-1.4	-4.8	-7.8	-9.0	-11.8	-34.8
Redeveloping the Espace de la Capitale-Nationale ⁽³⁾	-7.0	—	—	—	—	—	-7.0
TOTAL	-9.6	-73.0	-71.5	-70.0	-74.8	-73.0	-371.9

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Funding is granted to the Ministère de la Culture et des Communications.

(3) Appropriations will be granted to the Ministère de la Sécurité publique.

3.1.1 Stimulating cultural vision and innovation

Wishing to stimulate cultural vision and innovation, the government is providing \$310.6 million over six years in Budget 2020-2021 to:

- promote the development of high-potential television productions and having them broadcast on local and international markets, so as to enable the Québec sector to compete against the world's best and distinguish itself, particularly through the development of intellectual property;

- encourage and support the emerging next generation of French-language music industry members as well as support Québec stakeholders from all disciplines in developing foreign markets in order to tap into the full potential of the exploitation of our productions, here and elsewhere;
- support the creation of world-class major museum exhibitions and the development, by the national museums, of travelling exhibitions intended for museums in Québec's regions;
- promote the development of partnerships and projects between the creative industries and the cultural sector by supporting the research and creation of emerging, original, experimental and innovative content;
- support the development and production of French-language feature films, in addition to promoting the creation and production of animated films and series, and to support exportation efforts (prototyping);
- support the recording and broadcasting of shows and productions by Québec artists on Télé-Québec, in order to increase their accessibility and reach so that all Quebecers can enjoy their content.

The Minister of Culture and Communications will announce the details of these initiatives at a later date.

3.1.2 Supporting the music industry

The arrival of streaming platforms and opening to international markets have transformed the music industry's business model, particularly in the French-language song market.

Québec's tax system provides two tax credits to support this industry in its music production process:

- the tax credit for the production of sound recordings, which covers 35% of the labour expenses incurred for the production of sound recordings by record companies;
- the tax credit for the production of shows, which provides support corresponding to 35% of the labour expenses incurred for the production of shows, especially musical productions.

In Budget 2020-2021, the government is providing for the enhancement of these two tax credits.

❑ Increasing the ceiling on eligible labour expenses from 50% to 65%

The two tax credits currently place a ceiling on eligible labour expenses, which represents 50% of total production costs. Due to the ceiling's level, the tax credits may not fully support job and salary growth for artists in the music industry.

To better support Québec's music industry artisans, the government plans to raise the ceiling for the tax credits related to the production of sound recordings and the production of shows to 65%.

This enhancement will help create over 500 productions per year, for a volume of investment activity totalling approximately \$115 million.

This initiative will represent an additional support of close to \$20 million over five years.

TABLE C.11

Main parameters of the tax credits for the production of sound recordings and the production of shows – After Budget 2020-2021

	Sound recordings	Show productions
Eligible companies	Enterprise with an establishment in Québec that operates a sound-recording production business in Québec that is recognized as a record company	Enterprise with an establishment in Québec that operates a show-production business in Québec
Eligible projects	Sound recording with strong Québec content, at least 60% of which is musical content, a digital audiovisual recording or a videoclip	Music, drama, humour, mime, magic, circus, aquatic or ice show with strong Québec content
Eligible expenses	Labour expenses directly attributable to the production of a sound recording	Labour expenses directly attributable to the production of a show
Tax credit rate	35% of eligible expenses	35% of eligible expenses
Expense ceiling	Eligible expenses limited to 65% of the production costs	Eligible expenses limited to 65% of the production costs

3.1.3 Establishing cultural infrastructure in the regions

The preservation and valorization of Québec's cultural heritage contributes to the strengthening and international showcasing of the Québec identity.

To promote Québec's cultural heritage, the government will establish a range of cultural infrastructures. Located in various Québec's regions, these heritage buildings will be acquired, restored, outfitted and converted, and will serve, in particular, for cultural dissemination, creation and mediation.

To that end, the government is providing \$34.8 million for the period 2020-2021 to 2024-2025.

The 2020-2030 Québec Infrastructure Plan provides for investments of \$222.2 million for this cultural infrastructure.

3.1.4 Redeveloping the Espace de la Capitale-Nationale

Located in the heart of Vieux-Québec, a jewel included on UNESCO's World Heritage List, the square between the Notre-Dame de Québec Basilica-Cathedral and City Hall is one of the liveliest and busiest public squares in Québec's capital.

— The redevelopment of this heritage area will make it more appealing and enable for better integration of the surrounding buildings and attractions.

The government is providing \$7.0 million to support this project, which will help showcase the tourism and cultural features of Québec's capital.

3.2 Supporting cultural organizations and museums

To fulfil its mission, the Ministère de la Culture et des Communications can rely on a vast network of organizations that help promote and showcase Québec culture.

To support them, the government is providing \$35.0 million over five years.

TABLE C.12

Financial impact of the measures to support cultural organizations and museums (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing the services offered by cultural umbrella organizations	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Supporting science and technology museums	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
TOTAL	-7.0	-7.0	-7.0	-7.0	-7.0	-35.0

Note: Funding for these initiatives is provided to the Ministère de la Culture et des Communications.

3.2.1 Enhancing the services offered by cultural umbrella organizations

Cultural umbrella organizations, such as the regional councils for culture, act as consultants for cultural communities and for communications.

- Their mandate consists, in particular, in uniting the stakeholders from the community around common objectives. They promote promising and structuring projects on their territory, based on the communities' needs.
- They also help their members adapt to the various ongoing changes, particularly regarding the adoption and use of digital technologies and the implementation of eco-friendly practices.

In Budget 2020-2021, the government is providing \$10.0 million over five years to enhance the services offered by these cultural umbrella organizations.

3.2.2 Supporting science and technology museums

Science and technology museums make a major contribution to the promotion of scientific culture, popularization, education, research, development and preservation.

Some are certified as Québec museums by the Ministère de la Culture et des Communications. This certification guarantees that the population has access to a quality public-interest establishment.

In Budget 2020-2021, the government is providing \$25.0 million over five years to support the activities of Québec-certified science and technology museums.

3.3 Protecting, promoting and developing the French language

The government plans to allocate \$50.0 million in additional funding to translate its vision into concrete actions for developing, promoting and respecting the French language.

To that end, the Ministère de l'Immigration, de la Francisation et de l'Intégration will introduce structuring initiatives to strengthen the role of the bodies responsible for applying the Charter of the French Language as well as of the Secrétariat à la promotion et à la valorisation de la langue française in order to give them more means to fulfil their mission effectively, particularly with the business community.

4. ENHANCING BUSINESS PRODUCTIVITY AND COMPETITIVENESS

Rapid changes in technology and strong international competition represent challenges for Québec businesses' competitiveness. Boosting their productivity is essential to increasing their share of national and international markets.

In particular, Québec businesses can improve their position on export markets by investing in their equipment, integrating new technologies and innovating.

— Investments in digital technology and automation can also enable businesses to meet the labour shortage challenge.

In order to boost business productivity and competitiveness, the government is providing, in Budget 2020-2021, more than \$1 billion over six years to:

- spur business investment;
- foster innovation and its commercialization;
- accelerate business and export growth.

TABLE C.13

Financial impact of the measures to enhance business productivity and competitiveness

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Spurring business investment	—	-13.4	-73.2	-124.4	-156.4	-188.4	-555.8
Fostering innovation and its commercialization	-81.0	-57.3	-33.4	-43.3	-47.8	-70.9	-333.7
Accelerating business and export growth	-2.0	-37.0	-35.5	-31.0	-26.0	-26.0	-157.5
TOTAL	-83.0	-107.7	-142.1	-198.7	-230.2	-285.3	-1 047.0

Improved taxation in favour of businesses

The tax system is a predictable and effective intervention tool that encourages Québec businesses to adopt practices promoting innovation in and modernization of their operations.

In that regard, the various components of the corporate tax system have been analyzed in order to determine the most promising courses of action to improve businesses' productivity and competitiveness and to refocus certain tax measures on their objective.

In Budget 2020-2021, the government is implementing several tax initiatives totalling more than \$580 million by 2024-2025 to:

- spur business investment;
- foster innovation and its commercialization;
- ensure the effectiveness of tax assistance.

Spurring business investment

To spur business investment, the government is:

- implementing the investment and innovation tax credit (C3i), which will encourage businesses from all sectors of activity to acquire manufacturing and processing equipment, computer hardware and management software packages through assistance of up to 20% of eligible investments;
- extending by four years the eligibility period for the tax holiday for large investment projects, which contributes to the carrying out of large projects in Québec by allowing eligible businesses to claim tax relief of up to 15% of their investments;
- announcing the implementation of the synergy capital tax credit, which will encourage established businesses to invest in young, innovative businesses with high growth potential and promote the establishment of ties between them.

These initiatives are in addition to the significant accelerated depreciation measures announced in the fall 2018 *Update on Québec's Economic and Financial Situation*.

Fostering innovation and its commercialization

To foster innovation and its commercialization, the government is:

- introducing the incentive deduction for the commercialization of innovations (IDCI), which will encourage businesses from all sectors of the economy to commercializing Québec innovations in Québec by offering them the most competitive tax rate in North America;
- enhancing the three R&D tax credits fostering collaboration among innovation players by removing the applicable expenditure thresholds, which will further support research projects carried out with universities, or through private partnerships or research consortia;
- streamlining administrative procedures related to tax holidays for foreign researchers and experts in order to help businesses recruit the best talent in the world.

Improved taxation in favour of businesses (cont.)

Ensuring the effectiveness of tax assistance

Two tax assistance measures are being refocused to ensure their effectiveness and take into account changes in certain sectors of activity, including:

- removing website design and development from the activities eligible for the tax credit for the development of e-business;
- changing the tax credit for the production of multimedia titles to specify that the content must be interactive in whole or in part in order to be eligible.

In addition, two measures are being abolished:

- the tax credit for the integration of information technologies in SMBs, considering that the acquisition of management software packages covered by this tax credit will be eligible for the new C3i;
- the tax-free reserve for Québec shipowners, which has not benefited any business since its introduction in 2014.

Lastly, the deduction for innovative corporations (DIC), in effect since 2017, will be replaced by the IDCi, a new tax measure that is more incentive-based and simpler to apply, and that will reach more businesses, particularly SMBs and businesses in the services sector.

Financial impact of the tax initiatives to enhance business productivity and competitiveness

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total	Ref. page
Spurring business investment							
Implementing the investment and innovation tax credit (C3i)	-13.4	-67.2	-116.4	-148.4	-180.4	-525.8	C.40
Extending the tax holiday for large investment projects ⁽¹⁾	—	—	—	—	—	—	C.48
Implementing the synergy capital tax credit	—	-6.0	-8.0	-8.0	-8.0	-30.0	C.49
Fostering innovation and its commercialization							
Introducing the incentive deduction for the commercialization of innovations (IDCI) ⁽²⁾	—	-2.9	-13.6	-25.0	-50.3	-91.8	C.52
Enhancing the R&D tax credits fostering collaboration	-0.5	-1.8	-2.7	-3.0	-3.0	-11.0	C.56
Streamlining administrative procedures related to tax holidays for foreign researchers and experts	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0	C.57
Ensuring the effectiveness of tax assistance							
Refocusing the tax credit for the development of e-business	1.4	11.0	17.4	20.0	21.2	71.0	C.57
Refocusing the tax credit for the production of multimedia titles	0.1	0.6	0.9	1.0	1.0	3.6	C.57
Abolishing the tax credit for the integration of information technologies in SMBs	0.6	1.6	1.3	0.3	—	3.8	C.46
Abolishing the tax-free reserve for Québec shipowners ⁽³⁾	—	—	—	—	—	—	—
TOTAL	-12.0	-64.9	-121.3	-163.3	-219.7	-581.2	

(1) Due to the 60-month period during which businesses can carry out their investment projects, the financial impact of this measure will be felt beyond the period 2024-2025.

(2) As of January 1, 2021, the IDCi will replace the deduction for innovative corporations (DIC).

(3) This initiative is described in Section A of *Additional Information 2020-2021*.

4.1 Spurring business investment

Business investment is fundamental to improving economic productivity and growth potential. In this context, Québec must provide a business environment conducive to business modernization, the attraction of major investment projects and access to capital for innovative SMBs with high growth potential.

The government is therefore providing, in Budget 2020-2021, close to \$556 million over five years to:

- boost productivity through innovative investments;
- extend the eligibility period for the tax holiday for large investment projects;
- foster the development of innovative SMBs.

TABLE C.14

Financial impact of the measures to spur business investment (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Boosting productivity through innovative investments	-13.4	-67.2	-116.4	-148.4	-180.4	-525.8
Extending the eligibility period for the tax holiday for large investment projects ⁽¹⁾	—	—	—	—	—	—
Fostering the development of innovative SMBs	—	-6.0	-8.0	-8.0	-8.0	-30.0
TOTAL	-13.4	-73.2	-124.4	-156.4	-188.4	-555.8

(1) Due to the 60-month period during which businesses can carry out their investment projects, the financial impact of this measure will be felt beyond the period 2024-2025.

Labour productivity to be improved in the Québec services sector

Overall, Québec businesses are less productive than Ontario's businesses. Québec's productivity shortfall has increased in recent years.

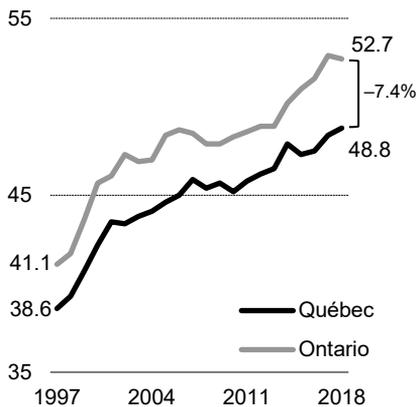
- In 2018, productivity in Québec was \$48.8 per hour worked compared to \$52.7 in Ontario, a difference of 7.4%.

Québec's shortfall is mainly due to the services sector's low level of productivity, which accounts for nearly three quarters of business jobs.

- In 2018, labour productivity in the Québec services sector was \$43.6 per hour worked and was nearly 12% lower than in Ontario.
- The Québec goods sector's productivity is comparable to that of Ontario, although the manufacturing sector still lags behind.

Business labour productivity, 1997 to 2018

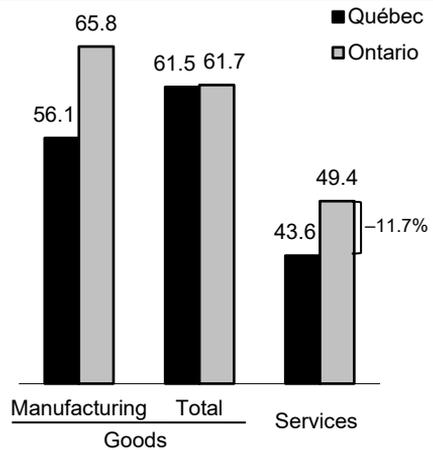
(chained 2012 dollars per hour)



Source: Statistics Canada.

Business labour productivity by sector, 2018

(chained 2012 dollars per hour)



Source: Statistics Canada.

4.1.1 Boosting productivity through innovative investments

Business competitiveness increasingly relies on an advanced level of digitization. However, studies¹ show that approximately 75% of Québec businesses have low technological readiness.

To boost the productivity of businesses in all sectors of activity, including the services sector, the government, in Budget 2020-2021, intends to introduce the investment and innovation tax credit (C3i), aimed at:

- supporting the acquisition of new technologies enabling the digitization of production processes;
- promoting the modernization of manufacturing equipment in order to increase recourse to robotization and automation;
- supporting businesses' investment efforts in all regions of Québec.

This tax measure will provide support of close to \$526 million over five years to improve business competitiveness.

Promoting investment through accelerated depreciation measures

In the fall 2018 *Update on Québec's Economic and Financial Situation*, the government took steps to spur private investment through:

- an increase to 100% in the depreciation rate and the introduction of a permanent additional capital cost allowance of 30% applicable in respect of computer hardware, manufacturing and processing equipment, clean energy generation equipment and intellectual property;
- the introduction of enhanced depreciation for every other type of investment.

By considerably reducing the cost of investment for Québec businesses, the government is supporting initiatives that will result in an additional increase in investment of more than \$6 billion by 2024.

¹ CEFRIO, *Industrie 4.0, Enquête auprès des entreprises manufacturières du Québec*, June 2017 and BUSINESS DEVELOPMENT BANK OF CANADA, *Digitize now: How to Make the Digital Shift in your Business*, October 2018.

□ Main parameters of the investment and innovation tax credit

The C3i will benefit businesses in all sectors of activity, particularly the manufacturing and services sectors, for their acquisitions made before January 1, 2025 relating to:

- manufacturing and processing equipment;
- computer hardware;
- management software packages.

The tax credit rate will be 10%, 15% or 20%. It will be determined according to the location and the economic vitality index of the area where the investments are made.

The C3i will be fully refundable for SMBs and non refundable for large businesses.

Eligible expenses for property will be those exceeding \$12 500 for the acquisition of manufacturing and processing equipment. The threshold will be set at \$5 000 for computer hardware and management software packages.

TABLE C.15

Main parameters of the investment and innovation tax credit

Eligible corporations	Corporations with an establishment in Québec and that operate a business here ⁽¹⁾
Eligible property	Manufacturing and processing equipment (capital cost allowance classes 43 or 53) Computer hardware (capital cost allowance class 50) Management software packages (part of capital cost allowance class 12)
Eligible expenses	Expense threshold: – \$12 500 per property for manufacturing and processing equipment – \$5 000 per property for computer hardware or management software packages
Tax credit rate	Montréal and Québec metropolitan communities: 10% Other territories or regions: 15% Territories with low economic vitality: 20%
Repayability criteria	Refundable for businesses with assets and gross income not exceeding \$50 million Non refundable for corporations with assets and gross income of \$100 million or more ⁽²⁾
Investment ceiling	A \$100-million cap on investment expenditures over five years
Maturity	Eligible property must be acquired before January 1, 2025

(1) The following corporations will not be eligible for the C3i: a corporation exempt from tax, a Crown corporation or a wholly-controlled subsidiary of such a corporation, an aluminum-producing corporation and an oil-refining corporation.

(2) The tax credit will be partially refundable when the corporation's assets or gross income exceed \$50 million but is less than \$100 million.

☐ Enhanced rate for the regions

Businesses in all regions of Québec will be able to claim the C3i. Those established in the Montréal and Québec metropolitan communities will benefit from a rate of 10% on their eligible investments.

To further support businesses outside these metropolitan communities, the government will raise their C3i rate to 15%.

To take into account the particular economic challenges in certain regions, the government will increase the tax credit rate to 20% in territories where the economic vitality index is among the lowest 25% in Québec.

Territories with low economic vitality

Every other year, the Institut de la statistique du Québec publishes the Economic Vitality Index (EVI) for Québec's RCMs or equivalent territories. This index is calculated on the basis of three indicators, namely:

- the labour market (rate of workers aged 25 to 64);
- the standard of living (median income of the population aged 18 and over);
- demographic vitality (average annual population growth rate over a five-year period).

Businesses located in territories whose index is among the lowest 25% in Québec will be able to benefit from a 20% tax credit on their eligible investments.

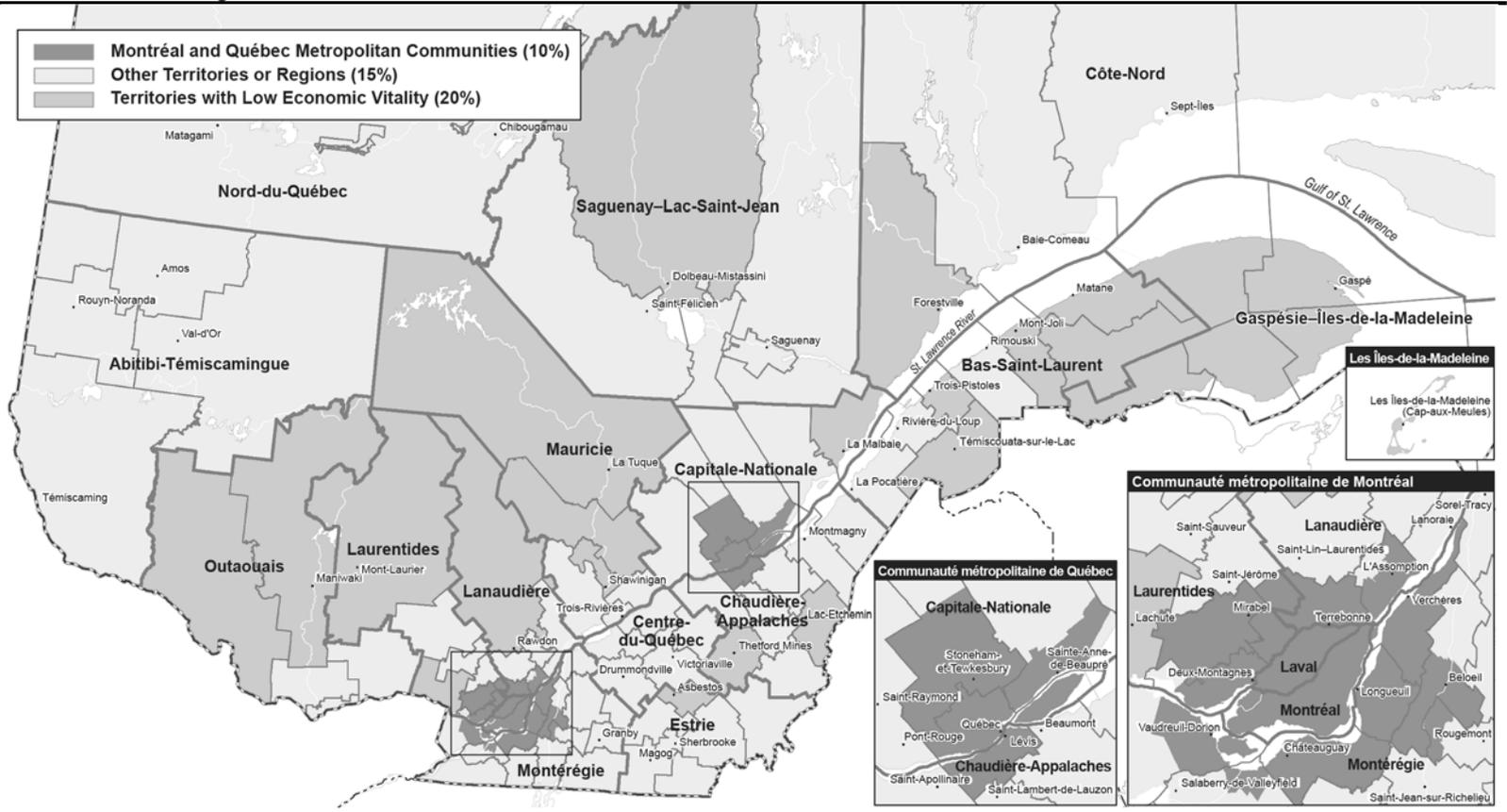
Territories whose EVI is among the lowest 25% in Québec – 2018 Edition

Administrative regions	RCM or equivalent territories	
Bas-Saint-Laurent	- La Matanie	- Les Basques
	- La Matapédia	- Témiscouata
	- La Mitis	
Saguenay–Lac-Saint-Jean	- Maria-Chapdelaine	
Capitale-Nationale	- Charlevoix-Est	
Mauricie	- La Tuque	- Shawinigan
	- Mékinac	
Estrie	- Les Sources	
Outaouais	- La Vallée-de-la-Gatineau	- Pontiac
Côte-Nord	- La Haute-Côte-Nord	- Le Golfe-du-Saint-Laurent
Gaspésie–Îles-de-la-Madeleine	- Avignon	- La Côte-de-Gaspé
	- Bonaventure	- La Haute-Gaspésie
	- Îles-de-la-Madeleine maritime community	- Le Rocher-Percé
Chaudière-Appalaches	- Les Appalaches	- Les Etchemins
Lanaudière	- Matawinie	
Laurentides	- Argenteuil	- Antoine-Labelle

Source: Institut de la statistique du Québec.

ILLUSTRATION C.1

C3i's rate according to investment site



❑ Ensuring that Québec's business environment remains competitive on a Canadian and international level

With the implementation of the C3i, Québec's marginal effective tax rate (METR)² will average 7.7% in 2020 for new investments, which will enable Québec to compare favourably with its Canadian and international trading partners.

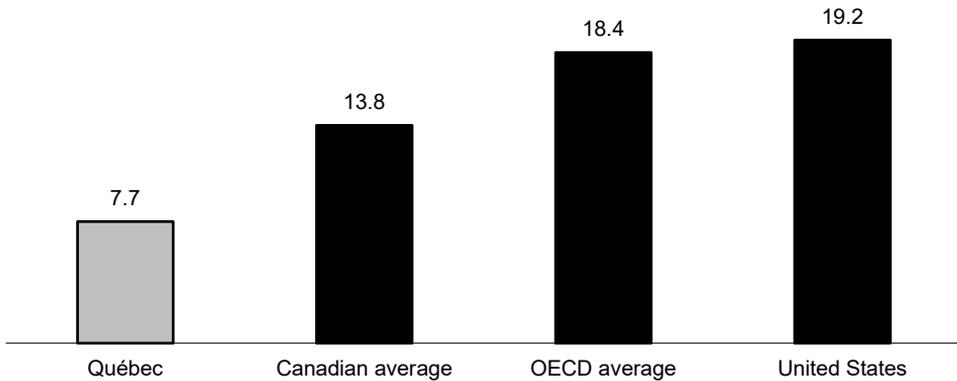
By comparison, the METR for 2019 averaged:

- 13.8% in Canada;
- 18.4% in OECD countries;
- 19.2% in the United States.

Québec businesses will thus benefit from an METR that is 44% below the Canadian average, one of the most competitive METRs in industrialized countries.

CHART C.2

Comparison of the METR in Québec and selected territories – 2020 (per cent)



Note: For Québec, the METR is based on 2020 tax parameters. For other territories, METRs are based on 2019 tax parameters.

Source: Compilation by the Ministère des Finances.

² The METR is a quantitative representation of all the tax rules, rates and measures that apply to a marginal investment made by a company. A low METR indicates a system that is favourable to investment.

❑ **Maintaining the tax credit for investments relating to manufacturing and processing equipment**

A tax credit to foster the acquisition of manufacturing and processing equipment (ITC) was introduced in 2008.

Since January 1, 2020, only businesses located in resource regions may benefit from this tax credit at a rate varying between 4% and 24%, depending on their size and the investment site.

Businesses currently eligible for the ITC will be able to choose to continue to benefit from it or claim the C3i.

■ **Accelerating adoption of industry 4.0 technologies**

The C3i will enable the digital shift of Québec businesses and thus optimize their business models.

The use of the Internet of Things and other leading-edge technologies will enhance connectivity among a manufacturing business's various resources. These new technologies will make it possible to better use and enhance data and information flows to provide more effective decision-making tools.

Improving production processes for goods and services will foster productivity gains for Québec businesses, and will therefore enhance their competitiveness.

Illustration of the advantage of the C3i for a manufacturing SMB located in a territory with low economic vitality

The following example shows a manufacturing SMB located in the Gaspésie region and that invested a total of \$200 000 to:

- purchase equipment consisting of intelligent sensors for \$125 000 to monitor and control each step of its production process in real time;
- modernize its computer network and storage servers for \$25 000;
- acquire a management software package for \$50 000 to optimize its supply chain and improve customer follow-up.

The support provided through the C3i encourages the SMB to accelerate the modernization of its manufacturing equipment and the integration of new technologies leading to industry 4.0. The amount of assistance granted through the C3i represents a gain of \$8 500 as opposed to the ITC.

Illustration of the advantages of the C3i for investments of \$200 000 by an SMB located in Gaspésie (dollars)

Investment type	Cost	ITC (24% rate)	C3i (20% rate)
Manufacturing equipment ⁽¹⁾	125 000	27 000	22 500
Computer hardware ⁽²⁾	25 000	—	4 000
Management software package ⁽²⁾	50 000	—	9 000
TOTAL	200 000	27 000	35 500
<i>Gain with the C3i</i>			<i>+8 500</i>

(1) An eligible expense threshold of \$12 500 per property applies to manufacturing equipment.

(2) An eligible expense threshold of \$5 000 per property applies to computer hardware and management software packages.

❑ Abolition of the tax credit for the integration of IT in SMBs

Considering that the acquisition of management software packages will be eligible for the C3i, the government is announcing the abolition of the tax credit for the integration of IT in SMBs.

This tax credit covered business management package integration contracts for expenses incurred before January 1, 2021. Businesses that have a written prior agreement for such a contract will be able to continue benefiting from it.

This measure will result in savings totalling \$3.8 million over four years.

❑ \$1.7 billion more in GDP

The C3i's implementation will support the investments of approximately 10 000 businesses annually.

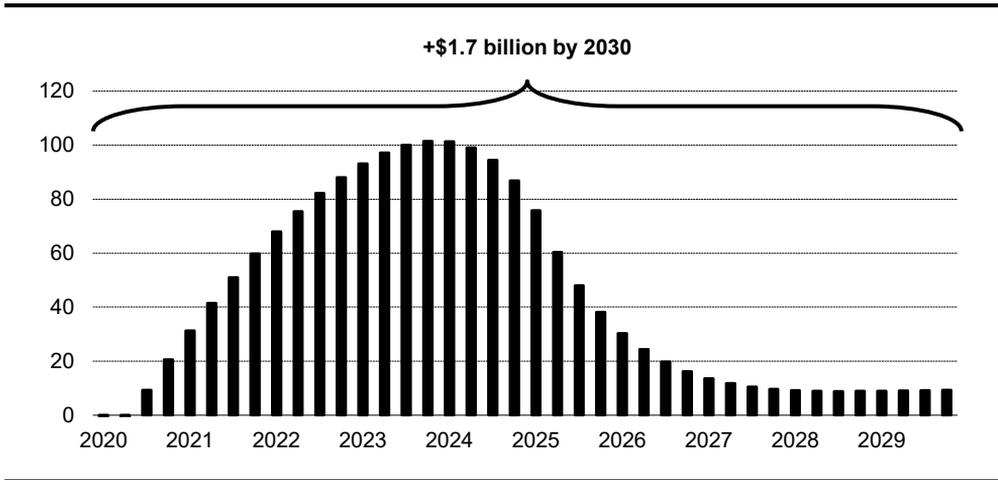
This measure will spur business investment by close to \$1.3 billion by the time it expires, on December 31, 2024, and will encourage businesses to accelerate their modernization.

These additional investments will have a positive impact on the Québec economy, extending beyond the measure's lifespan.

— By 2030, this assistance will contribute more than \$1.7 billion in GDP.

CHART C.3

C3i's impact on GDP (millions of dollars)



4.1.2 Extending the eligibility period for the tax holiday for large investment projects

The tax holiday for large investment projects allows eligible businesses to receive a tax holiday on their income and on their contribution to the Health Services Fund (HSF); the tax holiday is equivalent to a maximum of 15% of their investments, spread over a maximum period of 15 years.

— To qualify for the measure, an investment project must, among other things, consist of at least \$100 million if it is carried out in a central region and at least \$50 million if it is carried out in a designated region.

Since the measure's implementation, close to 60 projects have been granted an initial eligibility certification. Associated with these projects are:

- estimated investments of \$28 billion;
- the creation or retention of close to 23 000 direct jobs;
- a contribution of more than \$9 billion to Québec's GDP on an annual basis.

Businesses who want to benefit from the tax holiday for large investment projects currently have until December 31, 2020 to apply for an initial certification.

In Budget 2020-2021, the government is announcing the extension of the eligibility period for the tax holiday for large investment projects until December 31, 2024.

This extension will make it possible to attract to Québec more than 45 new large projects with investments totalling more than \$20 billion, in addition to creating and supporting more than 17 000 direct jobs.

TABLE C.16

Main parameters of the tax holiday for large investment projects – After Budget 2020-2021

Description	Tax holiday applicable to corporate income tax and employer contributions to the Health Services Fund (HSF) related to the investment project
Tax holiday limit	15% of eligible investments
Maximum period to benefit from the tax holiday	15 years
Eligibility criteria	Application for an initial certification to the Minister of Finance before the large project begins Eligible investment expenditures attributable to a project carried out in Québec in an eligible sector of activity Investment threshold reached, at the latest, at the end of the 60-month period following the date on which the initial certification was issued
Investment threshold	Central region: \$100 M Designated region: \$50 M
Eligible sectors of activity	Manufacturing, wholesale, warehousing, data processing and hosting, digital platforms
Investment period	60 months from the date on which the initial certification was issued
Deadline for submitting an application for an initial certification	December 31, 2024

4.1.3 Fostering the development of innovative SMBs

Innovative SMBs with high growth potential which need access to capital and business networks to develop fully.

To foster the development of Québec innovative SMBs, the government is planning, in Budget 2020-2021, to create the synergy capital tax credit. This tax credit aims to encourage established businesses to invest in the share capital of Québec SMBs.

- This new measure will foster the establishment of ties and synergy between Québec businesses as well as facilitate access to capital.
- It will help take advantage of the Québec economy's potential by, among other things, making it easier for some SMBs to commercialize their innovative products and for others to access international markets.

□ Main parameters of the measure

Businesses that invest in an eligible SMB will be able to claim a non refundable tax credit equivalent to 30% of the value of their investment in eligible shares.

— Eligible investments will be limited to \$750 000 per investor per year, for a maximum tax credit of \$225 000.

Over the next five years, investments eligible for this measure will total more than \$120 million.

This new tax credit will represent \$30.0 million in support for the development of innovative SMBs by 2024-2025.

TABLE C.17

Main parameters of the synergy capital tax credit

Eligible SMBs	Canadian-controlled private corporation with a permanent establishment in Québec, with paid-up capital of less than \$15 million and gross income of less than \$10 million Corporation operating in an eligible sector for at least one year
Eligible sectors	Green technologies, information technologies, life sciences, the innovative manufacturing sector, artificial intelligence
Eligible investors	Business corporation with an establishment in Québec and dealing at arm's length with the eligible SMB Corporation not primarily engaged in financing or investing in businesses
Eligible investments	Investments in capital stock, limited to: <ul style="list-style-type: none">– equity participation that does not result in control of an eligible SMB– \$750 000 per year per investor– \$1 million per year per eligible SMB
Tax credit rate	30%, applicable to the value of the eligible investment
Maximum annual tax credit	\$225 000
Minimum holding period for shares	5 years
Maximum annual issue	\$30 million
Effective date	January 1, 2021

□ Terms and conditions of the measure

Interested SMBs may submit an eligibility application to Investissement Québec, which will be responsible for administering the measure and providing support to businesses throughout the process.

4.2 Fostering innovation and its commercialization

Research and development (R&D) and innovation foster business competitiveness thanks to discoveries that make them stand out from their competitors. Entrepreneurs may claim financial support at each step of their projects, from research to intellectual property commercialization.

Wishing to foster innovation and its commercialization, the government is providing, in Budget 2020-2021, close to \$334 million, particularly to encourage the marketing of Québec innovations and speed up the development of innovative products.

TABLE C.18

Financial impact of the measures to foster innovation and its commercialization (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Introducing the incentive deduction for the commercialization of innovations	—	—	-2.9	-13.6	-25.0	-50.3	-91.8
Enhancing R&D tax credits fostering collaboration	—	-0.5	-1.8	-2.7	-3.0	-3.0	-11.0
Facilitating the recruitment of foreign researchers and experts ^{(1),(2)}	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Refocusing certain tax credits to ensure their effectiveness	—	1.5	11.6	18.3	21.0	22.2	74.6
Supporting life sciences	-81.0	-8.0	-10.0	-10.0	-5.0	-4.0	-118.0
Enhancing research accessibility and commercialization	—	-13.1	-17.1	-22.1	-22.6	-22.6	-97.5
Supporting the development of green industrial sectors	—	-7.0	-13.0	-13.0	-13.0	-13.0	-59.0
Implementing innovation zones ^{(1),(2)}	—	-20.0	—	—	—	—	-20.0
Enhancing the Innovation Program ^{(1),(2)}	—	-10.0	—	—	—	—	-10.0
TOTAL	-81.0	-57.3	-33.4	-43.3	-47.8	-70.9	-333.7

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

4.2.1 Introducing the incentive deduction for the commercialization of innovations

Economically, Québec is characterized by its ability to innovate in many cutting-edge fields, including life sciences and information technology.

To further encourage the commercialization of Québec innovations, the government is announcing, in Budget 2020-2021, the introduction of the incentive deduction for the commercialization of innovations (IDCI).

The IDCI is based on the recommendations of the Organisation for Economic Co-operation and Development (OECD).

□ Main parameters of the IDCI

To be eligible for the IDCI, a business must have an establishment in Québec, commercialize intellectual property (IP) there and have incurred R&D expenses in Québec.

— Software protected by copyrights, patents, certificates of supplementary protection for drugs and plant breeders' rights will be eligible for this new deduction.

Revenues from the commercialization of such IP, including revenues from the sale or rental of goods, services and royalties, will be eligible for the IDCI.

— These revenues will be taxed at an effective rate of 2.0%, a reduction of 9.5 percentage points compared to the general rate.

In addition, to facilitate application of the IDCI, a simplified calculation method will be offered, which will encourage its uptake, particularly by SMBs.

Moreover, as of January 1, 2021, the IDCI will replace the deduction for innovative corporations (DIC), which has been in force since January 1, 2017. Businesses currently eligible for the DIC will be eligible for the IDCI.

TABLE C.19

Main parameters of the incentive deduction for the commercialization of innovations (IDCI)

Eligible innovative corporations	Business corporation with a permanent establishment in Québec commercializing eligible intellectual property (IP)
Eligible intellectual property	IP resulting from expenditures incurred, in whole or in part, in Québec: <ul style="list-style-type: none"> – software copyrights – patents and certificates of supplementary protection – plant breeders' rights
Type of revenue eligible	Revenue from the sale or rental of goods Service delivery Royalties from concessions Revenue from litigation related to eligible IP
Tax benefit calculation	The calculation will be based on the simplified method
Effective tax rate	Eligible revenue will be subject to an effective tax rate of 2%
Effective date	January 1, 2021

□ The most competitive tax rate in North America

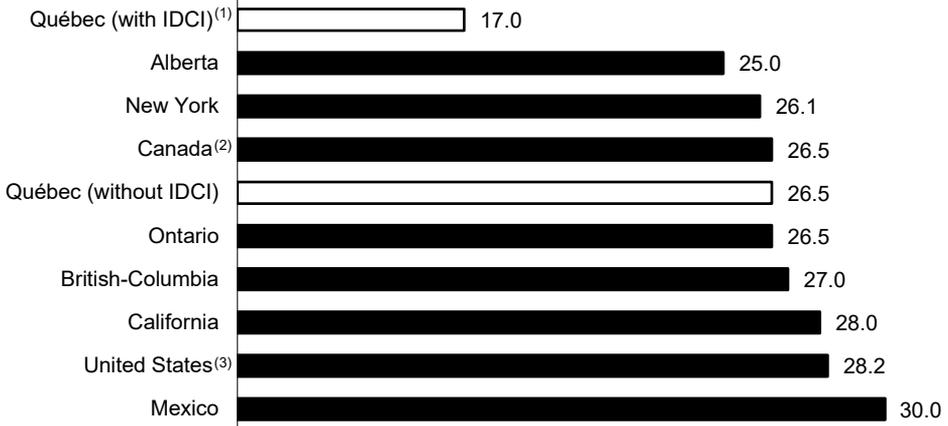
The introduction of the IDCI means that businesses developing and commercializing Québec IP in Québec will benefit from the most competitive tax rate in North America.

— Eligible income will be subject to a combined tax rate of 17%, a lower rate than in the rest of Canada and the United States.

As a result, with the IDCI, businesses commercializing their innovations in Québec will be more competitive than their Canadian and international competitors.

CHART C.4

General combined tax rate on corporate income – 2020
(per cent)



(1) Effective rate applied on the added value of the IP as of January 1, 2021.

(2) Weighted average according to the weight of the Canadian provinces' economic activity.

(3) Weighted average according to the weight of the U.S. states' economic activity.

□ A measure that will reach nearly 15 000 businesses

The commercialization of innovations developed in Québec has significant economic potential, since close to 15 000 businesses will be eligible for the IDCI over the next few years.

This incentive will support the commercialization of Québec innovations that generate more than \$2.4 billion in revenue annually.

Illustration of the effect of the incentive deduction for the commercialization of innovations on tax payable

The following illustration shows the case of a large business that chooses to commercialize its innovative product in Québec. This business's total taxable income is \$8.0 million, which includes revenues of \$5.0 million from eligible intellectual property (IP) developed in Québec.

Without the incentive deduction for the commercialization of innovations (IDCI), this business's income tax payable would be \$920 000.

- With the IDCI, the tax payable would be \$445 000, including \$100 000 on the income from eligible IP.
- This business would therefore benefit from a \$475 000 reduction in its tax burden, more than half of its tax payable in Québec.

Illustration of the effect of the incentive deduction for the commercialization of innovations on tax payable

(dollars, unless otherwise indicated)

	General regime	IDCI
Total taxable income	8 000 000	8 000 000
Taxable income attributable to the IP	5 000 000	5 000 000
Tax rate	11.5%	2.0%
Subtotal	575 000	100 000
Other revenues	3 000 000	3 000 000
Tax rate	11.5%	11.5%
Subtotal	345 000	345 000
TAX PAYABLE	920 000	445 000
<i>Difference</i>	—	–475 000
<i>Difference in %</i>	—	–51.6

4.2.2 Enhancing R&D tax credits fostering collaboration

Québec provides corporations with three R&D tax credits that foster collaboration with various innovation players:

- the tax credit for a research contract entered into with a university, a public research centre or a research consortium, which promotes knowledge transfer and the commercialization of research findings;
- the tax credit for private partnership research, which helps businesses develop ties between themselves, in particular by promoting SMB growth thanks to linkages with large businesses;
- the tax credit for fees and dues paid to a research consortium, which helps to create synergy between businesses from the same sector of activity and to enhance their technological capacity in the face of international competition.

To further foster collaboration among Québec's innovation players, the government is announcing the elimination of the eligible expense thresholds applicable to the three R&D tax credits that foster collaboration.

- Since 2014, the R&D tax credits apply only to the portion of expenditures exceeding a \$50 000 threshold for SMBs, at a rate of 30%, and \$225 000 for large businesses at a rate of 14%.

This initiative will make it possible to support all eligible expenditures relating to R&D activities carried out collaboratively by corporations.

Approximately 250 corporations will benefit from these enhanced tax credits every year, which represents a total financial impact of \$11.0 million over five years.

TABLE C.20

Main parameters of the R&D tax credits fostering collaboration – After Budget 2020-2021

Tax credits	Business types	Rate ⁽¹⁾	Eligible expenses
University research	SMB	30%	80% of the amount of the subcontract entered into with a university, a public research centre or a research consortium
	Large	14%	
Private partnership	SMB	30%	100% of current expenditures related to R&D work in partnership or 80% of the amount of the subcontract
	Large	14%	
Research consortium	SMB	30%	100% of the amount of eligible fees and dues
	Large	14%	

(1) Each of the R&D tax credits has an increased rate of 30% applicable to the first \$3 million of annual eligible expenditures in the case of Canadian-controlled corporations with assets of \$50 million or less. A linear reduction in the rate of the tax credit from 30% to 14% applies in the case of Canadian-controlled corporations with assets between \$50 million and \$75 million. The rate is 14% when assets are \$75 million or more.

4.2.3 Facilitating the recruitment of foreign researchers and experts

The government offers tax holidays in respect of foreign researchers and experts to help businesses recruit the most qualified talent in the world.

There is currently no preliminary decision-making process for foreign researchers and experts applications. This creates uncertainty about whether a tax holiday will be granted and may discourage the researchers and experts concerned from coming to settle in Québec.

To facilitate the recruitment of foreign talent and encourage them to settle in Québec, the government is planning to implement:

- a preliminary decision-making process so that businesses can confirm the proposed work contract's eligibility for a foreign worker who wants to settle in Québec;
- a one-stop service so that businesses and foreign researchers and experts will be able to contact only one party to obtain eligibility certificates.

This initiative will help recruit some 150 foreign researchers and experts each year, who will contribute to Quebec's economic growth.

The Minister of the Economy and Innovation will announce the terms and conditions at a later date.

4.2.4 Refocusing certain tax credits to ensure their effectiveness

Over the years, the government has contributed to the development of businesses and the creation of high-value-added jobs in certain sectors of the new economy in Québec, in part by creating an attractive fiscal environment.

To take into account changes in these sectors of activity, the government will adjust the terms and conditions of the following two tax credits:

- the tax credit for the development of e-business;
- the tax credit for the production of multimedia titles.

Changes to these two tax credits will reduce their cost by a total of close to \$75 million over five years.

TABLE C.21

Financial impact of the measures to refocus certain tax credits to ensure their effectiveness
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Changing the tax credit for the development of e-business	1.4	11.0	17.4	20.0	21.2	71.0
Changing the tax credit for the production of multimedia titles	0.1	0.6	0.9	1.0	1.0	3.6
TOTAL	1.5	11.6	18.3	21.0	22.2	74.6

□ Changing the tax credit for the development of e-business

The tax credit for the development of e-business is aimed at businesses specialized in IT. It is designed to boost the supply of high-valued added software, which allows businesses that integrate them in their business processes to increase their productivity.

The tax credit applies to the salaries of employees who carry out activities in the fields of computer systems engineering, development and integration as well as software publishing.

These activities currently include website design and development. Considering the changes in these areas, in particular the increased accessibility of development tools, the government is announcing that it is removing website design and development from the activities eligible for the tax credit.

This change will reduce the measure's financial impact by a total of \$71.0 million over the next five years.

❑ **Changing the tax credit for the production of multimedia titles**

The tax credit for the production of multimedia titles has contributed to the development and structuring of Québec's video game industry and helps businesses in this sector to remain competitive on the international scene.

This tax assistance applies to the salaries of employees who create video games, but also other multimedia titles, such as edutainment titles or vocational training titles.

Eligible multimedia titles must, in particular, allow interactivity with their users, that is, users must be able to participate and exert control on the action of the title. However, multimedia titles can have different levels of interactivity.

To ensure that the tax assistance supports the production of multimedia titles meeting a high level of interactivity, the government will make a change to the tax credit to specify that an eligible multimedia title must be interactive in whole or in part.

This change will reduce the measure's financial impact by a total of \$3.6 million over the next five years.

4.2.5 Supporting life sciences

Québec's life sciences sector is renowned for the quality of its workforce and institutions and the important innovations attributable to them.

This sector attracts significant foreign investment and contributes to the population's well-being through its research findings.

In Budget 2020-2021, the government is investing \$118.0 million to support this sector of activity, which includes:

- \$10.0 million to speed up the adoption and integration of innovations within the health and social services networks and to improve alignment between the network's needs and the research community's initiatives;
- \$15.0 million to support CATALIS Québec to increase the number of clinical trials conducted by Québec businesses, facilitate collaboration between the different players in the life sciences sector and speed up the development of innovative treatments;

- \$12.0 million to encourage greater use of artificial intelligence and thus support a new generation of entrepreneurs in the life sciences field;
- \$81.0 million to support Génome Québec and the Montreal Clinical Research Institute in order to increase clinical research and genomics research.

TABLE C.22

Financial impact of the measures to support life sciences
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Fostering the integration of innovations in the health and social services networks ⁽¹⁾	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Increasing the number of clinical trials conducted by businesses in Québec ^{(2),(3)}	—	-5.0	-5.0	-5.0	—	—	-15.0
Promoting greater use of artificial intelligence ^{(2),(3)}	—	-1.0	-3.0	-3.0	-3.0	-2.0	-12.0
Increasing clinical research and genomics research ⁽⁴⁾	-81.0	—	—	—	—	—	-81.0
TOTAL	-81.0	-8.0	-10.0	-10.0	-5.0	-4.0	-118.0

(1) Funding is granted to the Ministère de la Santé et des Services sociaux.

(2) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(4) For 2019-2020, \$8.0 million will be directly drawn from availabilities during the year. Additional appropriations of \$73.0 million will be granted to the Ministère de l'Économie et de l'Innovation.

4.2.6 Enhancing research accessibility and commercialization

Research activities and the application of their findings are crucial to businesses' ability to become more competitive.

To enhance research accessibility and commercialization, the government is providing \$97.5 million in Budget 2020-2021, including:

- \$67.5 million to commercialize public research in order to optimize the potential for wealth creation as well as knowledge generated by Québec's public research institutions;
- Moreover, the government has earmarked \$100.0 million to implement a new pre-seeding investment fund for commercializing innovations stemming from public research.

- \$27.0 million to improve data access for research purposes to:
 - implement five new CADRISQ³ over the next three years, particularly in certain Québec university hospital centres. The location of these CADRISQ will be determined in collaboration with scientific and health stakeholders,
 - optimize computer infrastructure related to data access;
- \$3.0 million to support the Commission d'accès à l'information du Québec to ensure the protection of personal information and prevent inappropriate use of this information.

TABLE C.23

Financial impact of the measures to enhance research accessibility and commercialization
(millions of dollars)

	2020- 2021 ⁽¹⁾	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Commercializing public research ^{(2),(3)}	-10.0	-12.5	-15.0	-15.0	-15.0	-67.5
Improving data access for research purposes ^{(4),(5),(6)}	-2.5	-4.0	-6.5	-7.0	-7.0	-27.0
Ensuring the protection of personal information ^{(6),(7)}	-0.6	-0.6	-0.6	-0.6	-0.6	-3.0
TOTAL	-13.1	-17.1	-22.1	-22.6	-22.6	-97.5

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(3) The amounts related to the pre-seeding investment fund will be made available through an advance from the Minister of Finance to the Economic Development Fund.

(4) Appropriations will be granted to the Ministère des Finances.

(5) In addition, investments of \$6.1 million are provided for in the 2020-2030 Québec Infrastructure Plan.

(6) Additional appropriations will be provided on a recurring basis starting in 2020-2021 to fund this initiative.

(7) Appropriations will be granted to the Ministère du Conseil exécutif.

³ Research data access centre of the Institut de la statistique du Québec.

4.2.7 Supporting the development of green industrial sectors

Fighting climate change and adapting to its effects brings many challenges.

However, this situation does offer business opportunities, particularly with respect to the development of structuring niches for the Québec economy.

To help businesses take advantage of these economic development opportunities, the government is providing \$59.0 million over five years:

- \$14.0 million to continue developing the green hydrogen sector, which will contribute, in particular, to the funding of demonstration projects for hydrogen production and use;
- \$27.0 million to support innovative product research, innovation and commercialization in the electric vehicle industry;
- \$18.0 million to support the development of an industrial sector specializing in battery recycling, in particular by funding demonstration projects of new processes in Québec.

TABLE C.24

Financial impact of the measures to support the development of green industrial sectors

(millions of dollars)

	2020-2021 ⁽¹⁾	2021-2022	2022-2023	2023-2024	2024-2025	Total
Continuing the development of the green hydrogen sector ⁽²⁾	-2.0	-3.0	-3.0	-3.0	-3.0	-14.0
Supporting research, innovation and commercialization of innovative products in the electric vehicle industry ⁽³⁾	-3.0	-6.0	-6.0	-6.0	-6.0	-27.0
Supporting the development of an industrial sector specializing in battery recycling ⁽³⁾	-2.0	-4.0	-4.0	-4.0	-4.0	-18.0
TOTAL	-7.0	-13.0	-13.0	-13.0	-13.0	-59.0

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

(3) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

4.2.8 Implementing innovation zones

Innovation zones aim to increase innovation commercialization, exports, local and foreign investment and business productivity.

In November 2019, the government published the innovation zones project presentation guide, which sets out the rationale, definition, objectives, implementation stages and framework for presenting and analyzing innovation zone projects.

Given the many projects that have been developed and the number of initiatives being prepared, the government is providing \$20.0 million in 2020-2021.

This amount, which is in addition to existing programs, will be used to fund projects with significant economic benefits for Québec that are in line with the government's economic vision in terms of innovation zones.

The Minister of Economy and Innovation will announce the details of this initiative at a later date.

4.2.9 Enhancing the Innovation Program

The Innovation Program is an important government tool for businesses that provides direct funding for innovation.

In particular, the Innovation Program supports businesses and business groups throughout their projects.

In order to support more innovative business projects, the government is providing \$10.0 million to enhance the support for innovation projects component of the Innovation Program.

4.3 Accelerating business and export growth

The accelerated growth of Québec businesses is strongly linked to their ability to increase their pool of consumers, particularly through exports to new markets and the strengthening of Québec's international vision.

Establishing ties between innovative SMBs and established businesses and attracting foreign investment increases access to export markets and helps improve the competitiveness of Québec businesses.

To accelerate business and export growth, the government is providing, in Budget 2020-2021, \$157.5 million by 2024-2025 to:

- boost foreign investment and export growth;
- accelerate SMBs' growth through better support;
- implement Québec's new international vision.

TABLE C.25

Financial impact of the measures to accelerate business and export growth (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Boosting foreign investment and export growth ^{(1),(2)}	—	-25.0	-25.0	-20.0	-20.0	-20.0	-110.0
Accelerating SMBs' growth through better support ^{(1),(2)}	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Implementing Québec's new international vision ⁽³⁾	-2.0	-7.0	-5.5	-6.0	-1.0	-1.0	-22.5
TOTAL	-2.0	-37.0	-35.5	-31.0	-26.0	-26.0	-157.5

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(3) Appropriations will be granted to the Ministère des Relations internationales et de la Francophonie. The amounts for 2019-2020 and 2020-2021 will be drawn from the Contingency Fund.

4.3.1 Boosting foreign investment and export growth

Increasing exports, diversifying markets and attracting foreign investment are at the core of the government's economic development efforts.

To that end, the government has set two ambitious objectives for the next five years:

- doubling foreign investment in Québec;
- increasing Québec's exports so they represent 50% of GDP.

To achieve these objectives, the government is providing \$110.0 million in Budget 2020-2021 to implement the action plan for foreign investment and export growth.

The Minister of Economy and Innovation will announce the details of this action plan for foreign investment and export growth at a later date.

4.3.2 Accelerating SMBs' growth through better support

Various organizations advise and support SMBs in order to help them grow rapidly and increase their competitiveness and productivity.

To foster the growth of SMBs in all Québec regions, the government is providing, in Budget 2020-2021, \$25.0 million to allow them to implement best business practices and intensify their collaboration efforts with accelerators and incubators in the regions.

The details of this measure will be announced at a later date.

4.3.3 Implementing Québec's new international vision

The government's international action contributes to Québec's economic development.

To implement Québec's new international vision, the government is planning to invest \$22.5 million by 2024-2025.

Investments of \$35.0 million are also provided for in the 2020-2030 Québec Infrastructure Plan to reinforce the presence of international organizations in Montréal, and to support those organizations and increase their visibility. These amounts are added to those provided for in the 2020-2030 Québec Infrastructure Plan to support Québec's new international offices, particularly the Délégation générale du Québec à Paris.

5. PROMOTING WORKERS' INTEGRATION AND RETENTION IN THE LABOUR MARKET

Population aging reduces the growth of the available labour pool, which can limit economic growth.

Québec must therefore be able to rely on all the people who can participate in the labour market to support its growth.

To promote workers' integration and retention in the labour market, the government is investing \$212.7 million in Budget 2020-2021 to:

- better integrate immigrants into the labour market;
- promote in-house training for workers;
- attract qualified foreign workers;
- facilitate the integration of people with severely limited capacity for employment.

These measures are in addition to those announced in Budget 2019-2020 to increase labour market participation and which totalled more than \$1.7 billion.

TABLE C.26

Financial impact of the measures to promote workers' integration and retention in the labour market (millions of dollars)

	2019-2020 ⁽¹⁾	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Better integrating immigrants into the labour market ⁽²⁾	—	-60.0	-25.0	-25.0	-25.0	-25.0	-160.0
Promoting in-house training for workers ^{(3),(4)}	—	-5.8	-5.8	-5.8	-5.8	-5.8	-29.0
Attracting qualified foreign workers ⁽²⁾	-10.0	—	—	—	—	—	-10.0
Facilitating the integration of people with severely limited capacity for employment	—	-0.6	-2.2	-3.4	-3.7	-3.8	-13.7
TOTAL	-10.0	-66.4	-33.0	-34.2	-34.5	-34.6	-212.7

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Funding is granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration.

(3) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(4) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

5.1 Better integrating immigrants into the labour market

To continue the efforts and investments undertaken in 2019-2020, the government wishes to intensify its efforts in terms of immigrants' francization and integration.

Accordingly, additional appropriations of \$160.0 million will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration, which will enable it to implement new measures to promote the successful francization and integration of immigrants.

To that end, the Ministère de l'Immigration, de la Francisation et de l'Intégration plans to strengthen its support for immigrants, in particular through its expansion in the various regions of Québec.

5.2 Promoting in-house training for workers

Labour shortages limit the capacity of Québec businesses to reach their full growth potential.

Given this issue, businesses are increasing their technology investments in order to boost productivity.

— The Ministère du Travail, de l'Emploi et de la Solidarité sociale's manpower training measure supports businesses in their transition efforts and enables workers to acquire new skills when new technologies are acquired.

To allow a greater number of businesses to develop their employees' digital skills, particularly those of experienced workers, the government is providing \$29.0 million over five years to enhance this measure.

5.3 Attracting qualified foreign workers

Québec businesses must have workers whose skills meet their requirements and access to a labour pool that enables them to meet their needs.

In this context, the government is providing \$10.0 million in Budget 2020-2021 to attract the most qualified foreign talent to Québec.

These funds will make it possible to meet the labour market's needs and, more specifically, to support employers and the regions in their international recruiting efforts to fill positions that could not be filled by local workers.

— These employers will have better access to immigrant labour pools and will be in a position to offer more effective, personalized support.

5.4 Facilitating the integration of people with severely limited capacity for employment

To increase labour market participation of handicapped persons, the government is announcing, in Budget 2020-2021, a reduction in Québec payroll taxes for businesses that employ people with severely limited capacity for employment.

This measure, which will take the form of a refundable tax credit, will provide nearly 2 500 SMBs with full compensation for Québec payroll contributions related to wages paid to people with severely limited capacity for employment.

TABLE C.27

Main parameters of the reduction in payroll taxes to facilitate the integration of people with severely limited capacity for employment

Eligible employers	Corporation meeting the main eligibility criteria for the small business deduction ⁽¹⁾
Eligible employees	Employee for whom the corporation received an attestation certifying that the person received benefits under the Social Solidarity Program as a result of a severely limited capacity for employment during the year in question or one of the five preceding years or Employee with a severe and prolonged impairment in mental or physical functions ⁽²⁾
Eligible payroll taxes	Québec payroll contributions ⁽³⁾
Reduction in payroll taxes	100% of Québec payroll contributions regarding wages paid to eligible employees

(1) Canadian-controlled private corporation with paid-up capital of less than \$15 million.

(2) As defined for the purposes of the tax credit for a severe and prolonged impairment in mental or physical functions.

(3) Contributions to the Health Services Fund, the Québec Pension Plan, the Québec Parental Insurance Plan and the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

❑ Encouraging the integration and job retention of more than 3 000 handicapped persons

This initiative will promote the integration and job retention of more than 3 000 handicapped persons in Québec SMBs, thereby fostering their inclusion and social participation.

This tax relief, totalling close to \$14 million over the next five years, reflects the government's wish to guarantee a more inclusive labour market.

Tax measure that complements other government actions aimed at handicapped persons

The reduction in payroll taxes to help integrate people with severely limited capacity for employment will complement the Ministère du Travail, de l'Emploi et de la Solidarité sociale's various budget-funded programs, in particular the employment integration contract (EIC) and the adapted businesses subsidy programs.

The EIC facilitates the hiring and retention of a handicapped person in a standard work environment. In fact, it allows the employer to be reimbursed for certain expenses necessary for the integration or retention of the person.

- Financial assistance under this measure can take many forms, including wage subsidy and reimbursement of certain additional expenses, such as those related to workplace accessibility or workstation adaptation.

Moreover, the government offers an adapted work premium, in the form of a refundable tax credit, to households comprised of a person with severely limited capacity for employment to encourage this person to remain in the labour market or to integrate it.

6. BOOSTING THE REGIONS' ECONOMIC DEVELOPMENT

Development of Québec's economic potential depends on the contribution of all the regions and businesses making up its industrial fabric.

To boost regional economic development, the government is providing more than \$900 million in Budget 2020-2021 to:

- promote regional prosperity;
- develop the tourism sector;
- support regional growth by improving the transportation infrastructure;
- pursue the development of the northern areas.

TABLE C.28

Financial impact of the measures to boost regional economic development (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Promoting regional prosperity	-48.2	-42.0	-60.0	-47.5	-42.5	-42.5	-282.7
Developing the tourism sector	-45.0	-36.0	-51.0	-59.0	-60.0	-65.0	-316.0
Supporting regional growth by improving the transportation infrastructure	—	-46.1	-56.8	-57.6	-56.9	-85.3	-302.7
Pursuing the development of the northern areas	—	—	—	—	—	—	—
TOTAL	-93.2	-124.1	-167.8	-164.1	-159.4	-192.8	-901.4

6.1 Promoting regional prosperity

Prosperity in the regions requires the implementation of levers that contribute to the economic development of those regions.

The government is therefore providing more than \$280 million to:

- support businesses in the regions and revitalize the communities;
- support business growth in the regions;
- foster access to renewable energy for all Quebecers;
- support the production and distribution of renewable natural gas;
- ensure energy supplies for Île d'Anticosti;
- renew the Government Social Economy Action Plan.

TABLE C.29

Financial impact of the measures to promote regional prosperity (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Supporting businesses in the regions and revitalizing the communities ^{(1),(2)}	—	-11.5	-21.5	-21.5	-21.5	-21.5	-97.5
Supporting business growth in the regions ^{(1),(2)}	—	-3.0	-6.0	-6.0	—	—	-15.0
Fostering access to renewable energy for all Quebecers ^{(1),(3)}	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Supporting the production and distribution of renewable natural gas ⁽⁴⁾	-45.0	-12.5	-12.5	—	—	—	-70.0
Ensuring energy supplies for Île d'Anticosti ⁽³⁾	-3.2	—	—	—	—	—	-3.2
Renewing the Government Social Economy Action Plan ^{(1),(2)}	—	-10.0	-15.0	-15.0	-16.0	-16.0	-72.0
TOTAL	-48.2	-42.0	-60.0	-47.5	-42.5	-42.5	-282.7

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(3) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

(4) For 2019-2020, an amount of \$5.0 million will be drawn from budgetary resources made available during the fiscal year. Additional appropriations of \$40.0 million will be granted to the Ministère de l'Énergie et des Ressources naturelles.

6.1.1 Supporting businesses in the regions and revitalizing the communities

The RCMs and their economic development services play a critical role in the growth of businesses in their territory.

In Budget 2020-2021, the government is providing \$97.5 million to increase local economic activity. RCMs will therefore have access to additional resources for supporting the businesses in their territory.

The details of this initiative will be announced at a later date.

6.1.2 Supporting business growth in the regions

Start-ups, especially those in the regions, have difficulty accessing venture capital.

In Budget 2020-2021, the government is providing \$15.0 million over three years to implement the Impulsion PME program and thereby contribute to the development of start-ups in all Québec regions.

The Impulsion PME program, which will carry out interventions valued at \$50.0 million, will offer, in particular, convertible loans to start-ups recommended by an incubator, an accelerator or any other organization recognized by the Ministère de l'Économie et de l'Innovation.

The details of the initiative will be announced at a later date.

6.1.3 Fostering access to renewable energy for all Quebecers

To enable remote communities served by off-grid systems⁴ to benefit from clean, renewable energy, the government will assist with the energy transition of those systems.

This measure will help Québec meet its GHG emissions reduction target and reduce its dependence on petroleum products, while enhancing the quality of life in remote communities.

To that end, the government is providing \$25.0 million over five years to support the energy transition of off-grid systems.

⁴ An off-grid system is an electricity production and distribution network belonging to Hydro-Québec, but not connected to the main grid. These systems are usually powered by fossil fuels.

6.1.4 Supporting the production and distribution of renewable natural gas

Renewable natural gas (RNG) production facilitates Québec's transition to a green, low-carbon economy.

- RNG, also known as biomethane, is derived from the decomposition of organic matter from household waste, particularly agricultural and industrial waste. It can be used for the same purposes as conventional natural gas.

To support this emerging industry in Québec, the *Regulation respecting the quantity of renewable natural gas to be delivered by a distributor* stipulates that Québec gas distributors will be required to inject a minimum of 5% of RNG in their systems as of 2025.

To help achieve this target, the government is investing \$70.0 million over three years to support:

- RNG production projects;
- the connection of RNG production facilities with the natural gas distribution network.

6.1.5 Ensuring energy supplies for Île d'Anticosti

The Coopérative de consommation de l'île d'Anticosti fuel facilities have deteriorated. The facilities need to be rebuilt in order for its operations to be safe and compliant with regulations.

In Budget 2020-2021, the government is providing \$3.2 million for rebuilding the fuel facilities in order to ensure energy supplies for the Île d'Anticosti population and businesses.

6.1.6 Renewing the Government Social Economy Action Plan

Social economy businesses, which include cooperatives, mutuals and non-profit organizations, play an important role in the Québec economy.

- Québec has over 11 200 social economy businesses operating in various areas of activity and employing more than 220 000 persons in all Québec regions.

To implement the 2020-2025 Government Social Economy Action Plan, the government is providing \$72.0 million in Budget 2020-2021.

The details of the Government Social Economy Action Plan will be announced at a later date.

6.2 Developing the tourism sector

Tourism is one of the industries with the most sustained and fastest growth worldwide.

However, the emergence of new tourist destinations, tourists' increased use of information technology, labour shortages, and travellers' growing concerns about sustainable development directly impact Québec's tourism industry.

To ensure the development of Québec's tourism sector in this new business context, the government is providing \$316.0 million, in Budget 2020-2021, to support the tourism industry by:

- implementing the 2020-2025 tourism industry growth strategy;
- pursuing the regional partnership agreements for tourism;
- developing Société des établissements de plein air du Québec (Sépaq) establishments.

TABLE C.30

Financial impact of the measures to develop the tourism sector (millions of dollars)

	2019- 2020 ⁽¹⁾	2020- 2021 ⁽²⁾	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Implementing the 2020-2025 tourism industry growth strategy ⁽³⁾	-45.0	-33.6	-48.6	-56.6	-57.6	-62.6	-304.0
Pursuing the regional partnership agreements for tourism ⁽³⁾	—	-2.4	-2.4	-2.4	-2.4	-2.4	-12.0
Developing Sépaq establishments ⁽⁴⁾	—	—	—	—	—	—	—
TOTAL	-45.0	-36.0	-51.0	-59.0	-60.0	-65.0	-316.0

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère du Tourisme.

(4) Investments of \$60.0 million are provided for in the 2020-2030 Québec Infrastructure Plan.

6.2.1 Implementing the 2020-2025 tourism industry growth strategy

The existing tourism industry development plan will terminate at the end of the current fiscal year.

It was in this context that the Minister of Tourism initiated an extensive regional consultation process with the tourism industry.

The initial findings were presented to the industry during the Assises du Tourisme 2019. Those findings will also serve as the foundation for developing the sector's next economic growth strategy for 2020-2025.

To ensure the implementation of the 2020-2025 tourism industry growth strategy, the government is providing an envelope of \$304.0 million over six years, which will allow for measures valued at over \$735 million. The envelope will be used primarily to:

- increase investment in world-class tourism products;
- help businesses adapt their practices to ensure responsible and innovative tourism growth;
- promote Québec as a tourist destination, both in Québec and outside the country.

The Minister of Tourism will announce the strategy details during the Assises du Tourisme 2020.

Helping to make tourism a greener, more sustainable industry

Faced with the reality of climate change, an increasing number of tourists, concerned about environmental issues, are seeking out destinations that are making efforts in terms of sustainable development.

With a view to developing an environmentally friendly tourism industry, the government is planning to invest \$30.0 million over six years for the following initiatives:

- \$25.5 million to promote the development of sustainable tourism projects;
- \$4.5 million to support the capacity of tourism businesses to adapt to climate change.

6.2.2 Pursuing the regional partnership agreements for tourism

The regional partnership agreements for tourism are intended to foster cooperation and synergy between the Ministère du Tourisme, the regional tourist associations and other regional partners relating to their measures for the development, renewal and structuring of the tourism offerings of their respective territories.

— Furthermore, the regional partnership agreements for tourism encourage regional tourism development projects based on the priorities and context specific to each region.

The government is providing an envelope of \$12.0 million, in Budget 2020-2021, to renew the regional partnership agreements for tourism for the 2020-2025 period. As a result, the agreements will contribute to the attainment of the tourism performance targets that will be established in the next tourism industry growth strategy.

6.2.3 Developing Sépaq establishments

Sépaq mainly operates and manages national parks, wildlife reserves and tourist establishments that contribute to the economy in all of Québec's regions.

In Budget 2020-2021, the government is planning to invest an additional \$60.0 million over the next five years to upgrade the establishments of Sépaq's built heritage. More specifically, the projects put forward will aim, in particular, to improve access to the national parks, restore trails and repair cottages.

6.3 Supporting regional growth by improving the transportation infrastructure

Efficient transportation networks help improve the safety of citizens and boost the performance of businesses. To that end, taking into account the 2020-2030 Québec Infrastructure Plan, the government plans to invest an additional \$922.2 million to:

- take advantage of the St. Lawrence River;
- increase assistance to municipalities for maintaining and improving their local road networks;
- fostering the safety of the railway network and its integration into the supply chain of businesses.

These investments will help support regional development through a greater fluidity of the maritime, road and rail transportation networks.

TABLE C.31

Financial impact of the measures to support regional growth by improving the transportation infrastructure (millions of dollars)

	2020-2021 ⁽¹⁾	2021-2022	2022-2023	2023-2024	2024-2025	Total
Taking advantage of the St. Lawrence River ⁽²⁾	-16.1	-26.8	-27.6	-26.9	-25.3	-122.7
Increasing assistance provided to municipalities for maintaining and improving their local road networks ^{(3),(4)}	-30.0	-30.0	-30.0	-30.0	-60.0	-180.0
Fostering the safety of the railway network and its integration into the supply chain of businesses ⁽⁵⁾	—	—	—	—	—	—
TOTAL	-46.1	-56.8	-57.6	-56.9	-85.3	-302.7

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Added to these amounts are expenditures of \$49.3 million stemming from planned infrastructure investments, which brings the total for this measure to \$172.0 million.

(3) Appropriations will be granted to the Ministère des Transports.

(4) Investments of \$500.0 million are provided for in the 2020-2030 Québec Infrastructure Plan.

(5) Investments of \$70.2 million are provided for in the 2020-2030 Québec Infrastructure Plan.

6.3.1 Taking advantage of the St. Lawrence River

The government intends to take full advantage of the potential for economic and social development afforded by the St. Lawrence River's strategic geographic location.

To that end, the government wishes:

- to make the St. Lawrence River a high-performance economic corridor;
- that Quebecers will reclaim the St. Lawrence River.

To achieve this, the government plans to invest \$172.0 million, in Budget 2020-2021, in various maritime sector initiatives that will make it possible, among other things, to:

- upgrade and modernize port infrastructure;
- promote the use of cabotage and river shuttle networks to help fight climate change;
- optimize the efficiency and fluidity of exchanges, especially by implementing telecommunications coverage across Québec's maritime territory;
- give new impetus to industrial port zones and logistics hubs;
- ensure that the Centre d'expertise en gestion des risques d'incidents maritimes continues to pursue its mission;
- accelerate the sustainable economic development of maritime communities;
- ensure access to the river and preserve its ecosystems.

The details of these measures will be announced at a later date.

TABLE C.32

**Financial impact of the measures to take advantage of the
St. Lawrence River**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
The St. Lawrence River: a high-performance economic corridor ^{(1),(2),(3),(4)}	-10.9	-16.8	-20.3	-20.4	-18.8	-87.2
Reclaiming the St. Lawrence River ^{(1),(5)}	-5.2	-10.0	-7.3	-6.5	-6.5	-35.5
Subtotal	-16.1	-26.8	-27.6	-26.9	-25.3	-122.7
Expenses for planned infrastructure investments	-3.0	-5.6	-9.0	-13.7	-17.9	-49.3
TOTAL	-19.1	-32.4	-36.7	-40.6	-43.2	-172.0

Note: Totals may not add due to rounding.

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations of \$20.1 million will be granted to the Ministère de la Sécurité publique.

(3) Appropriations of \$37.1 million will be granted to the Ministère de l'Économie et de l'Innovation.

(4) Appropriations of \$30.0 million will be granted to the Ministère des Transports.

(5) Appropriations of \$35.5 million will be granted to the Ministère des Transports.

Maritime-sector measures contributing to environmental protection

Ensure that the Centre d'expertise en gestion des risques d'incidents maritimes is able to pursue its mission

The Centre d'expertise en gestion des risques d'incidents maritimes (CEGRIM), based in Îles-de-la-Madeleine, was created to bring together maritime-transport experts.

Its mission is to reduce the vulnerability of coastal communities and the environment to the risks associated with maritime transport and to increase the safety of citizens and the protection of marine and coastal ecosystems.

- To achieve this, CEGRIM encourages cooperation between municipalities, industries, fishers, marine farmers and researchers in order to prevent risks and implement effective intervention plans in the event of maritime incidents.

To ensure that CEGRIM is able to pursue its mission, the government will be providing \$20.1 million over five years.

Protection of marine ecosystems

The government wishes to encourage more development of maritime transport on the St. Lawrence River and the Saguenay River. The increase in maritime traffic could impact the marine and river ecosystems.

Furthermore, the St. Lawrence River abounds with exceptional wildlife and plant life. However, the river's worrisome health is causing a deterioration in the habitats, which endangers the sustainability of the ecosystems and resources.

To protect the ecosystems and mitigate the impact on them, the government is planning to invest \$12.5 million over five years.

Short-distance maritime transport and river shuttle networks

Short-distance maritime transport, or cabotage, is the transportation of passengers or shipment of goods by water, along the coasts and over inland waters, without crossing the ocean.

It is an alternative to road transport and offers many economic, social and environmental benefits, particularly by reducing GHG emissions by up to ten times per tonne of shipped goods.

To promote this type of maritime transport, the government is providing \$46.0 million¹ to put in place infrastructure for offering regular short-distance maritime transport in eastern Québec and the Montréal area, as well as to carry out more maritime transport of outsized goods. Furthermore, investments of \$21.0 million are being provided to support river shuttle networks.

Optimize road and maritime transport intermodality

In promoting intermodality between port activities and road transport, the government intends to reduce GHG emissions resulting from the shipment of goods. Optimization of port access roads makes it possible to reduce travel time and distances.

To that end, the government is planning to invest \$34.0 million¹ to optimize road infrastructure providing port access.

¹ Investments provided for in the 2020-2030 Québec Infrastructure Plan.

6.3.2 Increasing assistance provided to municipalities for maintaining and improving their local road networks

The municipalities are responsible for a large portion of Québec's road network. Adequate maintenance of local roads is necessary for facilitating the mobility of citizens and increasing their safety.

To that end, in Budget 2020-2021, the government is increasing its assistance to municipalities by providing:

- additional support in the amount of \$180.0 million over five years for routine and preventive maintenance of local roads, particularly for roadway snow removal, line painting and sign panel replacement;
- additional investments of \$500.0 million, in the 2020-2030 Québec Infrastructure Plan, to improve roads, which will make it possible to upgrade the overall condition of the local road network and carry out work targeted in the municipal intervention plans.

This additional assistance strengthens the partnership between the government and the municipalities, in addition to ensuring the local road network's durability and improving its efficiency.

6.3.3 Fostering the safety of the railway network and its integration into the supply chain of businesses

At the conclusion of the railway transport summit, the government confirmed its determination to support the development of rail transportation for passengers and goods.

The government is delivering on this commitment by investing \$70.2 million in the 2020-2030 Québec Infrastructure Plan to:

- improve the railway network's safety through additional support for municipalities;
- increase the use of rail transportation by supporting businesses that wish to integrate this form of transportation into their supply chain;
- foster the maintenance and improvement of the railway network under Québec jurisdiction and its resilience against the effects of climate change.

Efficient and accessible rail transportation services, in particular for transporting goods, are essential for fostering complementarity between the road network and the rail network.

Gaspésie railroad

The Sustainable Mobility Policy – 2030 aims, in particular, to ensure better access to the rail services for remote areas, such as Gaspésie.

— In this context, rail transport constitutes one of the advantageous options for Gaspésie businesses.

The government has announced its intention to accelerate the rehabilitation of the Gaspésie railroad by increasing its investment to \$151.5 million, which will make it possible to carry out work on the sections from Matapédia to Caplan, and from Caplan to Port-Daniel–Gascons. Planning for the work on the railway section connecting Port-Daniel–Gascons with Gaspé is continuing.

The initiatives to rehabilitate the Gaspésie railroad and make it safe will ensure reliable rail service for businesses and a return of the tourist train between Percé and Gaspé. They will also make it possible to restore VIA Rail's passenger train service to Gaspé.

The government is doing everything possible to accelerate the launch of the construction work. The timeline for completing the project has been optimized to have the tourist train running as of 2024 and to have full rail service up to Gaspé in 2025.

6.4 Pursuing the development of the northern areas

The Québec government intends to support the economic and social development efforts of stakeholders in northern areas, particularly with the Aboriginal communities. To that end, the government plans to:

- implement the Plan d'action nordique 2020-2023;
- subscribe for share capital of the Société de développement de la Baie-James.

6.4.1 Implementing the Plan d'action nordique 2020-2023

Wishing to do more to ensure the well-being of the northern communities, protect the environment and diversify the territory's economy, the government intends to implement the Plan d'action nordique 2020-2023, which, among other things, will make it possible to:

- improve the telecommunications networks to enable communities to benefit from significantly faster Internet and satellite services than what are currently available;
- carry out transportation infrastructure projects;
- develop distinctive tourism products;
- support the northern culture, particularly by supporting the cultural development agreements reached with the Aboriginal communities;
- designate the first northern conservation areas in partnership with the Ministère de l'Environnement et de la Lutte contre les changements climatiques;
- establish a residual materials management process adapted to northern environment.

The funds required to implement this plan will be drawn from the *Fonds du Plan Nord* and made available to the Société du Plan Nord.

The Minister of Energy and Natural Resources will announce the details of this action plan at a later date.

6.4.2 Subscribing for share capital of the Société de développement de la Baie-James

The Société de développement de la Baie-James (SDBJ) is known for its expertise in implementing economic development and diversification projects in the James Bay territory.

- Through the various cooperation agreements it has concluded with different regional partners, including the James Bay Regional Administration and the Cree Nation Government, the SDBJ fosters cooperation among stakeholders in the area.

To enable the SDBJ to continue providing financial support for strategic business projects and to participate in those projects, the government is providing for an additional subscription for \$10.0 million of the SDBJ's share capital.

- This additional subscription by the Minister of Finance will also make it possible to develop the full potential of the La Grande-Rivière airport, which is used, among other things, for serving 14 northern villages in Nunavik.

7. DEVELOPING OUR NATURAL RESOURCES RESPONSIBLY

The considerable natural resources of Québec's regions constitute a vector of economic development. They must, however, be developed in a manner that respects the environment and the people living there.

To develop our natural resources in a responsible manner, the government is providing \$647.4 million in Budget 2020-2021 to:

- develop critical and strategic minerals as well as public land;
- encourage sustainable development in the agricultural sector;
- support the forest sector.

TABLE C.33

Financial impact of the measures to develop our natural resources responsibly (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Developing critical and strategic minerals as well as public land	—	-24.7	-18.0	-18.0	-18.0	-18.0	-96.7
Encouraging sustainable development in the agricultural sector	-187.3	-45.8	-56.7	-55.1	-49.5	-40.6	-435.0
Supporting the forest sector	—	-16.0	-19.2	-20.6	-30.4	-29.5	-115.7
TOTAL	-187.3	-86.5	-93.9	-93.7	-97.9	-88.1	-647.4

7.1 Developing critical and strategic minerals as well as public land

Development of the land and natural resources is an important lever for economic prosperity for several Québec regions.

To contribute to sustainable economic development of the regions, the government is providing close to \$100 million to develop:

- critical and strategic minerals;
- public land.

TABLE C.34

Financial impact of the measures to develop critical and strategic minerals as well as public land
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Developing critical and strategic minerals ⁽¹⁾	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
Developing public land ^{(2),(3)}	-6.7	—	—	—	—	-6.7
TOTAL	-24.7	-18.0	-18.0	-18.0	-18.0	-96.7

(1) The necessary funds for the Ministère de l'Énergie et des Ressources naturelles will be drawn from the mining heritage component of the Natural Resources Fund.

(2) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

□ Developing critical and strategic minerals

Technology advancements lead to a significant increase in the demand for certain natural and energy resources.

Various countries wish to secure their supply of mineral resources considered to be critical and strategic.

These minerals, some of which are used in transportation electrification and the manufacturing of digital and technological products include, in particular, lithium, cobalt, graphite, rare earth elements, niobium and titanium.

Québec has several assets that will enable it to benefit from the development of these minerals, including a large variety of minerals, vast technological expertise as well as sources of clean energy at competitive prices.

To foster the development of critical and strategic minerals, the government is providing \$90.0 million in Budget 2020-2021, primarily to:

- step up knowledge acquisition, education and awareness regarding critical and strategic minerals as well as the promotion of their potential;
- encourage innovation and develop expertise and value chains associated with critical and strategic minerals;
- contribute to the development of the green sector, recycling and exemplary environmental practices.

The Minister of Energy and Natural Resources will announce the details of this initiative at a later date.

❑ Developing public land

Public land is an important economic development lever capable of increasing collective wealth, particularly in the regions.

The government wishes to better manage and increase the development of public land in order to benefit from the land's full potential and contribute to the economic vitality of Québec's regions. New initiatives are therefore being provided to:

- increase the number of public-land rights issued on the lands of the domain of the State (particularly resort leases, but also for commercial and industrial purposes);
- reduce processing timelines and simplify the procedures for the clientele;
- implement a surveying program for land under lease from the State;
- monitor rights compliance and counter occupancies without right.

To achieve this, legislative amendments will be required so that land management and development activities will be funded by the Territorial Information Fund and so that revenues resulting from those activities will be credited to the fund. It is proposed that these amendments take effect April 1, 2021.

Furthermore, for 2020-2021, additional appropriations totalling \$6.7 million will be granted to the Ministère de l'Énergie et des Ressources naturelles for enhancing its activities related to the development, management and use of the lands of the domain of the State.

7.2 Encouraging sustainable development in the agricultural sector

The agricultural sector is strategic for Québec, not only because of its key role in food production, but also as an economic driver for the development of the regions and territories.

There is also substantial potential for the sector to grow in the coming years, particularly due to increased consumer interest in a healthy diet, purchasing local products and organic production, while current production is insufficient for meeting Quebecers' needs.

To take advantage of this favourable environment, the government is providing \$295.0 million over six years for initiatives that will make it possible to encourage the sustainable development of the agricultural sector, namely:

- implement the sustainable agriculture plan;
- introduce a plan to increase greenhouse production and horticulture;
- foster a responsible use of antibiotics in animal production and ensure the animals' welfare;

- promote the agri-food sector's modernization by extending the three-phase network;
- revise the farm property tax credit program.

Furthermore, the government is planning to partially reimburse the deficit of the Fonds d'assurance stabilisation des revenus agricoles (Fonds ASRA) assumed by La Financière agricole du Québec.

TABLE C.35

Financial impact of the measures to encourage sustainable development in the agricultural sector
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Implementing the sustainable agriculture plan ⁽¹⁾	—	-25.0	-25.0	-25.0	-25.0	-25.0	-125.0
Introducing a plan to increase greenhouse production and horticulture ⁽¹⁾	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Fostering a responsible use of antibiotics in animal production and ensuring the animals' welfare ^{(2),(3)}	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Promoting the agri-food sector's modernization by extending the three-phase network ^{(3),(4)}	—	-1.1	-4.7	-4.7	-4.7	—	-15.2
Revising the farm property tax credit program ^{(2),(5)}	-47.3	-6.7	-14.0	-12.4	-6.8	-2.6	-89.8
Subtotal	-47.3	-45.8	-56.7	-55.1	-49.5	-40.6	-295.0
Reimbursing La Financière agricole du Québec's share in the deficit of the Fonds ASRA ⁽¹⁾	-140.0	—	—	—	—	—	-140.0
TOTAL	-187.3	-45.8	-56.7	-55.1	-49.5	-40.6	-435.0

(1) The sums will be funded from the budgetary surpluses of La Financière agricole du Québec.

(2) Appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(3) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(4) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

(5) The amounts for 2019-2020 will be drawn from the Contingency Fund.

7.2.1 Implementing the sustainable agriculture plan

Agricultural businesses have to deal with numerous environmental and social challenges.

- The agricultural sector must innovate and work together to respond to a multiplicity of matters in order to ensure the sustainability of agriculture and ramp up the transition to resilient agricultural practices. These practices will help, in particular, to fight climate change and contribute to the preservation of ecosystems and water quality.

The agricultural sector must therefore accelerate the implementation of concrete measures to ensure that it is both ecologically and economically viable.

It is in this context that the government will implement its sustainable agriculture plan, the details of which will be announced at a later date by the Minister of Agriculture, Fisheries and Food.

To that end, the government is providing \$125.0 million over five years, in Budget 2020-2021, to implement the sustainable agriculture plan.

- These funds will be used to support good agricultural practices and enhance the support provided for farmers.

7.2.2 Introducing a plan to increase greenhouse production and horticulture

In a northern climate, greenhouse production makes it possible to extend the production season and substantially increase the fruit and vegetables available while replacing imported produce with quality Québec produce.

To support its commitment to double greenhouse production, the government is providing \$50.0 million over five years, in Budget 2020-2021, to introduce a plan to increase greenhouse production and horticulture.

- The amounts will be used, in particular, to fund the financial assistance program to promote greenhouse development of the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

The Minister of Agriculture, Fisheries and Food will announce the details of the plan at a later date.

7.2.3 Fostering a responsible use of antibiotics in animal production and ensuring the animals' welfare

The health and welfare of both farm animals and pets continues to be an important issue for many Quebecers. In this regard, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation is particularly challenged to define and apply strict measures related to inspection, monitoring and antibiotic use.

To support the Ministère in carrying out this mission, the government is providing \$15.0 million in Budget 2020-2021 to:

- strengthen the agreements between the Ministère and its current mandataries designated to carry out inspections and interventions related to animal health and safety;
- step up the efforts of the Ministère to improve animal health in a sustainable manner and foster a responsible use of antibiotics in animal production.

7.2.4 Promoting the agri-food sector's modernization by extending the three-phase network

In Québec, nearly 60% of the electricity distribution network is single-phase, which meets the typical consumption needs of households.

A three-phase network⁵ is, however, better adapted to the power needs of high-energy consuming appliances.

In the agri-food sector, there is no solution for replacing the fossil fuels used by certain high-energy consuming appliances in regions that do not have a three-phase network.

To encourage equipment modernization and the substitution of fossil-fuel energy sources by clean electricity in the agri-food sector, the government will take measures to better serve certain rural areas by extending the three-phase network.

To that end, the government is providing \$15.2 million over four years, in Budget 2020-2021, to fund projects to extend the three-phase network.

7.2.5 Revising the farm property tax credit program

The farm property tax credit program enables agricultural landowners to pay less municipal and school taxes. This ensures the competitiveness of Québec farmers compared to farmers in the other Canadian provinces, all of which have similar measures.

⁵ The three-phase network consists of three currents and delivers power instantaneously without a pulsed component, resulting in less loss and better efficiency.

The government has announced a revision of the program, which will enable farmers to benefit from better financial forecasting while easing their administrative burden.

— To that end, the government is providing \$89.8 million over six years to implement the revision of the program.⁶

7.2.6 Reimbursing La Financière agricole du Québec's share in the deficit of the Fonds d'assurance stabilisation des revenus agricoles

The agricultural sector benefits from substantial support through the various programs offered by La Financière agricole du Québec (La Financière agricole), such as the farm income stabilization insurance program.

The contribution of La Financière agricole and that of the program members are paid into the Fonds d'assurance stabilisation des revenus agricoles (Fonds ASRA). This fund has been in a deficit position for several years.

To remedy the situation, the board of directors of La Financière agricole adopted a resolution on January 29, 2010 stating that the accumulated deficit of the Fonds ASRA as at March 31, 2010 would, going forward, be amortized over a maximum period of 15 years.

In Budget 2020-2021, the government is providing \$140.0 million to reimburse a portion of the Fonds ASRA deficit assumed by La Financière agricole.

7.3 Supporting the forest sector

In Québec, the forest sector is an important vector of economic development and contributes to the vitality of many regions. It also contributes to the fight against climate change through its capacity to absorb GHGs.

To support this sector, the government is providing \$115.7 million in Budget 2020-2021 to:

- increase the forest industry's contribution to fighting climate change;
- make more timber available for harvesting;
- ensure better timber supply forecasts.

⁶ Subject to adoption of Bill n° 48, *An Act mainly to control the cost of the farm property tax and to simplify access to the farm property tax credit.*

TABLE C.36

Financial impact of the measures to support the forest sector
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Increasing the forest industry's contribution to fighting climate change ^{(1),(2),(3)}	-6.0	-8.5	-11.6	-19.3	-18.4	-63.8
Making more timber available for harvesting	-6.1	-8.7	-8.7	-11.1	-11.1	-45.7
Ensuring better timber supply forecasts ^{(2),(3)}	-3.9	-2.0	-0.3	—	—	-6.2
TOTAL	-16.0	-19.2	-20.6	-30.4	-29.5	-115.7

(1) Investments of \$50.0 million are provided for in the 2020-2030 Québec Infrastructure Plan.

(2) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(3) The amounts for 2020-2021 will be drawn from the Contingency Fund.

7.3.1 Increasing the forest industry's contribution to fighting climate change

Due to their natural capacity to absorb carbon, forests enable Québec to better fight climate change.

The government intends to fully leverage the potential of this contribution.

To that end, the government is providing \$63.8 million over five years to implement several initiatives to, in particular:

- increase forest productivity so that, after harvesting, the forest can grow back faster and over a larger area;
- carry out silviculture work to foster the planting of seedlings in public and private forests;
- acquire knowledge on how the different silviculture operations affect carbon sequestration and on our forests' adaptation to climate change, with a view to optimizing future silvicultural decisions.

Added to this amount is \$50.0 million in infrastructure investments provided for in the 2020-2030 Québec Infrastructure Plan.

7.3.2 Making more timber available for harvesting

Each year, for various reasons, a significant difference is observed in Québec's public and private forests between the volume of timber available for harvesting and the volume harvested.

To remedy this situation, the government is announcing an envelope to fund the Québec wood production strategy.

The strategy's objective is to increase the volume of timber harvested across Québec through various initiatives that aim to, in particular:

- foster timber harvesting in public forests;
- make more timber available in private forests;
- renew the income-averaging measure for forest producers;
- allow for a special property tax rate for private woodlots.

The government is providing \$45.7 million for these various initiatives.

TABLE C.37

Financial impact of the measures to make more timber available for harvesting (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Fostering timber harvesting in public forests ^{(1),(2)}	-2.0	-2.5	-2.5	-3.5	-3.5	-14.0
Making more timber available in private forests ^{(1),(2)}	-3.0	-5.0	-5.0	-6.5	-6.5	-26.0
Renewing the income-averaging measure for forest producers	-0.7	-0.7	-0.7	-0.8	-0.8	-3.7
Allowing for a special property tax rate for private woodlots ^{(1),(3)}	-0.4	-0.5	-0.5	-0.3	-0.3	-2.0
TOTAL	-6.1	-8.7	-8.7	-11.1	-11.1	-45.7

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) The necessary funds for the Ministère des Forêts, de la Faune et des Parcs will be drawn from the sustainable forest development component of the Natural Resources Fund.

(3) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

❑ **Fostering timber harvesting in public forests**

To ensure the competitiveness of the entire forest industry, processing plants must be able to acquire the volumes of timber they need for their activities.

- Each year, substantial volumes of timber available for harvesting in public forests are not harvested, due to a lack of buyers owing, in particular, to a lower quality or to operational constraints.

In this context, the government is providing \$14.0 million in Budget 2020-2021 to enhance the forest development investment program and thereby foster timber harvesting in public forests.

❑ **Making more timber available in private forests**

Private forests can be leveraged more in the development of Québec's forest industry.

To that end, the government is providing \$26.0 million in Budget 2020-2021 to support the regional agencies for private forest development and to encourage the harvesting and marketing of their timber.

These sums will make it possible, in particular, to better support private forest owners and increase their contribution to supplying processing plants in Québec's regions.

❑ **Renewing the income-averaging measure for forest producers**

To mobilize more timber from private forests for industrial processing, the government offers an income-averaging mechanism for private-forest timber producers.

To enable private forests to contribute more toward supplying Québec's wood processing plants, the government is providing, in Budget 2020-2021:

- a five-year extension to the income-averaging measure for forest producers, up to December 31, 2025;
- an extension of the maximum deferral period from seven to ten years.

The government will therefore continue to offer forest producers the possibility to defer taxation on part of their revenues. The resulting freed-up liquidity could, for instance, be reinvested in forest development work.

The extension and improvement of the income-averaging measure for forest producers represents support in the sum of \$3.7 million over five years to make more timber available in private forests.

TABLE C.38

Main parameters of the income-averaging measure for forest producers – After Budget 2020-2021

Eligible forest producers	Individual or company with paid-up capital under \$15 million and recognized as a forest producer
Deduction in calculating taxable income	Amount that does not exceed 85% of the lesser of: <ul style="list-style-type: none"> – \$200 000 – Net annual revenues generated by non-retail sales of timber produced in a private forest
Inclusion in the calculation of taxable income	Inclusion in the calculation of the producer's taxable income of all or at least 10% of the amount deducted <ul style="list-style-type: none"> – The total amount deducted must be included in taxable income by no later than the tenth year following the year in which the deduction was granted
Deadline	Timber income earned in the taxation year that ends on December 31, 2025 at the latest

Creation of a liaison committee

Québec's tax system applicable to woodlot operators includes several tax incentives¹ to stimulate the sale of timber from private forests and to supply processing plants.

Access to these tax measures depends on certain factors, such as administrative red tape, which can hinder forest owners' decisions related to timber harvesting and marketing.

To ensure that woodlot operators enjoy a favourable business environment, the government is announcing, in Budget 2020-2021, the creation of a liaison committee made up of representatives from the Ministère des Forêts, de la Faune et des Parcs and from Revenu Québec.

The committee will be responsible for simplifying the administration of the tax system applicable to woodlot operators.

¹ These tax incentives include, in particular, the property tax refund for forest producers, income-averaging measure for forest producers, refund of the fuel tax, deduction for forest workers, and deduction of eligible expenses in calculating income.

□ **Allowing for a special property tax rate for private woodlots**

To continue supporting the development of the forest sector, the government has provided for a municipal tax adjustment, which will allow for a special property tax rate to be set for private forests.⁷ The rate will enable municipalities wishing to do so to promote this activity sector.

— This initiative requires that private woodlot owners be registered with the Ministère des Forêts, de la Faune et des Parcs. The government is therefore providing, in Budget 2020-2021, investments of \$2.0 million over five years.

7.3.3 Ensuring better timber supply forecasts

The forestry planning activities of the Ministère des Forêts, de la Faune et des Parcs make it possible to establish a two-year forecast of timber volumes available to Québec forest industrial companies.

To ensure better planning of harvesting activities, the government intends to extend the forecast of timber volumes to three years.

This extended forecast will enable the forest industry to improve its productivity by reducing its costs and ensuring a more dependable supply for the processing plants in the regions.

The government is therefore providing \$6.2 million for the work needed to revise the planning for harvesting sectors regarding available timber.

⁷ Subject to adoption of Bill n° 48, *An Act mainly to control the cost of the farm property tax and to simplify access to the farm property tax credit.*

8. FOSTERING HEALTHY COMPETITION

Tax evasion, the involvement of organized crime in certain spheres of the economy as well as regulations that are ill-adapted to the new realities are all factors that can inhibit healthy competition. In Budget 2020-2021, the government is therefore providing for initiatives to:

- ensure tax fairness;
- support actions to fight the infiltration of organized crime;
- ease the regulations governing the alcoholic beverage and gaming sectors.

Furthermore, measures will be introduced to improve the security of government information.

TABLE C.39

Financial impact of the initiatives to foster healthy competition (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Ensuring tax fairness	-4.9	-1.5	4.3	63.0	69.5	130.4
Supporting actions to fight the infiltration of organized crime	-0.5	-8.2	-8.8	-9.0	-9.0	-35.5
Easing the regulations governing the alcoholic beverage and gaming sectors	—	—	—	—	—	—
Improving the security of government information	-3.0	-5.0	-5.0	-5.0	-5.0	-23.0
TOTAL	-8.4	-14.7	-9.5	49.0	55.5	71.9

8.1 Ensuring tax fairness

To fund public services and promote healthy economic competition, the government needs to fully recover lost tax revenue. The Tax Fairness Action Plan represents the government's strategy to fight tax evasion and tax avoidance, and to ensure the integrity of the tax system.

In addition to continuing with the actions announced in the previous budget, the government is introducing initiatives to:

- strengthen corporate transparency;
- step up actions to fight tax evasion and tax avoidance;
- combat fraud against the government more effectively.

To achieve this, the government will invest \$29.6 million over five years. These initiatives are expected to generate an estimated \$160.0 million in additional revenues over five years. Details of the Tax Fairness Action Plan initiatives are set out in *Additional Information 2020-2021*.

TABLE C.40

Financial impact of the initiatives to ensure tax fairness
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Strengthening corporate transparency ⁽¹⁾	-0.4	-1.5	-0.7	-1.9	-0.4	-4.9
Stepping up actions to fight tax evasion and tax avoidance	-3.5	-4.0	-4.0	-4.1	-4.1	-19.7
Combatting fraud against the government more effectively	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Subtotal	-4.9	-6.5	-5.7	-7.0	-5.5	-29.6
Revenues generated by the initiatives in the Tax Fairness Action Plan	—	5.0	10.0	70.0	75.0	160.0
TOTAL	-4.9	-1.5	4.3	63.0	69.5	130.4

Note: These measures are presented in detail in *Additional Information 2020-2021*.

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

Collection of the QST by suppliers outside Québec

Since 2019, foreign and Canadian suppliers have been required to register for the QST in order to collect the tax on their taxable sales to Québec consumers and remit it to Revenu Québec.

This requirement applies to services and incorporeal property for foreign and Canadian suppliers. The same requirement applies to Canadian suppliers for corporeal property as well.

With regard to corporeal property from abroad, the Québec government, in collaboration with the federal government, took part in a pilot project for the purpose of improving collection of the QST on these goods.

Since the pilot project did not have the desired results, the Québec government is reiterating its determination to see the QST collected on corporeal property from abroad. To that end, Québec will work with the federal government to implement a harmonized solution in 2021.

8.2 Supporting actions to fight the infiltration of organized crime

Criminal schemes continue to evolve, requiring that the police and their partners also adapt constantly in order to pursue their mandates and remain effective in their actions.

To step up its support for the police and their partners, the government is investing an additional \$36.6 million. These funds take into account the new investments provided for in the 2020-2030 Québec Infrastructure Plan.

TABLE C.41

Financial impact of the initiatives to support actions to fight the infiltration of organized crime (millions of dollars)

	2020- 2021 ⁽¹⁾	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Stepping up the fight against organized crime ^{(2),(3)}	—	-7.7	-8.2	-8.3	-8.3	-32.5
Enhancing the expertise of the Laboratoire de sciences judiciaires et de médecine légale ^{(2),(4)}	-0.5	-0.5	-0.6	-0.7	-0.7	-3.0
TOTAL	-0.5	-8.2	-8.8	-9.0	-9.0	-35.5

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de la Sécurité publique.

(3) Investments of \$0.7 million are provided for in the 2020-2030 Québec Infrastructure Plan.

(4) Investments of \$0.4 million are provided for in the 2020-2030 Québec Infrastructure Plan.

8.2.1 Stepping up the fight against organized crime

The Sûreté du Québec coordinates daily interventions that make it possible to permanently destabilize organized criminal networks and their ringleaders. Despite those efforts, criminal organizations continue to exercise their influence in various spheres of activity.

To address this issue in a more impactful manner, new response teams assigned to fight organized crime will be deployed.

— To that end, the government is providing an additional \$32.5 million over five years, in Budget 2020-2021, to which is added investments of \$0.7 million under the 2020-2030 Québec Infrastructure Plan.

8.2.2 Enhancing the expertise of the Laboratoire de sciences judiciaires et de médecine légale

Whether it concerns expertise in ballistics, DNA, chemistry, forensic medicine or toxicology, the Laboratoire de sciences judiciaires et de médecine légale provides forensic information that significantly enhances the effectiveness of police investigations.

The integration of recent scientific advances with the laboratory's services will enable the government to tackle new schemes, reopen unsolved police investigations, quickly notify victims' families and better protect the population.

To that end, the government is investing an additional \$3.4 million, taking into account the 2020-2030 Québec Infrastructure Plan.

8.3 Easing the regulations governing the alcoholic beverage and gaming sectors

To simplify the administrative requirements of the Régie des alcools, des courses et des jeux, measures are being proposed to ease those requirements for the alcoholic beverage and gaming sectors. These measures will enable businesses regulated by the Régie to more easily fulfil their obligations, without reducing the Régie's capacity to protect public security, tranquility and interest.

8.3.1 Simplifying the regulations governing alcoholic beverages

Québec's alcoholic beverage sector has changed significantly in recent years with, among other things, the arrival of microbrewers and new consumer habits. To support Québec's alcoholic beverage industry, the government will propose to ease the regulatory and legislative requirements, in particular to:

- adjust the monetary administrative penalties issued by the Régie;
- reduce the requirements governing alcoholic beverages fabricated by a permit holder and sold where they are produced.

It is also proposed to accelerate the application date of certain amendments provided for in the *Act to modernize the legal regime applicable to liquor permits and to amend various other legislative provisions with regard to alcoholic beverages*.⁸ These amendments provide for, in particular:

- easing the conditions governing restaurant permits;
- introducing permits for seasonal retailers;
- reducing the requirements for obtaining an reunion permit;
- simplifying the rules for participating in events to present or discover alcoholic beverages.

⁸ S.Q. 2018, chapter 20.

8.3.2 Changing the publicity contest requirements

Under the *Act respecting lotteries, publicity contests and amusement machines*,⁹ a person for whom a publicity contest is carried on, and in which the total value of the prizes offered exceeds \$100, must pay duties to the Régie.

As Québec is the only Canadian province where these duties are in force, many international companies choose to exclude Quebecers from participating in their contests to avoid having to pay the duties associated with the regulation and having to comply with the administrative red tape.

Out of a concern for fairness and to foster the inclusion of Quebecers during international publicity contests, the government intends to make legislative amendments to the *Act respecting lotteries, publicity contests and amusement machines*.

8.4 Improving the security of government information

The government's digital transformation is creating new opportunities that also involve, however, increased responsibilities related to protecting government information. The government therefore intends to raise the maturity level of public bodies in the area of cybersecurity by implementing a government cybersecurity policy and creating the Centre gouvernemental de cybersécurité. To that end, the government is planning to invest \$23.0 million by 2024-2025.

TABLE C.42

Financial impact of the initiative to improve the security of government information (millions of dollars)

	2020-2021 ⁽¹⁾	2021-2022	2022-2023	2023-2024	2024-2025	Total
Improving the security of government information ⁽²⁾	-3.0	-5.0	-5.0	-5.0	-5.0	-23.0

(1) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Secrétariat du Conseil du trésor.

⁹ CQLR, chapter L-6.

❑ **Cybersecurity policy**

The government will implement a government cybersecurity policy to establish a resilient, cyber-protected public administration that offers citizen-centred digital services.

The policy applies to government bodies and their personnel as well as to citizens, and specifies the government's cybersecurity goals. Its purpose is to protect digital information, technology infrastructure and computer systems.

The policy rests on five fundamental principles:

- ensure the application of measures proportionate to the value of the information and the risks incurred;
- foster and encourage the adoption of cybersecurity behaviour;
- promote skills development as well as talent attraction and retention;
- encourage sharing and pooling;
- integrate upstream information protection.

❑ **Creation of the Centre gouvernemental de cyberdéfense**

The creation of the Centre gouvernemental de cyberdéfense will make it possible to ensure constant monitoring for cyberthreats, coordinate prompt and effective responses to such threats and implement cyberdefence best practices in Québec's public administration to better protect government data, systems and technology infrastructure.

9. MODERNIZATION OF THE ACT RESPECTING THE GOVERNANCE OF STATE-OWNED ENTERPRISES

Passed unanimously in December 2006, the *Act respecting the governance of state-owned enterprises* establishes corporate governance principles to ensure that the stewardship of Québec's state-owned enterprises meets the criteria of transparency, integrity, responsibility and accountability. It establishes, in particular, the:

- responsibilities of the board of directors (board) and senior management;
- means by which the board and senior management can assume their responsibilities, such as through accountability and control mechanisms;
- rules concerning the board's composition and functions;
- rules of transparency, including those relating to officer remuneration.

The experience acquired since 2006 along with expert recommendations have shed light on the Act's relevance and on certain possible improvements.

To reinforce the implementation of best governance practices, therefore, the government intends to subject all state-owned enterprises to the Act, while taking into consideration the specific characteristics of each enterprise.

Moreover, it is proposed that certain improvements be made in order to modernize the Act, in particular:

- all board members of state-owned enterprises would be remunerated, with the exclusion of public sector employees and employees of a subsidiary of a state-owned enterprise;
- each board should achieve the male-female parity zone (40% - 60%).

Furthermore, for increased transparency, the Act should be amended to clarify which information should be disclosed in the enterprises' annual reports regarding the remuneration of each of the five highest-paid officers.

- In particular, signing bonuses and separation packages should be reported.

The government's wish is that, at the end of this process, all state-owned enterprises will benefit from an enhanced governance framework that is better adapted to today's requirements and that fosters improved reporting on the use of public funds.

TABLE C.43

Bodies subject to the *Act respecting the governance of state-owned enterprises*

State-owned enterprises included in the Act	State-owned enterprises to be included in the Act
1. Caisse de dépôt et placement du Québec ⁽¹⁾	1. Agence du revenu du Québec
2. Conseil des arts et des lettres du Québec	2. Bibliothèque et Archives nationales du Québec
3. Hydro-Québec ⁽¹⁾	3. Centre de services partagés du Québec
4. Investissement Québec	4. Commission de la capitale nationale du Québec
5. La Financière agricole du Québec	5. Commission de la construction du Québec
6. Régie de l'assurance maladie du Québec	6. Commission des normes, de l'équité, de la santé et de la sécurité du travail
7. Régie des installations olympiques	7. Conseil de gestion de l'assurance parentale
8. Retraite Québec	8. Conseil de gestion du Fonds vert
9. Société d'habitation du Québec	9. Conservatoire de musique et d'art dramatique du Québec
10. Société de développement des entreprises culturelles	10. Corporation d'urgences-santé
11. Société de l'assurance automobile du Québec	11. École nationale de police du Québec
12. Société de la Place des Arts de Montréal	12. École nationale de pompiers du Québec
13. Société de télédiffusion du Québec	13. Fondation de la faune du Québec
14. Société des alcools du Québec	14. Fonds d'aide aux actions collectives
15. Société des établissements de plein air du Québec	15. Fonds de recherche du Québec – Nature et technologies
16. Société des loteries du Québec	16. Fonds de recherche du Québec – Santé
17. Société des Traversiers du Québec	17. Fonds de recherche du Québec – Société et culture
18. Société du Centre des congrès de Québec	18. Héma-Québec
19. Société du Grand Théâtre de Québec	19. Institut de tourisme et d'hôtellerie du Québec
20. Société du Palais des congrès de Montréal	20. Institut national d'excellence en santé et en services sociaux
21. Société du Plan Nord	21. Institut national de santé publique du Québec
22. Société québécoise de récupération et de recyclage	22. Institut national des mines
23. Société québécoise des infrastructures	23. Musée d'Art contemporain de Montréal
24. Transition énergétique Québec	24. Musée de la Civilisation
	25. Musée national des beaux-arts du Québec
	26. Office Québec-Monde pour la jeunesse
	27. Régie du bâtiment du Québec
	28. Société de développement de la Baie-James
	29. Société de financement des infrastructures locales du Québec
	30. Société du parc industriel et portuaire de Bécancour
	31. Société québécoise d'information juridique

(1) Bodies not subject to the *Act respecting the governance of state-owned enterprises*, but whose governance rules have been incorporated into the corporation's constituting Act.

FINANCIAL IMPACT

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Doing more and better in education							
Improving educational success for youth							
– Supporting the implementation of 4-year-old kindergarten	—	–19.2	–25.6	–28.6	–31.6	–31.6	–136.6
– Fostering student retention	—	–10.0	–13.0	–13.0	–13.0	–13.0	–62.0
– Ensuring a minimum level of services for students with special needs	—	–20.8	–26.3	–26.3	–26.3	–26.3	–126.0
– Adding special classes for gifted students and students experiencing difficulties	—	–14.6	–20.0	–20.0	–20.0	–20.0	–94.6
– Enhancing food aid at the preschool, primary and secondary levels	—	–7.7	–11.0	–11.0	–11.0	–11.0	–51.7
– Ensuring safe school transportation	—	–16.1	–21.2	–21.2	–21.2	–21.2	–100.9
– Providing students with more stimulating learning environments	—	–30.0	–24.0	–21.0	–18.0	–18.0	–111.0
– Offering students lively, animated schoolyards	—	–8.0	–11.5	–11.5	–11.5	–11.5	–54.0
– Sharing school and municipal infrastructure	—	–4.0	–4.0	–4.0	–4.0	–4.0	–20.0
– Providing access to quality equipment	—	–3.5	–3.5	–3.5	–3.5	–3.5	–17.5
– Other measures	—	–6.7	–8.9	–8.9	–8.9	–8.9	–42.3

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Doing more and better in education (cont.)							
Raising the graduation rate for higher education and bringing institutions closer to their communities							
– Promoting success in higher education and reducing labour shortages	—	-60.0	-60.0	-60.0	-60.0	-60.0	-300.0
– Creating niches of expertise in higher education	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
– Awarding scholarships in engineering and computer science	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
– Training doctors in the regions	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Improving academic institutions' research capacity	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
– Increasing support to college centres for technology transfer (CCTT)	-50.0	—	—	—	—	—	-50.0
Promoting participation in recreation and sports opportunities							
– Enhancing sports and recreational facilities in schools	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Strengthening the Policy on Physical Activity, Sport and Recreation	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
– Getting young people moving	—	-1.7	-1.7	-1.7	-1.7	-1.7	-8.5
– Supporting student sport	—	-1.6	-1.6	-1.6	-1.6	-1.6	-8.0
– Tackling abuse and harassment	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
– Increasing by 5% support for the Soutien à l'action bénévole program	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
– Recognizing sporting excellence in Québec	—	-1.4	-1.4	-1.4	-1.4	-1.4	-7.0
Subtotal	-50.0	-260.3	-288.7	-288.7	-288.7	-288.7	-1 465.1

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Putting money back in the pockets of Quebecers							
Additional reduction in school tax rates	—	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8
Subtotal	—	-181.9	-247.2	-253.5	-259.8	-266.4	-1 208.8
Promoting our cultural distinctiveness							
Opening up, creating and exporting Québec culture							
– Stimulating cultural vision and innovation	-2.6	-71.1	-63.9	-57.2	-60.3	-55.5	-310.6
– Supporting the music industry	—	-0.5	-2.8	-5.0	-5.5	-5.7	-19.5
– Establishing cultural infrastructure in the regions	—	-1.4	-4.8	-7.8	-9.0	-11.8	-34.8
– Redeveloping the Espace de la Capitale-Nationale	-7.0	—	—	—	—	—	-7.0
Supporting cultural organizations and museums							
– Enhancing the services offered by cultural umbrella organizations	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Supporting science and technology museums	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Protecting, promoting and developing the French language	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Subtotal	-9.6	-90.0	-88.5	-87.0	-91.8	-90.0	-456.9
Enhancing business productivity and competitiveness							
Spurring business investment							
– Boosting productivity through innovative investments	—	-13.4	-67.2	-116.4	-148.4	-180.4	-525.8
– Extending the eligibility period for the tax holiday for large investment projects	—	—	—	—	—	—	—
– Fostering the development of innovative SMBs	—	—	-6.0	-8.0	-8.0	-8.0	-30.0

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing business productivity and competitiveness (cont.)							
Fostering innovation and its commercialization							
– Introducing the incentive deduction for the commercialization of innovations	—	—	-2.9	-13.6	-25.0	-50.3	-91.8
– Enhancing R&D tax credits fostering collaboration	—	-0.5	-1.8	-2.7	-3.0	-3.0	-11.0
– Facilitating the recruitment of foreign researchers and experts	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
– Refocusing certain tax credits to ensure their effectiveness							
▪ Changing the tax credit for the development of e-business	—	1.4	11.0	17.4	20.0	21.2	71.0
▪ Changing the tax credit for the production of multimedia titles	—	0.1	0.6	0.9	1.0	1.0	3.6
– Supporting life sciences							
▪ Fostering the integration of innovations in the health and social services networks	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
▪ Increasing the number of clinical trials conducted by businesses in Québec	—	-5.0	-5.0	-5.0	—	—	-15.0
▪ Promoting greater use of artificial intelligence	—	-1.0	-3.0	-3.0	-3.0	-2.0	-12.0
▪ Increasing clinical research and genomics research	-81.0	—	—	—	—	—	-81.0

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing business productivity and competitiveness (cont.)							
Fostering innovation and its commercialization (cont.)							
– Enhancing research accessibility and commercialization							
▪ Commercializing public research	—	–10.0	–12.5	–15.0	–15.0	–15.0	–67.5
▪ Improving data access for research purposes	—	–2.5	–4.0	–6.5	–7.0	–7.0	–27.0
▪ Ensuring the protection of personal information	—	–0.6	–0.6	–0.6	–0.6	–0.6	–3.0
– Supporting the development of green industrial sectors							
▪ Continuing the development of the green hydrogen sector	—	–2.0	–3.0	–3.0	–3.0	–3.0	–14.0
▪ Supporting research, innovation and commercialization of innovative products in the electric vehicle industry	—	–3.0	–6.0	–6.0	–6.0	–6.0	–27.0
▪ Supporting the development of an industrial sector specializing in battery recycling	—	–2.0	–4.0	–4.0	–4.0	–4.0	–18.0
– Implementing innovation zones	—	–20.0	—	—	—	—	–20.0
– Enhancing the Innovation Program	—	–10.0	—	—	—	—	–10.0
Accelerating business and export growth							
– Boosting foreign investment and export growth	—	–25.0	–25.0	–20.0	–20.0	–20.0	–110.0
– Accelerating SMBs' growth through better support	—	–5.0	–5.0	–5.0	–5.0	–5.0	–25.0
– Implementing Québec's new international vision	–2.0	–7.0	–5.5	–6.0	–1.0	–1.0	–22.5
Subtotal	–83.0	–107.7	–142.1	–198.7	–230.2	–285.3	–1 047.0

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Promoting workers' integration and retention in the labour market							
Better integrating immigrants into the labour market	—	-60.0	-25.0	-25.0	-25.0	-25.0	-160.0
Promoting in-house training for workers	—	-5.8	-5.8	-5.8	-5.8	-5.8	-29.0
Attracting qualified foreign workers	-10.0	—	—	—	—	—	-10.0
Facilitating the integration of people with severely limited capacity for employment	—	-0.6	-2.2	-3.4	-3.7	-3.8	-13.7
Subtotal	-10.0	-66.4	-33.0	-34.2	-34.5	-34.6	-212.7
Boosting the regions' economic development							
Promoting regional prosperity							
– Supporting businesses in the regions and revitalizing the communities	—	-11.5	-21.5	-21.5	-21.5	-21.5	-97.5
– Supporting business growth in the regions	—	-3.0	-6.0	-6.0	—	—	-15.0
– Fostering access to renewable energy for all Quebecers	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
– Supporting the production and distribution of renewable natural gas	-45.0	-12.5	-12.5	—	—	—	-70.0
– Ensuring energy supplies for Île d'Anticosti	-3.2	—	—	—	—	—	-3.2
– Renewing the Government Social Economy Action Plan	—	-10.0	-15.0	-15.0	-16.0	-16.0	-72.0

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Boosting the regions' economic development (cont.)							
Developing the tourism sector							
– Implementing the 2020-2025 tourism industry growth strategy	-45.0	-33.6	-48.6	-56.6	-57.6	-62.6	-304.0
– Pursuing the regional partnership agreements for tourism	—	-2.4	-2.4	-2.4	-2.4	-2.4	-12.0
– Developing Sépaq establishments	—	—	—	—	—	—	—
Supporting regional growth by improving the transportation infrastructure							
– Taking advantage of the St. Lawrence River							
▪ The St. Lawrence River: a high-performance economic corridor	—	-10.9	-16.8	-20.3	-20.4	-18.8	-87.2
▪ Reclaiming the St. Lawrence River	—	-5.2	-10.0	-7.3	-6.5	-6.5	-35.5
– Increasing assistance provided to municipalities for maintaining and improving their local road networks	—	-30.0	-30.0	-30.0	-30.0	-60.0	-180.0
– Fostering the safety of the railway network and its integration into the supply chain of businesses	—	—	—	—	—	—	—
Pursuing the development of the northern areas	—	—	—	—	—	—	—
Subtotal	-93.2	-124.1	-167.8	-164.1	-159.4	-192.8	-901.4

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Developing our natural resources responsibly							
Developing critical and strategic minerals as well as public land							
– Developing critical and strategic minerals	—	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
– Developing public land	—	-6.7	—	—	—	—	-6.7
Encouraging sustainable development in the agricultural sector							
– Implementing the sustainable agriculture plan	—	-25.0	-25.0	-25.0	-25.0	-25.0	-125.0
– Introducing a plan to increase greenhouse production and horticulture	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Fostering a responsible use of antibiotics in animal production and ensuring the animals' welfare	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
– Promoting the agri-food sector's modernization by extending the three-phase network	—	-1.1	-4.7	-4.7	-4.7	—	-15.2
– Revising the farm property tax credit program	-47.3	-6.7	-14.0	-12.4	-6.8	-2.6	-89.8
– Reimbursing La Financière agricole du Québec's share in the deficit of the Fonds ASRA	-140.0	—	—	—	—	—	-140.0
Supporting the forest sector							
– Increasing the forest industry's contribution to fighting climate change	—	-6.0	-8.5	-11.6	-19.3	-18.4	-63.8
– Making more timber available for harvesting	—	-6.1	-8.7	-8.7	-11.1	-11.1	-45.7
– Ensuring better timber supply forecasts	—	-3.9	-2.0	-0.3	—	—	-6.2
Subtotal	-187.3	-86.5	-93.9	-93.7	-97.9	-88.1	-647.4

TABLE C.44

Financial impact of the measures to increase the potential of the economy and create wealth (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Fostering healthy competition							
Ensuring tax fairness							
– Strengthening corporate transparency	—	–0.4	–1.5	–0.7	–1.9	–0.4	–4.9
– Stepping up actions to fight tax evasion and tax avoidance	—	–3.5	–4.0	–4.0	–4.1	–4.1	–19.7
– Combatting fraud against the government more effectively	—	–1.0	–1.0	–1.0	–1.0	–1.0	–5.0
– Revenues generated by the initiatives in the Tax Fairness Action Plan	—	—	5.0	10.0	70.0	75.0	160.0
Supporting actions to fight the infiltration of organized crime							
– Stepping up the fight against organized crime	—	—	–7.7	–8.2	–8.3	–8.3	–32.5
– Enhancing the expertise of the Laboratoire de sciences judiciaires et de médecine légale	—	–0.5	–0.5	–0.6	–0.7	–0.7	–3.0
Easing the regulations governing the alcoholic beverage and gaming sectors	—	—	—	—	—	—	—
Improving the security of government information	—	–3.0	–5.0	–5.0	–5.0	–5.0	–23.0
Subtotal	—	–8.4	–14.7	–9.5	49.0	55.5	71.9
TOTAL	–433.1	–925.3	–1 075.9	–1 129.4	–1 113.3	–1 190.4	–5 867.4

Section D

IMPROVING SERVICES AND MEETING THE NEEDS OF QUEBECERS

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SUMMARY

The actions taken by the government in the March 2020 Québec Budget Plan to better meet the needs of Quebecers are built around the government's main priorities, including improving health services, enhancing the support provided to vulnerable persons and people with special needs, and supporting Indigenous communities.

The health of Quebecers is a key priority. That is why substantial additional investments totalling nearly \$1.5 billion over six years will be made to improve access to health and social services, strengthen senior care and continue enhancing services for youth in difficulty.

As well as improving health services, it is important to give people and communities facing special challenges stronger financial support. For that purpose, the government is providing nearly \$1.8 billion in additional funding over six years.

Lastly, the government is continuing its initiatives to improve quality of life in Indigenous communities with additional investments of \$219.2 million over six years.

Thanks to these measures, nearly \$3.5 billion more by 2024-2025 will go towards increasing the accessibility and quality of health services, meeting the needs of specific clientele and supporting Indigenous communities.

TABLE D.1

Financial impact of the measures to improve services and meet the needs of Quebecers (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Increasing the accessibility and quality of health services ⁽¹⁾	-200.0	-268.3	-268.3	-252.2	-250.1	-247.9	-1 486.8
Meeting the needs of specific clientele	-78.5	-272.9	-305.4	-386.8	-373.9	-373.0	-1 790.5
Supporting Indigenous communities	-15.0	-41.2	-41.2	-40.6	-40.6	-40.6	-219.2
TOTAL	-293.5	-582.4	-614.9	-679.6	-664.6	-661.5	-3 496.5

(1) The funding for initiatives to increase the accessibility and quality of health services amounts to \$5.4 billion including reallocation of unrealized health spending and the savings arising from the memorandum of understanding with the Fédération des médecins spécialistes du Québec.

1. INCREASING THE ACCESSIBILITY AND QUALITY OF HEALTH SERVICES

The government has made health one of its priorities. It pledged to ensure that Quebecers have ready access to quality health care and services.

Major efforts have been made in the last year to improve the accessibility and quality of health services. The action taken by the government in Budget 2020-2021 has three focuses:

- improving access to health and social services;
- enhancing services for seniors;
- providing targeted support to youth in difficulty.

Substantial investments in health

Growth in health spending will reach 5.3% in 2020-2021. The government plans to inject nearly \$1.5 billion more by 2024-2025.

- Taking into account the sums arising from the reallocation of health spending, the funding earmarked for increasing the accessibility and quality of health services amounts to \$5.4 billion.

In 2020-2021, the additional investments include:

- \$488.5 million to improve access to health and social services;
- \$190.0 million to enhance senior care;
- \$190.0 million to continue enhancing services for youth in difficulty;
- \$199.8 million to increase services that address specific needs, including enhanced care and services for people with disabilities and more mental health initiatives.

TABLE D.2

Financial impact of the measures to increase the accessibility and quality of health services

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving access to health and social services	-408.9	-488.5	-488.5	-585.0	-585.0	-585.0	-3 140.9
Enhancing senior care	—	-190.0	-190.0	-84.0	-81.0	-79.0	-624.0
Continuing to enhance services for youth in difficulty	—	-190.0	-190.0	-190.0	-190.0	-190.0	-950.0
Increasing services for specific needs	—	-199.8	-199.8	-80.2	-80.9	-80.7	-641.4
Subtotal	-408.9	-1 068.3	-1 068.3	-939.2	-936.9	-934.7	-5 356.3
Funding from the reallocation of health spending ⁽¹⁾	208.9	800.0	800.0	687.0	686.8	686.8	3 869.5
TOTAL	-200.0	-268.3	-268.3	-252.2	-250.1	-247.9	-1 486.8

Note: The funding for these initiatives is granted to the Ministère de la Santé et des Services sociaux.

(1) A portion of the funding required to implement the initiatives to increase the accessibility and quality of health services is drawn from the savings stemming from the memorandum of understanding entered into with the Fédération des médecins spécialistes du Québec. Use of these sums will be determined according to the decisions of the Institut de la pertinence des actes médicaux.

Financing for the additional health investments

The March 2020 Québec Budget Plan provides further investments totalling \$5.4 billion by 2024-2025 to increase the accessibility and quality of health services.

A portion of the funding needed to implement the measures comes from the reallocation of health spending. More specifically, for 2020-2021:

- \$487.0 million comes from the reallocation of unrealized health spending for the purpose of directing funds that become available towards Quebecers' health service needs;
- \$313.0 million comes from savings arising from the memorandum of understanding (MOU) entered into between the government and the Fédération des médecins spécialistes du Québec (FMSQ).

Agreement between the government and the FMSQ

A prospective agreement was reached between the government and the FMSQ on November 15, 2019 and resulted in an MOU entered into on December 11, 2019. The Institut de la pertinence des actes médicaux was established pursuant to the MOU and mandated to conduct a thorough review to determine whether a specific medical act is really necessary. This exercise will enable a portion of the \$1.6 billion in savings over five years:

- \$69.2 million in 2018-2019;
- \$208.9 million in 2019-2020;
- \$313.0 million in 2020-2021;
- \$428.4 million in 2021-2022;
- \$585.2 million in 2022-2023.

The savings resulting from the review of medical acts will be used to improve patients' access to specialized medical services.

A portion of the funding required to make the health and social services investments announced in Budget 2020-2021 is drawn from the savings made as a result of the MOU. Use of these sums will be determined according to the decisions of the Institut de la pertinence des actes médicaux.

1.1 Improving access to health and social services

The caregiving staff is central to the provision of health services. In addition, access to care is the very foundation of a quality health care system. In Budget 2020-2021, the government is continuing its actions to improve access to health and social services. Another \$3.1 billion will therefore be invested over six years to:

- improve primary care services, particularly by adding staff. Among other things, adding more nurses and other health professionals as well as permitting pharmacists and specialized nurse practitioners to perform more acts will reduce wait times in emergency rooms.
- enhance the support provided to community organization;
- offer groundbreaking treatments, such as CAR T-cell therapy for leukemia patients, an important new treatment option that helps improve specialized cancer care;
- improve access to specialized medicine resulting from medical and technological breakthroughs, as well as by adding beds or staff.

In addition, investments totalling \$408.9 million are planned in 2019-2020 to meet the population's growing needs by increasing health care services, particularly by adding medical and surgical beds.

TABLE D.3

Financial impact of the measures to improve access to health and social services

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving access to health and social services	-408.9 ⁽¹⁾	-488.5	-488.5	-585.0	-585.0	-585.0	-3 140.9

(1) The amounts for 2019-2020 will be drawn from budgetary resources made available during the fiscal year.

1.2 Enhancing senior care

An aging population coupled with the longer life expectancies of Quebecers means growing health care needs, especially among seniors.

In order that seniors with diminishing autonomy may receive services that match their living conditions, the government is earmarking an additional \$624.0 million over five years in Budget 2020-2021.

Furthermore, the government intends to continue its efforts to prevent the social isolation of seniors by further developing social geriatrics. Steps will be taken to improve the accessibility of health services for socially isolated and vulnerable seniors, as well as improve their quality of life through early at-home intervention.

In addition, the government wants to support research on Alzheimer's disease with a view to increasing and consolidating knowledge and practices, particularly in residential centres.

TABLE D.4

Financial impact of the measures to enhance senior care (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Continuing to improve home care	-100.0	-100.0	-64.0	-61.0	-59.0	-384.0
Increasing the lodging supply	-70.0	-70.0	—	—	—	-140.0
Improving the quality of food served in CHSLDs	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
TOTAL	-190.0	-190.0	-84.0	-81.0	-79.0	-624.0

□ Continuing to improve home care

The government wants seniors and people living with disabilities to be able to remain independent and stay in their homes for as long as possible.

The government is making substantial investments to ensure that seniors and people living with disabilities can enjoy a better quality of life. Resources will be hired to enable more hours of care and services in the home.

In Budget 2020-2021, the government is providing an additional \$384.0 million by 2024-2025 to that end.

❑ Increasing the lodging supply

Population aging creates more residential and long-term care needs. To address the growing needs and ensure the transition to seniors' homes, at least 900 beds and spaces will be added, in particular in residential and long-term care centres (CHSLDs).

In Budget 2020-2021, the government is providing another \$140.0 million over the next two years.

❑ Improving the quality of food served in CHSLDs

The government cares about the quality of services provided in CHSLDs, particularly the food services. In 2020-2021, the meals served in CHSLDs will be more varied and more nutritional, better addressing the needs and preferences of the centres' residents.

In Budget 2020-2021, the government is providing another \$100.0 million over five years to improve the quality of food served in CHSLDs.

1.3 Continuing to enhance health services for youth in difficulty

The government attaches particular importance to the young people of Québec and their needs. It wants them to be able to reach their full potential and develop in a healthy manner.

That is why the government intends to continue its commitments to our youth by including, in Budget 2020-2021, nearly \$1.0 billion in investments by 2024-2025 to, among other things:

- take care of young people at home and in school;
- continue carrying out the Agir tôt program and Aire ouverte projects;
- combat screen addiction.

TABLE D.5

Financial impact of the measures to continue enhancing health services for youth in difficulty (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Taking care of young people	-90.0	-90.0	-90.0	-90.0	-90.0	-450.0
Continuing to implement the Agir tôt program	-40.0	-40.0	-40.0	-40.0	-40.0	-200.0
Improving prevention in schools	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Developing new Aires ouvertes projects	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Combatting screen addiction	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
Other measures	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
TOTAL	-190.0	-190.0	-190.0	-190.0	-190.0	-950.0

Taking care of young people

There has been a steady increase in the number of situations of child abuse or neglect reported to the director of youth protection. In 2018-2019, the number of reports topped 100 000 for the first time. This is 10% more than in the previous year and means that children in difficulty must wait longer to be taken in hand.

Major steps were taken recently to remedy the situation. Investments totalling \$18.0 million were announced in Budget 2019-2020. Further investments of \$47.0 million were announced in summer 2019. These sums will go towards reducing waiting lists and consolidating youth protection services, in particular by hiring 400 new resources to lighten the work load on the ground.

Furthermore, on May 30, 2019, the Québec government established the Special Commission on the Rights of the Child and Youth Protection.

- The commission was mandated to examine youth protection services and the role of the courts, social services and other actors.
- The commission must submit its report and recommendations to the government by November 30, 2020.

In Budget 2020-2021, the government is providing another \$450.0 million in funding by 2024-2025 to increase services for youth in difficulty and their families.

☐ Continuing to implement the Agir tôt program

The purpose of the Agir tôt program is to, among other things, identify children with difficulties as early as possible. The program is part of a government initiative for concerted action by the Ministère de la Santé et des Services sociaux, the Ministère de la Famille and the Ministère de l'Éducation et de l'Enseignement supérieur.

In the area of health, the government pledged to screen all children aged 5 and under for developmental disorders for the purposes of early intervention.

In Budget 2020-2021, the government is providing \$200.0 million in additional funding over five years to continue implementing the Agir tôt program.

☐ Improving prevention in schools

The government wants to take action in respect of young people between the ages of 5 and 25, particularly in elementary school, to screen for and prevent psychosocial problems. Detection, program referral assistance and targeted intervention services will be set up to reduce violence and bullying.

In Budget 2020-2021, the government is providing \$150.0 million by 2024-2025 to, among other things, increase the number of interveners in Québec schools who will be responsible for preventive screening for psychosocial problems in children.

☐ Developing new Aire ouverte projects

The government's goal is to establish 11 Aire ouverte service points in integrated health and social services centres across Québec.

Each Aire ouverte service point provides services geared to the needs of young people aged 12 to 25 who are dealing with mental health, drinking or drug issues or social adaptation problems. Professionals, such as a nurse or a social worker, are on hand to welcome them, listen to them and help them find solutions.

In Budget 2020-2021, the government is providing investments of \$100.0 million by 2024-2025 to continue developing Aire ouverte service points throughout Québec.

❑ Combatting screen addiction

According to a 2017 study¹ of Québec teenagers, 1.3% are deemed to be addicted to the Internet and 18.7% are deemed at-risk of becoming addicted.

To promote healthy screen use and offer services geared to young people engaged in addictive or at-risk behaviours, the government created a forum on screen use. The purpose of the forum is to:

- develop a common vision of the situation in Québec, giving special attention to vulnerable population groups;
- propose guidelines for setting up services targeting family, schools, communities and other environments.

An action plan on screen use will be unveiled in the year ahead for that purpose.

In Budget 2020-2021, the government is providing total investments of \$30.0 million by 2024-2025 to combat screen addiction in young people.

¹ DUFOUR, Magali et coll., "L'évaluation de la cyberdépendance chez les adolescents : Virtuado", in LAVENTURE, Myriam et coll. (dir.), *Adolescents dépendants ou à risque de le devenir : pratiques d'intervention prometteuses*, Québec, Presses de l'Université Laval, 2017, pp. 253-274.

1.4 Increasing services for specific needs

The government wants to increase access to services for specific health needs, particularly services for people living with a disability or mental illness and victims of sexual abuse.

To that end, the government is including \$641.4 million over five years in Budget 2020-2021.

TABLE D.6

Financial impact of the measures to increase services for specific needs (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing care and services for people with disabilities	-74.0	-74.0	-34.0	-34.0	-34.0	-250.0
Increasing mental health initiatives	-69.8	-69.8	-40.2	-40.9	-40.7	-261.4
Bringing health and social services into the digital age faster	-40.0	-40.0	—	—	—	-80.0
Providing greater assistance for victims of sexual abuse	-16.0	-16.0	-6.0	-6.0	-6.0	-50.0
TOTAL	-199.8	-199.8	-80.2	-80.9	-80.7	-641.4

Enhancing care and services for people with disabilities

People with a physical or an intellectual disability or an autism spectrum disorder have special needs. The government wants to continue enhancing the assistance given to this clientele. Thanks to further investments, new models of residential and long-term care, continuous assistance resources and integration projects will be offered.

In Budget 2020-2021, the government is injecting \$250.0 million over five years to enhance care and services for people with disabilities.

Increasing mental health initiatives

In Québec, 12% of the population, or just over a million people, have a mental health problem. Over the last few years, several steps have been taken to help these people.

The government wants to continue its efforts by rolling out local services geared to the different clienteles and providing more specialized services for young people experiencing their first psychotic episode.

In Budget 2020-2021, the government is providing \$261.4 million by 2024-2025 to increase mental health initiatives.

❑ **Bringing health and social services into the digital age faster**

The health and social services network has been undergoing a digital shift in recent years so that health and social services information follows users from beginning to end of the care and services pathway.

In Budget 2020-2021, the government is providing investments totalling \$80.0 million over two years to optimize information systems in health institutions, improve data security and develop applications.

❑ **Providing greater assistance to victims of sexual abuse**

Victims of sexual abuse need support and psychological assistance to help them deal with the harmful effects of the abuse on their development, health and well-being. The government intends to give better support to sexual assault victims by adding staff and reducing wait times for services.

In Budget 2020-2021, the government is providing investments of \$50.0 million by 2024-2025.

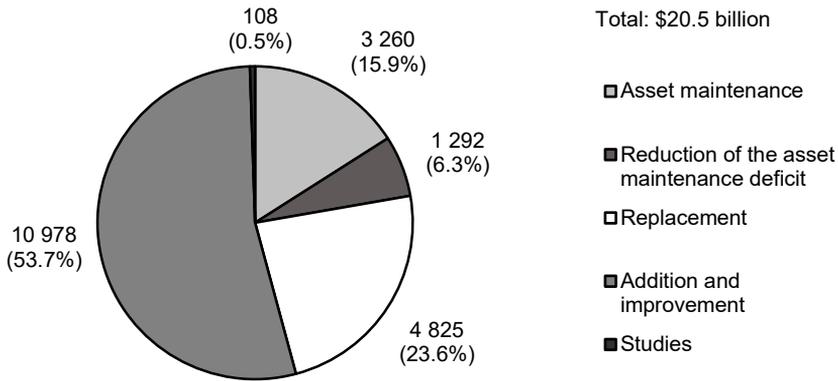
1.5 Improving health and social services infrastructure

The 2020-2030 Québec Infrastructure Plan provides \$20.5 billion in investments for the health and social services sector.

- The amount earmarked for construction of new or improvement of existing infrastructure is \$11.1 billion.
- The planned investments for replacement of existing infrastructure, including obsolete equipment, total \$4.8 billion.
- Lastly, \$4.6 billion will be invested in the renovation of existing infrastructure.

CHART D.1

2020-2030 Québec Infrastructure Plan in the health and social services sector, by type of investment (millions of dollars)



Source : Secrétariat du Conseil du trésor.

TABLE D.7

Breakdown of the measures to increase the accessibility and quality of health services
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving access to health and social services	-408.9	-488.5	-488.5	-585.0	-585.0	-585.0	-3 140.9
Enhancing senior care							
Continuing to improve home care	—	-100.0	-100.0	-64.0	-61.0	-59.0	-384.0
Increasing the lodging supply	—	-70.0	-70.0	—	—	—	-140.0
Improving the quality of food served in CHSLDs	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Subtotal – Enhancing senior care	—	-190.0	-190.0	-84.0	-81.0	-79.0	-624.0
Continuing to enhance health services for youth in difficulty							
Taking care of young people	—	-90.0	-90.0	-90.0	-90.0	-90.0	-450.0
Continuing to implement the Agir tôt program	—	-40.0	-40.0	-40.0	-40.0	-40.0	-200.0
Improving prevention in schools	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Developing new Aire ouverte projects	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Combatting screen addiction	—	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
Other measures	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Subtotal – Continuing to enhance health services for youth in difficulty	—	-190.0	-190.0	-190.0	-190.0	-190.0	-950.0

TABLE D.7

Breakdown of the measures to increase the accessibility and quality of health services (cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Increasing services for specific needs							
Enhancing care and services for people with disabilities	—	-74.0	-74.0	-34.0	-34.0	-34.0	-250.0
Increasing mental health initiatives	—	-69.8	-69.8	-40.2	-40.9	-40.7	-261.4
Bringing health and social services into the digital age faster	—	-40.0	-40.0	—	—	—	-80.0
Providing greater assistance to victims of sexual abuse	—	-16.0	-16.0	-6.0	-6.0	-6.0	-50.0
Subtotal – Increasing services for specific needs	—	-199.8	-199.8	-80.2	-80.9	-80.7	-641.4
TOTAL	-408.9	-1 068.3	-1 068.3	-939.2	-936.9	-934.7	-5 356.3

2. MEETING THE NEEDS OF SPECIFIC CLIENTELES

Some Quebecers and communities are in a special situation or face challenges that necessitate greater support or assistance. The government understands the importance of addressing their needs more effectively.

That is why the government is including more funding in Budget 2020-2021 to:

- enhance support for caregivers who provide care to a person who has a severe and prolonged impairment;
- provide better support to parents who take care of a handicapped child of full age requiring exceptional care at home;
- provide better support to women who are victims of domestic violence;
- support crime victims and improve access to justice;
- foster social reintegration and adaptation of correctional services;
- provide stronger support to families by adding subsidized childcare spaces and fostering child development;
- provide housing assistance;
- further invest in youth;
- address issues in respect of Québec's English-speaking communities;
- simplify payment of the solidarity tax credit to the surviving spouse.

All told, the investments to enhance government action to help people in vulnerable or special situations will be nearly \$1.8 billion by 2024-2025.

TABLE D.8

Financial impact of the measures to meet the needs of specific clientele
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing support for caregivers	—	-121.3	-123.3	-116.4	-118.5	-120.7	-600.2
Providing better support to parents of handicapped children of full age	—	-20.0	-22.0	-26.0	-28.0	-30.0	-126.0
Providing greater support to women who are victims of domestic violence	—	-32.0	-37.8	-37.8	-37.6	-35.8	-181.0
Supporting crime victims and improving access to justice	-13.5	-2.1	-6.6	-56.0	-45.4	-42.3	-165.9
Fostering social reintegration and adaptation of correctional services	—	-1.3	-2.7	-2.7	-2.8	-2.8	-12.3
Providing stronger support to families	—	-42.2	-97.1	-106.9	-100.4	-102.7	-449.3
Providing housing assistance	-62.0	-50.0	-4.9	-30.4	-31.6	-28.1	-207.0
Further investing in youth	-3.0	—	-7.0	-7.0	-6.0	-7.0	-30.0
Addressing issues in respect of Québec's English-speaking communities	—	-4.0	-4.0	-3.6	-3.6	-3.6	-18.8
TOTAL	-78.5	-272.9	-305.4	-386.8	-373.9	-373.0	-1 790.5

2.1 Enhancing support for caregivers

Caregivers play a vital role in the lives of people living with a disability. To enhance the support provided to caregivers, the government is injecting \$600.2 million over five years to:

- introduce a new refundable tax credit for caregivers;
- continue improving caregivers' quality of life.

TABLE D.9

Financial impact of the measures to provide greater support to caregivers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Introduction of the new refundable tax credit for caregivers	-102.3	-104.3	-106.4	-108.5	-110.7	-532.2
Ongoing improvement in caregivers' quality of life ⁽¹⁾	-19.0	-19.0	-10.0	-10.0	-10.0	-68.0
TOTAL	-121.3	-123.3	-116.4	-118.5	-120.7	-600.2

(1) The funding for these initiatives is granted to the Ministère de la Santé et des Services sociaux.

National policy on caregivers

Québec's first policy on caregivers is in preparation and will be released in spring 2020.

The policy will be followed by an action plan for implementing varying concrete measures to address the needs of caregivers in a meaningful manner, regardless of the age or impairment of the person receiving the care.

2.1.1 Introduction of the refundable tax credit for caregivers

To better acknowledge the valuable contribution of thousands of caregivers to Québec society, the government is announcing the introduction of a new refundable tax credit for caregivers to replace the existing refundable tax credit for informal caregivers of persons of full age.

As of 2020, the tax assistance provided by the new tax credit will be streamlined, higher and available to a greater number of caregivers.

Caregivers will receive \$102.3 million more tax assistance in 2020-2021 through the new tax credit:

- \$56.4 million for enhancement of the amounts granted to the 82 000 people who receive the current tax credit;
- \$45.9 million for extension of eligibility for the tax credit to caregivers of a spouse under age 70 and caregivers of a person with whom they have no family relationship.

Thanks to this enhancement, the total tax assistance provided to caregivers will be more than double what they currently receive.

TABLE D.10

Financial impact of the new refundable tax credit for caregivers (millions of dollars, unless otherwise indicated)

	Clientele (number of people)	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancement of amounts	82 000	-56.4	-57.5	-58.7	-59.8	-61.0	-293.4
Extension of eligibility	30 000	-45.9	-46.8	-47.7	-48.7	-49.7	-238.8
TOTAL	112 000	-102.3	-104.3	-106.4	-108.5	-110.7	-532.2

❑ Enhanced tax assistance

The refundable tax credit for caregivers will be streamlined to comprise just two components.²

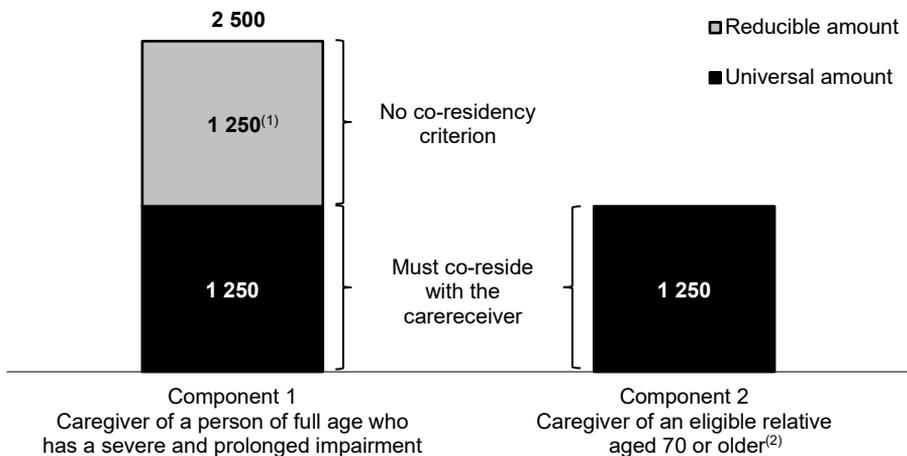
Component 1 covers caregivers of an adult who has a severe and prolonged impairment who needs assistance in carrying out a basic activity of daily living. The caregiver must be the carereceiver's spouse or a member of the carereceiver's family, or hold a certificate of ongoing assistance to be entitled to:

- a reducible amount of \$1 250, which will be reduced based on the carereceiver's income, regardless of whether the caregiver co-resides with the carereceiver;
- a universal amount of \$1 250, in addition to the reducible amount, provided the caregiver lives with the carereceiver.

Component 2 will cover caregivers who live with an eligible relative³ aged 70 or older who does not have a severe and prolonged impairment. The caregiver will be entitled to the universal amount of \$1 250.

CHART D.2

Illustration of the tax assistance – 2020 (dollars)



(1) This amount is reduced based on the carereceiver's net income over \$22 180, at a rate of 16%.

(2) For this component, the carereceiver does not have to have a severe and prolonged impairment.

² Currently, the refundable tax credit for informal caregivers of persons of full age comprises four components: a component for informal caregivers housing an eligible relative, a component for informal caregivers who co-reside with an eligible relative, a component for informal caregivers of a spouse aged 70 or older and a component for informal caregivers who do not live with the eligible relative.

³ To qualify as an "eligible relative" for the purposes of Component 2, the carereceiver must be the father, mother, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the caregiver or of the caregiver's spouse.

□ Assistance extended to spouses under age 70 and caregivers having no family relationship with the carereceiver

In recognition of the selfless dedication of caregivers, the government is extending eligibility for the refundable tax credit to all caregivers who provide ongoing assistance to a person with a severe and prolonged impairment who needs assistance in carrying out a basic activity of daily living.

The government is thereby extending the tax assistance afforded by this measure to:

- 21 000 caregivers of a spouse under age 70;
- 6 000 caregivers having no family relationship with the carereceiver.⁴

In addition, 3 000 people will be entitled to the tax credit as a result of the changes made to streamline it.

□ Illustration of the assistance granted

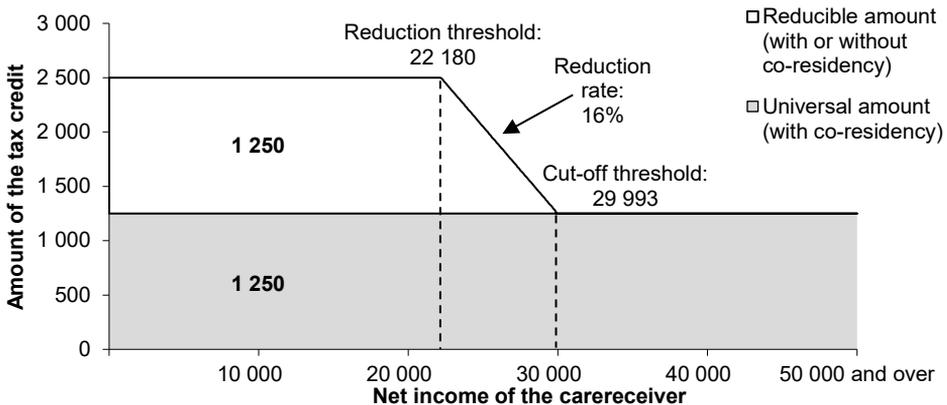
Where the carereceiver's net income is \$22 180 or less, the amount of tax assistance will be \$2 500 for a caregiver who lives with the carereceiver and \$1 250 for a caregiver who does not live with the carereceiver.

Where the carereceiver's net income is greater than the reduction threshold of \$22 180, the reducible amount will be decreased according to a rate of 16% for each dollar of the carereceiver's income that exceeds the reduction threshold.

CHART D.3

Illustration of the reduction in tax assistance – 2020

(dollars, unless otherwise indicated)



⁴ For caregivers having no family relationship with the carereceiver, a professional of the health and social services network must fill out a certificate of ongoing assistance form, which the caregiver must file with his or her income tax return.

■ A fulfilled promise to double the tax assistance

The new refundable tax credit for caregivers delivers on the government's promise to double the amount of tax assistance provided to caregivers of a person with a severe and prolonged impairment in mental or physical functions.

- Caregivers of a spouse under age 70 and caregivers having no family relationship with the carereceiver will now receive the tax credit, providing assistance of up to \$2 500.
- The enhancement for caregivers who co-reside with the carereceiver will be up to \$1 450 for a spouse aged 70 or older, and \$1 275 for another relative.
- The maximum amount for caregivers who do not co-reside with the carereceiver will be \$1 250, an enhancement of \$699.

For Component 2, caregivers of an eligible relative aged 70 or older previously received an amount of up to \$1 225 that was reduced based on the carereceiver's income.

- Henceforth, the tax assistance provided will consist solely of the non-reducible universal amount of \$1 250, representing an enhancement of up to \$576.

TABLE D.11

Maximum enhancement of the tax assistance for caregivers – 2020 (dollars)

	Current tax credit	Enhanced tax credit	Maximum gain
Component 1: person of full age having a severe and prolonged impairment			
Caregiver who co-resides with:			
– their spouse under age 70	—	1 250 to 2 500	2 500
– their spouse aged 70 or older	1 050	1 250 to 2 500	1 450
– a relative aged 18 or older	674 to 1 225	1 250 to 2 500	1 275
Caregiver who does not co-reside with the carereceiver			
	0 to 551	0 to 1 250	699
Component 2: relative aged 70 or older not having a severe and prolonged impairment			
	674 to 1 225	1 250	576⁽¹⁾
Average gain	—	—	913

(1) The assistance for caregivers of a relative aged 70 or older no longer includes a reducible amount. Since the reducible amount was previously \$551, the maximum gain could be up to \$576.

Illustration of the tax assistance for caregivers

André has been his son John's caregiver for several years. John is 25 years old and is unable to live alone because he has an intellectual disability.

- The enhancement of the tax assistance for caregivers means that André will now receive up to \$2 500 in tax assistance, a gain of \$1 275 in 2020.

Colette lives with her 60-year-old spouse, Arthur, who has cerebral palsy and holds a certificate of impairment.

- Thanks to the extension of eligibility to caregivers of a spouse under 70 years of age, Colette will now receive up to \$2 500 in tax assistance, that is, a universal amount of \$1 250 plus a reducible amount of up to \$1 250.

Every day, Chantal looks after an old friend who had a severe stroke three years ago. She also regularly takes her to her doctor's appointments.

- By obtaining a certificate of ongoing assistance in respect of her friend, Chantal will now receive the tax assistance of up to \$1 250 thanks to the extension of eligibility to caregivers having no family relationship with the carereceiver.

Asma's spouse, Nicolas, has a physical disability and needs daily help to get dressed and have meals. Their son Hugo, who does not live with them, helps them on a daily basis. Since they both support Nicolas, Asma and Hugo decided to share the tax credit.

- Hugo, who will be entitled only to the reducible amount of \$1 250, will claim 50%, or \$625.
- Asma will be entitled to the remaining 50% of the reducible amount and to 100% of the universal amount of \$1 250, because she lives with Nicolas, for a total of \$1 875.

TABLE D.12

Main parameters of the refundable tax credit for caregivers – 2020

	Component 1: Eligible carereceiver aged 18 or older having a severe and prolonged impairment	Component 2: Eligible relative aged 70 or older having no severe and prolonged impairment
Universal amount (with co-residency)	\$1 250	\$1 250
Reducible amount (with or without co-residency)	\$1 250	—
Reduction threshold ⁽¹⁾	\$22 180	—
Reduction rate	16%	—
Characteristics of the carereceiver	Person aged 18 or older having a severe and prolonged impairment in mental or physical functions and needing assistance in carrying out a basic activity of daily living ⁽²⁾	Person aged 70 or older having no severe and prolonged impairment
Eligible carereceivers	Spouse, father, mother, grandfather, grandmother, child, grandchild, nephew, niece, brother, sister, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the caregiver or of the caregiver's spouse, person having no family relationship with the caregiver (certificate of ongoing assistance)	Father, mother, grandfather, grandmother, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the caregiver or of the caregiver's spouse
Assistance period	365 consecutive days, including at least 183 days during the year (unless the caregiver or the carereceiver dies during the year)	
Shareable	Yes, provided each of the caregivers, as applicable, co-resided with or supported the eligible carereceiver for at least 90 days	
Other restrictions	The carereceiver cannot be a person living in a seniors' residence or in a facility of the public network	

(1) The threshold is based on the carereceiver's net income.

(2) The requirement respecting being unable to live alone is replaced by the need for assistance in carrying out a basic activity of daily living. Caregivers eligible for the current tax assistance will not be required to submit a new certificate of impairment of the eligible carereceiver to be eligible for the new tax credit.

❑ Advance payment of the tax assistance

To enable persons eligible for the new refundable tax credit for caregivers to receive this tax assistance more rapidly, it will be possible to receive the basic universal amount by advance payments, on a monthly basis, as of 2021.

Accordingly, caregivers who live with the carereceiver will be able to receive \$104 per month. However, the reducible amount will have to be claimed back when the person files his or her income tax return.

TABLE D.13

Advance payment of the refundable tax credit for caregivers – 2021 (dollars)

	January	February	...	November	December	Income tax return	Total
Universal amount	104	104	...	104	104	—	1 250
Reducible amount	—	—	...	—	—	1 250	1 250
TOTAL	104	104	...	104	104	1 250	2 500

Note: The amounts shown do not take into account indexation of the personal income tax system for the 2021 taxation year.

❑ Changes to other tax credits

As of 2020, a caregiver who paid respite expenses in respect of a carereceiver having a severe and prolonged impairment in mental or physical functions can claim an additional amount under the refundable tax credit for caregivers. This assistance for respite expenses will be equal to 30% of total qualifying expenses up to \$5 200 and will no longer be reducible.

The various changes made to the refundable tax credit for caregivers will provide more tax assistance to most of the people who claimed the refundable tax credit for volunteer respite services or the refundable tax credit for respite expenses of informal caregivers. Consequently, these two tax credits will be eliminated as of 2021.⁵

⁵ For 2020, an individual who claims the refundable tax credit for caregivers will not be able to claim the refundable tax credit for respite expenses of informal caregivers or the refundable tax credit for volunteer respite services.

2.1.2 Ongoing improvement in caregivers' quality of life

Thanks to the investments made through Budget 2019-2020, respite homes and services were made available to allow caregivers to get some rest.

- In 2019-2020, six Maison Gilles-Carle are being created, including one in Montréal, one in Boucherville, one in the Beauce region and one in Chicoutimi. These respite homes take in people with diminishing autonomy for short periods so that their caregivers can get some rest.

Budget 2020-2021 includes additional investments of \$68.0 million by 2024-2025 to, among other things, open five more Maison Gilles-Carle. These investments will make it possible to continue improving caregivers' quality of life.

2.2 Providing better support to parents of handicapped children of full age

The main measures designed to support Québec families are the Québec family allowance and the Canada child benefit. Families with a disabled child under age 18 receive additional financial assistance in the form of:

- the supplement for handicapped children and the supplement for handicapped children requiring exceptional care, which are components of the refundable tax credit granting an allowance to families;
- the child disability benefit, which is in addition to the Canada child benefit.

The supplement for handicapped children requiring exceptional care

The supplement for handicapped children requiring exceptional care is a financial support intended to recognize the situation of parents of a disabled child under 18 with exceptional care needs and help them assume their extraordinary responsibilities.

The supplement includes two levels based on the severity of the child's condition and age. In 2020:

- Level 1 consists of a monthly payment of \$995, for a yearly amount of \$11 940;
- Level 2 consists of a monthly payment of \$663, for a yearly amount of \$7 956.

Since the inception of the supplement for handicapped children requiring exceptional care, 3 085 families have received Level 1 assistance and 871 families, Level 2 assistance.¹

- Retraite Québec is currently at work processing applications for the supplement. Once the processing of annual applications has levelled off, approximately 5 000 families will receive the supplement each year.

¹ Statistics as of February 16, 2020.

Like all families in Québec, families with a handicapped child requiring exceptional care receive less support once the child turns 18, which is when the financial assistance granted for children under 18 ends. Yet, the huge responsibilities borne by parents of handicapped children requiring exceptional care do not diminish when the child becomes an adult and continues to live with them.

To better support parents of handicapped children of full age who require exceptional care, the government is giving them additional assistance through Budget 2020-2021. The additional measures, totalling \$150.0 million over five years, will apply to:

- the expedition of these children's eligibility for more generous social solidarity benefits;
- the increase in the number of hours of home care services available through the health and social services network;
- the portion of the increase in the refundable tax credit for caregivers, announced in this budget, in respect of parents of handicapped children of full age requiring exceptional care (see page D.22).

Furthermore, the period excluded for the purposes of determining the retirement pension payable under the Québec Pension Plan (QPP) will be extended from 7 to 18 years for parents of a minor child eligible for the supplement for handicapped children requiring exceptional care.

TABLE D.14

Financial impact of the measures to provide better support to parents of handicapped children of full age
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Expediting eligibility for more generous benefits ⁽¹⁾	—	-2.0	-6.0	-8.0	-10.0	-26.0
Increasing the number of home care service hours ⁽²⁾	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Extension of the period excluded from the contributory period under the Québec Pension Plan	—	—	—	—	—	—
Subtotal – Financial impact	-20.0	-22.0	-26.0	-28.0	-30.0	-126.0
Portion of the increase in the tax credit for caregivers for parents of handicapped children of full age ⁽³⁾	-4.6	-4.7	-4.8	-4.9	-5.0	-24.0
TOTAL	-24.6	-26.7	-30.8	-32.9	-35.0	-150.0

(1) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

(2) The funding for these initiatives is granted to the Ministère de la Santé et des Services sociaux.

(3) The financial impact of the increase is already factored into the refundable tax credit for caregivers.

❑ **Expediting eligibility for more generous benefits**

The purpose of the Social Solidarity Program is to grant last resort financial assistance to persons whose capacity for employment is severely limited. The amount of the benefit granted to a person is based on how long the person has been a recipient of the program.

More specifically, until the basic income program is established in 2023, a person who has been a recipient of the Social Solidarity Program for at least 66 months in the preceding 72 months is eligible for an increased amount. The increase in the social solidarity benefit for long-term recipients will gradually rise to \$4 044 per year in 2023.

TABLE D.15

Additional amount for a single person who has been a recipient of the Social Solidarity Program for at least 66 months in the preceding 72 months (dollars per year)

	2021	2022	2023
Additional amount	2 244	3 144	4 044

■ **Accounting of the length of eligibility for the supplement for handicapped children requiring exceptional care**

When a child who is eligible for the supplement for handicapped children requiring exceptional care turns 18, the child's parents stop receiving the supplement. However, the child is entitled to social solidarity benefits and the parents' income is not considered in determining the amount of the benefit payable.

However, as previously mentioned, to receive a higher amount of benefits, a person must have been a recipient of the Social Solidarity Program for at least 66 months in the preceding 72 months.

For children in respect of whom the parents were receiving the supplement for handicapped children requiring exceptional care, the government is announcing that they will be eligible for the additional amount of social solidarity benefits sooner.

In a government vision of individual assistance, calculation of the length of time a person has been a recipient of the Social Solidarity Program will be changed so as to include the length of time the supplement for handicapped children requiring exceptional care was received.⁶

— Because the first entitlements to the supplement for handicapped children requiring exceptional care were in respect of April 2016, the new calculation method will take effect on October 1, 2021⁷ so as to respect the minimum length of time a person must have been a recipient of the Social Solidarity Program. Prior to that date, no child eligible for the supplement will have been a recipient for 66 months.

Thus, children in respect of whom the supplement for handicapped children requiring exceptional care was paid will receive an increase in their annual benefits sooner, that is, \$4 044 in 2023, with the establishment of a basic income.

— Approximately 800 children of full age will benefit from the increase starting in 2021. Upon full implementation, nearly 300 more children a year⁸ in respect of whom the supplement for handicapped children requiring exceptional care was paid will automatically benefit from the basic income program when they turn 18 and will not have to wait 66 months.

Expediting eligibility for handicapped children of full age requiring exceptional care represents an additional \$26.0 million in assistance over four years.

⁶ To receive the supplement for handicapped children requiring exceptional care, a child must undergo a medical evaluation to attest to the severity of their disability. The requirements of the evaluation are stricter than those for the Social Solidarity Program.

⁷ Implementation of this measure will require legislative and regulatory amendments.

⁸ In the short term, approximately 160 children a year receiving Level 1 assistance under the supplement for handicapped children requiring exceptional care will be eligible sooner.

❑ Increasing the number of home care service hours

Home care services are managed by local community service centres (CLSCs). The CLSC assesses the needs of anyone requiring home care services and establishes an intervention plan specifying the number of home care service hours required to meet those needs.

Home care services

Local community service centres (CLSCs) are responsible for providing the required home care services themselves or, in the case of certain services and on certain conditions, through an external service provider. The services can also be provided by someone chosen by the user under the Direct Allowance Program – Service Employment Paycheque.

The service provider is chosen in consultation with the user and the user's relatives, taking into account the user's situation, the safety of the user and the service provider, as well as the expertise and supervision required based on the type of care and services to be provided.

Service employment paycheque

The service employment paycheque is a tool for managing the operations concerning the pay of the person who provides the home care services through the Direct Allowance Program. It is processed by the Desjardins payroll services, which makes the necessary deductions at source.

Broadening of the principles governing use of the direct allowance – service employment paycheque

Last November 12, the government announced that users will now be able to hire a family member to provide home care services under the Direct Allowance Program – Service Employment Paycheque, provided the family member does not live under the same roof as the user.

Parents living under the same roof as their child of full age requiring exceptional care will now be eligible to provide home care services to their child.

- In such case, the amounts received through the service employment paycheque will be considered as remuneration for the purposes of taxation as well as calculation of the amounts granted through transfer programs, including the social assistance programs.
- In addition, if a parent of a handicapped child is paid through the service employment cheque, he or she will not be able to claim the refundable tax credit for caregivers in respect of the child of full age, as one of the conditions for entitlement to the tax credit requires that no remuneration of any kind be received for the care provided.

To better meet the needs of parents living under the same roof as their handicapped child of full age requiring exceptional care, changes will be made to the Direct Allowance Program – Service Employment Paycheque to ensure that this clientele receives a minimum of 20.5 hours⁹ of home care service per week. Funding of \$100.0 million over five years is being provided for that purpose.

The increase in hours of service will take effect on June 1, 2020.

Enhancement of the support provided to caregivers

As announced in the preceding pages, the new refundable tax credit for caregivers will replace the refundable tax credit for informal caregivers of persons of full age. The new tax credit will provide more assistance, up to \$2 500 a year, an increase of \$1 275 compared to the existing tax credit, to caregivers of a person who has a severe and prolonged impairment in mental or physical functions.

Parents of children of full age requiring exceptional care will also benefit from the enhanced tax credit. For this clientele, the enhancement represents additional assistance of around \$5.0 million annually. The details of this announcement are presented on page D.22.

Extension of the period excluded under the QPP for parents of severely disabled children

The retirement pension paid under the QPP is calculated on the basis of the average pensionable earnings on which the person contributed during his or her working life. Thus, a prolonged absence from the labour market reduces the amount of the retirement pension paid. Consequently, when a parent is absent from the labour market in order to take care of a child under age 7, the periods of low earnings are excluded from the contributory period.

The periods excluded are not taken into account in calculating the retirement pension, thereby increasing the contributor's average earnings as well as the pension paid under the QPP.

However, the periods of low earnings by a parent who is absent from the labour market in order to take care of a handicapped child requiring exceptional care are not recognized beyond the periods already excluded under the QPP.¹⁰

To recognize the important role of parents of severely disabled children, the government is announcing changes to the QPP's base plan. The period excluded from the base contributory period for a parent who leaves the labour market to take care of a child in respect of whom the parent receives the supplement for handicapped children requiring exceptional care, will be raised from 7 to 18 years.

⁹ The increase in hours of service represents an average of 5.5 hours more per person.

¹⁰ In addition to the period excluded in respect of a child under 7 years of age, the QPP provides for the exclusion of an additional period equal to 15% of the total number of months for which the base pensionable earnings are the lowest.

As a result of this change, a parent who has to stop working in order to take care of his or her child will not see a reduction in the pension received for the 18 years taken into consideration and will remain eligible for all of the QPP benefits. Implementation of this measure will require legislative amendments.

■ **More than \$9 000 in additional assistance, when fully implemented, for families with handicapped children of full age**

The measures announced in Budget 2020-2021 will considerably increase the support given to families of handicapped children of full age requiring exceptional care.

— As of 2020, these families will receive, on average, nearly \$3 700 more in annual support.

— Upon full implementation in 2023, the average increase in yearly support will be nearly \$9 400.

TABLE D.16

Illustration of the average additional support for families of handicapped children of full age requiring exceptional care
(dollars per year)

	2020	2021	2022	2023
Expedited eligibility for more generous benefits ⁽¹⁾	—	561	3 144	4 044
Increase in home care service hours ⁽²⁾	2 378	4 076	4 076	4 076
Enhancement of support for caregivers ⁽³⁾	1 275	1 275	1 275	1 275
TOTAL⁽⁴⁾	3 653	5 912	8 495	9 395

Note: For simplification purposes, this illustration does not take into account future annual increases such as indexation.

(1) This measure takes effect on October 1, 2021.

(2) Parents and a handicapped child of full age who live under the same roof and are eligible for assistance will receive the equivalent of at least 20.5 hours of home care services a week, or 5.5 hours more on average. This measure will take effect on June 1, 2020.

(3) Subject to the parent's receiving assistance in the form of home care services rather than remuneration.

(4) The total does not take into account the impact of taxation for parents who choose to be paid through the service employment paycheque.

- **Comparable support, upon full implementation, for families with a handicapped child requiring exceptional care**

The level of assistance offered to families with a handicapped child requiring exceptional care depends on numerous factors, such as family income, family situation and the severity of the child's disability.

Although each situation is unique, the level of support these families receive can be estimated. For example, a low-income family that has a child of full age requiring exceptional care who lives at home receives around \$10 900 less assistance than in the case of a minor child, and \$9 000 less than a foster family would receive for the same child.

Thus, the measures announced in this budget will raise the amount of support granted to families with a handicapped child of full age by nearly \$9 400 in 2023. The support provided to these families will then be comparable to the support provided in respect of a minor child, whether the child lives with his or her parents or in a foster family.

2.3 Providing greater support to women who are victims of domestic violence

Numerous women are victims of domestic violence and suffer the hardships on varying levels. Recognizing the scope of the problem, the government has made this one of its priorities.

The 2018-2023 Government Action Plan on Domestic Violence mobilizes a group of government departments and bodies to prevent and counter this type of violence. The plan contains 56 actions and investments totalling \$86 million from 2018 to 2023.

To better support women who are victims of domestic violence, the government will be investing another \$181.0 million by 2024-2025 to:

- fund and adapt services provided by shelters;
- tailor the services provided by organizations assisting spouses with violent behaviour;
- improve and renovate housing units reserved for victims of domestic violence;
- designate a domestic violence resource person in health and social services institutions;
- increase the Secrétariat à la condition féminine's funding for implementing other priority actions in respect of domestic violence.

TABLE D.17

Financial impact of the measures to provide greater support to women who are victims of domestic violence (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Funding and adapting services provided by shelters ⁽¹⁾	-24.0	-24.0	-24.0	-24.0	-24.0	-120.0
Tailoring support services for spouses with violent behaviour ⁽¹⁾	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Improving and renovating shelters ⁽²⁾	-0.2	-2.0	-2.0	-1.8	—	-6.0
Appointing a domestic violence representative in health and social services institutions ⁽¹⁾	-1.8	-1.8	-1.8	-1.8	-1.8	-9.0
Other actions in respect of domestic violence ⁽³⁾	-5.0	-9.0	-9.0	-9.0	-9.0	-41.0
TOTAL	-32.0	-37.8	-37.8	-37.6	-35.8	-181.0

(1) The funding for these initiatives is granted to the Ministère de la Santé et des Services sociaux.

(2) Appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts for 2020-2021 will be drawn from the Contingency Fund.

(3) The funding for these initiatives is granted to the Ministère de l'Éducation et de l'Enseignement supérieur for the actions under the responsibility of the Secrétariat à la condition féminine.

❑ Funding and adapting services provided by shelters

It is important to offer safe shelter for women experiencing domestic violence. However, these women also need support in accessing the assistance and services provided by shelters.

Emergency shelters, also referred to as “first-stage emergency housing,” provide women fleeing domestic violence with various services, including housing assistance, youth intervention, prevention and awareness activities and support and counselling services to help abused women.

In addition, some women who leave emergency shelters require assistance and supports for a longer period. Second-stage shelters provide such women with affordable and safe transitional housing along with services to help them become more independent.

It is therefore vital to ensure the continuity of shelter services and enable shelters to better meet the growing needs.

For that purpose, the government is providing additional funding of \$120.0 million over five years for community organizations working with victims of intimate partner violence, in order to:

- ensure the sustainability of emergency shelter services and tailor these services to the realities of women in vulnerable situations, especially female seniors and women with disabilities;
- ensure the continuity of second-stage shelter services.

❑ Tailoring support services for spouses with violent behaviour

To stop domestic violence from happening, spouses who exhibit violent behaviour also need help.

Total funding of \$5.0 million over five years will be earmarked to tailor the support services provided by organizations working with such spouses.

❑ Improving and renovating shelters

The lack of funding reported by organizations in charge of shelters for women fleeing domestic violence can make it difficult to retrofit shelters.

The Shelter Enhancement Program provides assistance to non-profit organizations that operate housing for women and young people aged 28 and under fleeing family violence. The purpose of the program is to provide financial support for renovations to units and bed-units in shelters.

The government is announcing \$6.0 million in program funding over four years to enable the renovation of approximately 420 housing units for victims of domestic violence.

❑ Designating a resource person in health and social services institutions

The report of the task force on concerted intervention for children exposed to domestic violence and for their family, published in 2015, underlined that the services provided in relation to domestic violence vary widely from one health and social services institution to the next.

A resource person in charge of domestic violence cases will be appointed in each integrated health and social services centre and each integrated university health and social services centre.

This initiative will require funding of \$9.0 million over five years.

❑ Other targeted actions in relation to domestic violence

The Secrétariat à la condition féminine and other departments have identified further actions deemed a priority for adequately addressing the needs of victims of domestic violence.

The government will invest another \$41.0 million by 2024-2025, broken down as follows:

- \$5.0 million to consolidate the eight existing rapid intervention units and establish new units in six regions to make victims feel safer, raise awareness about the risk of spousal homicide and rapidly respond to high-risk situations;
- \$1.2 million to better coordinate needs and work related to the domestic violence partners working group;
- \$17.4 million to implement the other priority actions defined by the Ministère de la Justice du Québec, the Ministère de la Sécurité publique and the Ministère de la Famille;
- \$17.4 million to consolidate the funding of the Secrétariat à la condition féminine for its mission related to domestic violence and the status of women.

This funding will enable the Secrétariat à la condition féminine to implement the actions, in concert with the departments concerned, and ensure consistency in government actions related to domestic violence and the status of women.

TABLE D.18

Financial impact of the other actions related to domestic violence
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Establishment of rapid intervention units	-0.5	-1.1	-1.1	-1.1	-1.1	-5.0
Coordination and facilitation of the domestic violence partners working group	-0.3	-0.3	-0.3	-0.1	-0.1	-1.2
Further actions identified by other departments	-1.4	-1.1	-1.2	-5.8	-7.8	-17.4
Consolidated funding for the status of women	-2.8	-6.4	-6.4	-2.0	—	-17.4
TOTAL	-5.0	-9.0	-9.0	-9.0	-9.0	-41.0

Note: Totals may not add due to rounding.

2.4 Supporting crime victims and improving access to justice

Improving legal support and assistance for citizens also demands a justice system that is in line with today's needs in terms of compensation, access to legal services and modern technology.

As part of Budget 2020-2021, the government is enhancing its investments by \$165.9 million over six years to:

- review the support and terms of the crime victims compensation plan;
- establish a free mediation program for small claims and family mediation for couples with no children.

TABLE D.19

Financial impact of the measures to support crime victims and improve access to justice (millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Reforming the crime victims compensation plan ⁽¹⁾	—	-2.1	-6.6	-56.0	-45.4	-42.3	-152.4
Establishing a free mediation program ⁽²⁾	-13.5	—	—	—	—	—	-13.5
TOTAL	-13.5	-2.1	-6.6	-56.0	-45.4	-42.3	-165.9

(1) Appropriations of \$125.3 million will be granted to the Ministère de la Justice for the period 2020-2021 to 2024-2025. The amounts for 2020-2021 will be drawn from the Contingency Fund. In addition, appropriations of \$27.1 million will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period 2022-2023 to 2024-2025.

(2) The amounts for 2019-2020 will be drawn from budgetary resources made available during the fiscal year.

Reforming the crime victims compensation plan

For nearly 50 years now, Québec has provided assistance and compensation to crime victims.

- Québec's annual investment in this regard is roughly equal to the total benefits paid by the other Canadian provinces combined. In 2017, \$103.8 million was paid to crime victims in Québec.

The government wants to review the support and terms of the crime victims compensation plan with a view to improving assistance services, better meeting the diverse needs of crime victims and redefining the criteria and type of financial assistance provided.

Legislative amendments will be required for that purpose.

❑ **Establishing a free mediation program for Quebecers**

The government pledged to make the justice system and family mediation more accessible to Quebecers.

To that end, a free mediation program for small claims and family mediation for couples without children will be rolled out across Québec, thereby improving access to legal services.

2.5 Fostering social reintegration and adaptation of correctional services

The government intends to continue its investments to support correctional services in their efforts relating to social reintegration of offenders and adaptation to the challenges specific to female inmates.

In Budget 2020-2021, the government is providing \$12.3 million in additional funding over five years for that purpose.

TABLE D.20

Financial impact of the actions to foster social reintegration and adaptation of correctional services (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing funding for organizations working in social reintegration	-1.0	-2.3	-2.3	-2.4	-2.4	-10.4
Adapting correctional services to female inmates ⁽¹⁾	-0.3	-0.4	-0.4	-0.4	-0.4	-1.9
TOTAL	-1.3	-2.7	-2.7	-2.8	-2.8	-12.3

Note: Appropriations will be granted to the Ministère de la Sécurité publique. The amounts for 2020-2021 will be drawn from the Contingency Fund.

(1) Investments of \$0.2 million are provided in the 2020-2030 Québec Infrastructure Plan.

Enhancing funding for organizations working in social reintegration

Community organizations that help offenders reintegrate into society provide various services, including housing, monitoring in the community and psychosocial services.

The government is continuing to partner with these organizations and is enhancing the support it gives them so that they can continue providing quality services.

Budget 2020-2021 includes total funding of \$10.4 million over five years for that purpose.

❑ **Adapting correctional services to female inmates**

To give greater consideration to the specific needs of female inmates in the delivery of correctional services, the government is providing another \$2.1 million over five years as part of Budget 2020-2021. This amount includes \$0.2 million provided in the 2020-2030 Québec Infrastructure Plan.

This funding will help increase knowledge about the mental and physical health of female inmates, extend existing programs aimed at helping them reintegrate into society and train prison workers in the realities of women who have been sexually abused or exploited.

- These investments will be used to, in particular, establish a mother-child program at the Établissement de détention de Québec so that female inmates can maintain a relationship with their children.

2.6 Providing stronger support to families

The government wants to provide stronger support to Québec families. For that purpose, it is investing \$449.3 million over five years through Budget 2020-2021 to:

- add 6 000 subsidized childcare spaces;
- support child development;
- protect vulnerable persons and counter bullying.

TABLE D.21

Financial impact of the measures to provide greater support to families (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Addition of 6 000 subsidized childcare spaces⁽¹⁾						
Creation of 2 500 childcare spaces ⁽²⁾	-6.0	-25.5	-37.4	-40.0	-41.1	-150.0
Conversion of 3 500 non-subsidized childcare spaces	-7.2	-42.6	-45.5	-46.4	-47.6	-189.3
Subtotal	-13.2	-68.1	-82.9	-86.4	-88.7	-339.3
Support for child development						
Support community organizations ⁽³⁾	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Agir tôt ^{(3),(4)}	-15.0	-15.0	-10.0	—	—	-40.0
Subtotal	-25.0	-25.0	-20.0	-10.0	-10.0	-90.0
Protection of vulnerable persons and countering of bullying						
Continue reforming the legislative provisions relating to the protection of vulnerable persons ⁽³⁾	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Enhance the Concerted Action Plan to Prevent and Counter Bullying ⁽¹⁾	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Subtotal	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
TOTAL	-42.2	-97.1	-106.9	-100.4	-102.7	-449.3

(1) Appropriations will be granted to the Ministère de la Famille. The amounts for 2020-2021 will be drawn from the Contingency Fund.

(2) Sums are currently provided in the 2020-2030 Québec Infrastructure Plan to enable the Ministère de la Famille to implement this measure.

(3) The funding for these initiatives is granted to the Ministère de la Famille.

(4) The funding required for this measure will be drawn primarily from the Early Childhood Development Fund's surpluses.

2.6.1 Addition of 6 000 subsidized childcare spaces

Currently, there are some 235 000 subsidized childcare spaces in Québec.

Some 15 340 spaces were announced but not created. The government is going to step up the creation of these spaces. In addition, it is announcing in Budget 2020-2021 that 6 000 subsidized childcare spaces on top of those already planned will be created to allow more families to pay a reduced rate for childcare, currently set at \$8.35 a day in 2020. A total of \$339.3 million over five years is being provided for that purpose.

Of the 6 000 spaces in subsidized childcare:

- 2 500 will be new spaces;
- 3 500 will be non-subsidized childcare spaces converted into subsidized spaces, of which:
 - 1 750 spaces will be converted in 2020-2021,
 - 1 750 spaces will be converted in 2021-2022.

Refundable tax credit for childcare expenses

The purpose of the refundable tax credit for childcare expenses is to offset the costs borne by parents who require childcare services so that they can work, pursue studies or seek employment.

The tax credit is equal to the product obtained by multiplying the qualifying childcare expenses for the year by the tax credit rate for the family income (that is, the individual's net income plus that of the spouse, where there is a spouse).

- The rate table includes 32 family income brackets (automatically indexed each year) and tax credit rates varying from a high of 75% to a low of 26%.

Note that families can receive advance payments of the tax credit on request.

Comparable childcare expenses for certain households

In the fall 2019 *Update on Québec's Economic and Financial Situation*, the government announced the elimination of the additional contribution for childcare retroactive to January 1, 2019. This means that as of the 2019 taxation year, parents no longer have to pay the additional contribution when they file their income tax return.

However, factoring in the federal childcare expenses deduction, the refundable tax credit for childcare expenses makes the expenses paid for subsidized childcare comparable to the expenses paid for non-subsidized childcare services for middle-income families.

For example, for a couple with two children and a total family income of \$90 000, the net rate for \$35 non-subsidized childcare represents an additional cost of \$1.56 per child per day, compared to the rate for subsidized childcare.

- Furthermore, the government enhanced the family allowance by \$1 250 for the same family, or an amount equal to \$2.40 per child per day of childcare.

For some low-income households, the Québec tax credit combined with the federal childcare expenses deduction even makes non-subsidized childcare more advantageous.

- Thus, for a couple with two children and a total family income of \$40 000, the net daily rate paid for non-subsidized childcare is \$1.88 less per child than the net rate paid for subsidized childcare.

Note: You can determine the net daily cost of your childcare services using the calculator "Daily childcare cost for 2020" available on the website of the Ministère des Finances www.finances.gouv.qc.ca.

2.6.2 Support for child development

In Budget 2020-2021, the government is providing \$90.0 million by 2024-2025 to foster child development, particularly for children with vulnerabilities. The investments break down as follows:

- \$50.0 million to support community organizations that work with families;
- \$40.0 million for concerted government action under the Agir tôt government approach.

□ Support for community organizations

Family community organizations play an important role for all families, particularly the most vulnerable, by providing assistance and support. They offer activities that match families' needs.

- The mission of family community organizations is to offer all parents in the community they serve prevention and promotion activities and continuous assistance and support, from pregnancy onwards.

Examples of family community organizations

The Pignon bleu is a well-known family community organization in the city of Québec. Its mission is to, among other things, help ensure food safety for children and families as well as support development in children in need.

- To fulfil its mission, the Pignon bleu offers educational activities at lunchtime, extracurricular activities, cooking workshops and food assistance.

Another example of a family community organization is Baobab familial, which is a family home, a living environment and a gathering place in the Côte-des-Neiges district in Montréal. It fosters mutual support, exchange and a sense of belonging for local families.

- The services and activities offered by Baobab familial are designed to support families in their day-to-day lives, strengthen parenting experiences and build self-esteem. The goal is to create trust to facilitate Baobab familial's involvement in delicate situations.

In addition, community drop-in daycares offer occasional services to encourage parental involvement in the community organization's activities. Drop-in daycares give young children a chance to socialize with other children, facilitating their integration into the school environment.

A total of \$50.0 million over five years is being provided to give more support to community family organizations and community drop-in daycares.

Special Commission on the Rights of the Child and Youth Protection

The Special Commission on the Rights of the Child and Youth Protection, chaired by Régine Laurent, made preliminary recommendations in its mid-term review.

The Commission recommends:

1. supporting the requirement for a declaration of pregnancy in all regions of Québec and supplementing it with an implementation and implementation monitoring plan;
2. reintroducing the conditions for effective delivery of the Integrated Perinatal and Early Childhood Services program and investing the necessary sums to consolidate its deployment in all of Québec's regions and supplementing it with an implementation and implementation monitoring plan;
3. developing strategies to optimize use of the spaces reserved in childcare centres for vulnerable families;
4. making the Qualifying Youth Program accessible to the entire target group as soon as possible, in accordance with its winning conditions and in all organizations having a youth protection mandate, and providing new funding for an implementation and implementation monitoring plan, with annual reporting on enrolment and the program's outcome in respect of youth;
5. granting minimum, recurrent, long-term funding of \$200 000 per year per organization covering all their operating expenses, giving priority to family community organizations that are well established in their community and working in partnership with the local institutional organizations.

The action of the Ministère de la Santé et des Services sociaux is in line with the direction taken by the Commission. In particular, initiatives aimed at consolidating youth protection services and implementing the "Agir tôt" approach act on recommendations 1 and 2.

In this budget, the government is taking the first step to act on recommendation 5 by enhancing the support provided to family community organizations.

Other actions may be announced after the special commission has tabled its final report.

❑ Agir tôt

In the 2008-2009 budget speech, the Québec government announced an investment of \$400.0 million over ten years to help the development of children living in poverty. This investment is drawn from the Early Childhood Development Fund, endowed with \$15.0 million per year from the specific tax on tobacco and a \$25.0-million annual contribution from the Fondation Lucie et André Chagnon.

However, the partnership with the Fondation Lucie et André Chagnon has not been renewed and the Early Childhood Development Fund will be abolished as of 2020-2021. To offset the loss, an amount of \$40.0 million is provided for the purpose of funding, over the next three years, actions under the government's "Agir tôt" approach that are consistent with those goals.

- The project is part of a government initiative for concerted action by the Ministère de la Santé et des Services sociaux, the Ministère de la Famille and the Ministère de l'Éducation et de l'Enseignement supérieur.
- The government's goal is to take early action together to support children's development, from pregnancy to school, by addressing their individual needs and helping them reach their full potential.

2.6.3 Protecting vulnerable persons and countering bullying

As part of Budget 2020-2021, the government plans to invest \$20.0 million by 2024-2025 to reform the protection of vulnerable persons and counter bullying. This amount is broken down as follows:

- \$15.0 million to continue reforming the legislative provisions related to the protection of vulnerable persons;
- \$5.0 million for the new Concerted Action Plan to Prevent and Counter Bullying.

Continuing to reform the legislative provisions relating to the protection of vulnerable persons

The government recently undertook a reform of the protection of vulnerable persons to better reflect the reality of families today and in the future, population aging and the principles of good governance.

To continue reforming the protection of vulnerable persons, the Curateur public intends to expand its service offer to more effectively address citizens' needs as well as the issues of performance and client satisfaction. Investments will enable the Curateur public to modernize by offering online services and a modern technological platform that matches the reality of its clients.

For that purpose, the government is providing additional funding totalling \$15.0 million for the period 2020-2021 to 2024-2025.

In addition, investments totalling \$40.0 million are provided in the 2020-2030 Québec Infrastructure Plan.

Enhancing the Concerted Action Plan to Prevent and Counter Bullying

To step up its efforts to counter bullying, the government will be releasing a new Concerted Act Plan to Prevent and Counter Bullying.

As part of Budget 2020-2021, the government is announcing an additional \$1.0 million in annual investments to take stronger action to counter bullying. These investments are in addition to the annual budget of \$3.0 million already provided for the same purpose.

For the period 2020-2021 to 2024-2025, \$4.0 million in annual funding will therefore be available to prevent and counter bullying.

2.7 Facilitating housing assistance

The Québec government recognizes the importance for Québec households to live in affordable, suitable housing that meets their needs.

For that purpose, the government is investing \$301.3 million through Budget 2020-2021, including \$207.0 million by 2024-2025. These investments break down as follows:

- \$150.0 million to support the building of social, community and affordable housing units previously announced under the AccèsLogis Québec program;
 - \$108.0 million in additional support for certain community housing projects,
 - \$42.0 million in additional support for certain projects under the AccèsLogis Québec program;
- \$147.3 million to renew units under the Rent Supplement Program;
- \$4.0 million to build a warehouse to support the social housing stock in Nunavik.

TABLE D.22

Financial impact of the measures to facilitate housing assistance (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Other years	Total
Support for building housing units previously announced under the AccèsLogis Québec program⁽¹⁾								
Additional support for certain community housing projects ⁽²⁾	-58.0	-50.0	—	—	—	—	—	-108.0
Additional support for certain projects under the AccèsLogis Québec program ⁽³⁾	—	—	—	-22.1	-15.9	-4.0	—	-42.0
Subtotal	-58.0	-50.0	—	-22.1	-15.9	-4.0	—	-150.0
Renewal of 5 800 privately owned housing units under the Rent Supplement Program ^{(3),(4)}	—	—	-4.9	-8.3	-15.7	-24.1	-94.3	-147.3
Funding for the construction of a warehouse in Nunavik ⁽⁵⁾	-4.0	—	—	—	—	—	—	-4.0
TOTAL	-62.0	-50.0	-4.9	-30.4	-31.6	-28.1	-94.3	-301.3

(1) Investments of \$150.0 million are provided in the 2020-2030 Québec Infrastructure Plan.

(2) The amounts for 2019-2020 will be drawn from budgetary resources made available during the fiscal year. The amounts for 2020-2021 will be drawn from the Contingency Fund.

(3) For the years 2021-2022 and thereafter, appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation (MAMH).

(4) Appropriations of \$29.4 million for 2025-2026, \$24.5 million for 2026-2027, \$21.3 million for 2027-2028, \$13.9 million for 2028-2029 and \$5.2 million for 2029-2030 will be granted to the MAMH.

(5) The amounts for 2019-2020 will be drawn from the Contingency Fund.

❑ **Support for building housing units previously announced under the AccèsLogis Québec program**

In the last few years, the Québec government has announced investments for building social housing under Société d'habitation du Québec construction programs, in particular the AccèsLogis Québec program.

AccèsLogis Québec
<p>The AccèsLogis Québec program enables housing offices, housing cooperatives and non-profit organizations (promoters) to build social, community and affordable housing for low or moderate-income households or for clientele that have special needs.</p> <p>The program provides for sharing the costs of projects among the government, the project promoter and the community (generally the municipality).</p> <p>The level of financial assistance granted by the Québec government is based on the maximum eligible costs for a project and varies depending on the territory, the type of clientele targeted and the number of rooms in the housing unit.</p>

However, the investments initially provided have not kept up with the rise in project costs. In Budget 2019-2020, the government took the first step in addressing this situation by announcing an injection of over \$260.0 million to offset the under-funding in previous years.

To further accelerate the construction of units previously announced and meet housing needs more quickly, the government is announcing another injection of \$150.0 million:

- \$108.0 million in additional support for certain community housing projects;
- \$42.0 million in additional support for certain projects under the AccèsLogis Québec program.

The government will thus have invested \$410.0 million to enable the construction of social housing.

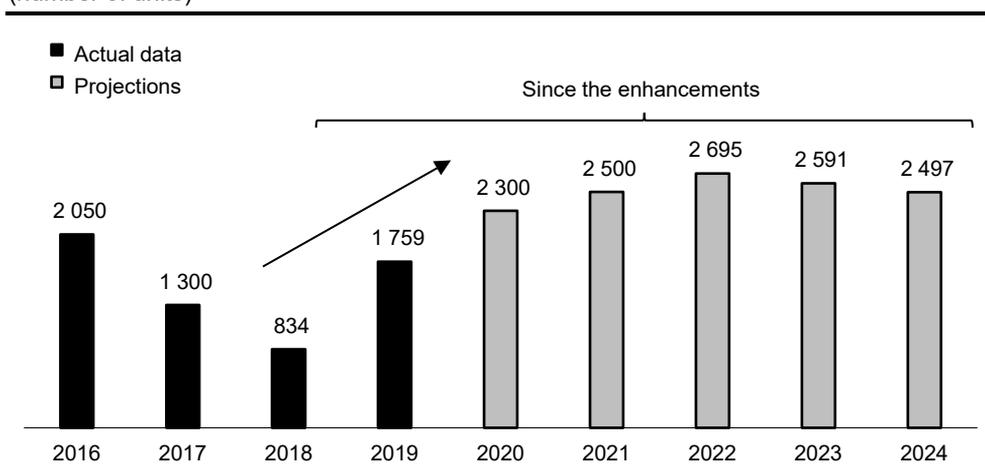
These investments are already having an impact and it will continue with this new announcement.

As at December 31, 2018, the number of affordable housing units built under the construction programs of the Société d'habitation du Québec, mainly the AccèsLogis Québec program, totalled 40 703.

- In 2019, 1 759 housing units were built, compared to 834 in 2018.
- In 2020, 2 300 more housing units are expected to be built.
- When all the units announced have been delivered, the total number of social housing units will be 56 174.

CHART D.4

Year-over-year change in social, community and affordable housing units built
(number of units)



Note: The number of units completed is calculated as at December 31, 2019. The number may include units completed in previous years, but in respect of which information was reported as at December 31 of the given year.

Source: Société d'habitation du Québec.

Renewal of 5 800 privately owned housing units under the Rent Supplement Program

With a view to helping more families with housing needs, Budget 2015-2016 included the necessary investments to gradually allocate 5 800 rent supplement units from 2015-2016 to 2019-2020. Ten per cent (10%) of these units were reserved for homeless persons.

Rent Supplement Program

The Rent Supplement program allows low-income families to live in rental housing units owned by private landlords, housing cooperatives, non-profit organizations or housing bureaus. The rent they pay is similar to that for low-rental housing, that is, 25% of the tenant's eligible income, plus certain charges.

Rent supplement units are granted for five years.

As the financial assistance for rent supplement units is granted for a period of five years, it will gradually come to term as of 2020-2021. To avoid jeopardizing the housing conditions of low-income households living in such units, the government plans to invest \$147.3 million so that the 5 800 units can be renewed for five more years.

Funding for the construction of a warehouse in Nunavik

The Kativik Municipal Housing Bureau has several warehouses for storing the equipment used to renovate its social housing stock. Owing to the region's harsh climate and the fact that most of the warehouses are nearly 40 years old, they have seriously deteriorated over time.

To address this situation, the budget includes \$4.0 million in funding to be granted to the Kativik Municipal Housing Bureau by the Société d'habitation du Québec for the purpose of building a new warehouse in Nunavik.

2.8 Further investing in youth

The 2016-2021 Youth Action Strategy, released in December 2016, is coming to an end. To get the ball rolling on development of the 2021-2026 youth plan, the Secrétariat à la jeunesse held consultations with stakeholders and citizens, especially young people, concerned about the challenges faced by our youth.

The consultations enabled the Secrétariat à la jeunesse to better focus the objectives of the next youth plan, which will be built on the current and future realities and challenges facing young people.

For the period 2021-2022 to 2024-2025, the Secrétariat à la jeunesse will receive \$27.0 million in additional funding for the purpose of implementing the 2021-2026 Youth Plan.

— The Secrétariat à la jeunesse will be announcing, during the year, new measures to enhance the five existing priority areas of youth action as well as environmental and cultural actions.

In order to immediately address new needs under the 2016-2021 Youth Action Strategy, the Secrétariat à la jeunesse will enhance certain measures that directly affect young people by granting:

— \$5.0 million to enhance Forces AVENIR recognition programs for science and technological application projects;

— \$5.0 million to set up a fund for the acquisition, construction or renovation of infrastructure designed for young people aged 15-29, such as renovation of youth centres.

TABLE D.23

Financial impact of the measures to further invest in youth (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancement of youth measures ⁽¹⁾	—	—	-7.0	-7.0	-6.0	-7.0	-27.0
Fonds de dépenses en infrastructures ⁽²⁾	—	—	—	—	—	—	—
Enhancement for Forces AVENIR ⁽³⁾	-3.0	—	—	—	—	—	-3.0
TOTAL	-3.0	—	-7.0	-7.0	-6.0	-7.0	-30.0

Note: The amounts for 2019-2020 will be drawn from the Contingency Fund.

(1) Appropriations will be granted to the Ministère du Conseil exécutif.

(2) Investments of \$5.0 million are provided in the 2020-2030 Québec Infrastructure Plan.

(3) Investments of \$5.0 million are provided for enhancement of Forces AVENIR, \$2.0 million of which will be drawn from the budgetary appropriations of the Ministère du Conseil exécutif.

2.9 Addressing the issues of Québec's English-speaking communities

Québec's English-speaking communities face singular issues of vitality, access to health care and labour market integration.

To support the Secrétariat aux relations avec les Québécois d'expression anglaise in fulfilling its mission in respect of Québec's English-speaking communities, the government is providing an additional \$18.8 million over five years.

Created in 2018, the program to strengthen the vitality of English-speaking communities supports the different organizations and educational institutions having projects that contribute to the vitality of English-speaking communities. The government is announcing a \$6.1-million injection over five years to enhance the program.

Wellness centres are unique meeting places for English-speaking communities and offer numerous activities for seniors. The centres combat isolation and encourage active living while contributing to the vitality of their communities. In recognition of their contribution to the well-being of seniors, the government is providing a total of \$4.7 million to continue the activities of the nearly 40 existing wellness centres and establish 25 more by 2022-2023.

Lastly, English-speaking Quebecers face special challenges in entering the job market. To improve the employment integration and raise the employment rate of Québec's English-speaking population, the government is providing, as part of Budget 2020-2021, \$7.0 million in funding to establish an employment strategy for English-speaking Quebecers.

TABLE D.24

Financial impact of the activities of the Secrétariat aux relations avec les Québécois d'expression anglaise (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
Enhance the program to strengthen the vitality of English-speaking communities	-1.6	-1.5	-1.0	-1.0	-1.0	-6.1
Maintain and establish wellness centres	-0.8	-0.9	-1.0	-1.0	-1.0	-4.7
Establish an employment strategy	-1.4	-1.4	-1.4	-1.4	-1.4	-7.0
Support the mission of the Secrétariat aux relations avec les Québécois d'expression anglaise	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
TOTAL	-4.0	-4.0	-3.6	-3.6	-3.6	-18.8

Note: Appropriations will be granted to the Ministère du Conseil exécutif. The amounts for 2020-2021 will be drawn from the Contingency Fund.

2.10 Simplifying payment of the solidarity tax credit to the surviving spouse

The solidarity tax credit consists of tax assistance to offset the regressive nature of certain taxes for low and middle-income households. The tax credit is granted on a family basis and is paid to only one of the spouses.

If the spouse who claimed the tax credit dies, the tax credit for the household ceases to be paid as of the payment following the death.

- Currently, the surviving spouse can receive the payments to which the deceased spouse would have been entitled on behalf of the household for the remainder of the year. However, the surviving spouse must claim the tax credit by completing Schedule D of the income tax return again and filing it with Revenu Québec.
- This involves an extra administrative step for the surviving spouse, which means a potential delay in payment of the tax assistance.

To reduce the administrative burden following a death and enable the surviving spouse to quickly receive the amounts to which he or she is entitled, the solidarity tax credit will henceforth be paid automatically to the surviving spouse as soon as Revenu Québec is informed of the other spouse's death.

- Automatic payment will apply in respect of deaths that occur on or after July 1, 2020.

TABLE D.25

Breakdown of the measures to meet the needs of specific clientele
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Enhancing support for caregivers							
Introduction of the new refundable tax credit for caregivers	—	-102.3	-104.3	-106.4	-108.5	-110.7	-532.2
Ongoing improvement in caregivers' quality of life	—	-19.0	-19.0	-10.0	-10.0	-10.0	-68.0
Subtotal – Enhancing support for caregivers	—	-121.3	-123.3	-116.4	-118.5	-120.7	-600.2
Providing better support to parents of handicapped children of full age							
Expediting eligibility for more generous benefits	—	—	-2.0	-6.0	-8.0	-10.0	-26.0
Increasing the number of home care service hours	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Extension of the period excluded from the contributory period under the Québec Pension Plan	—	—	—	—	—	—	—
Subtotal – Providing better support to parents of handicapped children of full age	—	-20.0	-22.0	-26.0	-28.0	-30.0	-126.0
Providing greater support to women who are victims of domestic violence							
Funding and adapting services provided by shelters	—	-24.0	-24.0	-24.0	-24.0	-24.0	-120.0
Tailoring support services for spouses with violent behaviour	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Improving and renovating shelters	—	-0.2	-2.0	-2.0	-1.8	—	-6.0
Appointing a domestic violence representative in health and social services institutions	—	-1.8	-1.8	-1.8	-1.8	-1.8	-9.0
Other actions in respect of domestic violence	—	-5.0	-9.0	-9.0	-9.0	-9.0	-41.0
Subtotal – Providing greater support to women who are victims of domestic violence	—	-32.0	-37.8	-37.8	-37.6	-35.8	-181.0

TABLE D.25

Breakdown of the measures to meet the needs of specific clientele
(cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Supporting crime victims and improving access to justice							
Reforming the crime victims compensation plan	—	-2.1	-6.6	-56.0	-45.4	-42.3	-152.4
Establishing a free mediation program	-13.5	—	—	—	—	—	-13.5
Subtotal – Supporting crime victims and improving access to justice	-13.5	-2.1	-6.6	-56.0	-45.4	-42.3	-165.9
Fostering social reintegration and adaptation of correctional services							
Enhancing funding for organizations working in social reintegration	—	-1.0	-2.3	-2.3	-2.4	-2.4	-10.4
Adapting correctional services to female inmates	—	-0.3	-0.4	-0.4	-0.4	-0.4	-1.9
Subtotal – Fostering social reintegration and adaptation of correctional services	—	-1.3	-2.7	-2.7	-2.8	-2.8	-12.3

TABLE D.25

Breakdown of the measures to meet the needs of specific clientele
(cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Providing stronger support to families							
Addition of 6 000 subsidized childcare spaces							
Creation of 2 500 childcare spaces	—	-6.0	-25.5	-37.4	-40.0	-41.1	-150.0
Conversion of 3 500 non-subsidized childcare spaces	—	-7.2	-42.6	-45.5	-46.4	-47.6	-189.3
Subtotal – Addition of 6 000 subsidized childcare spaces	—	-13.2	-68.1	-82.9	-86.4	-88.7	-339.3
Support for child development							
Support community organizations	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Agir tôt	—	-15.0	-15.0	-10.0	—	—	-40.0
Subtotal – Support for child development	—	-25.0	-25.0	-20.0	-10.0	-10.0	-90.0
Protection of vulnerable persons and countering of bullying							
Continue reforming the legislative provisions relating to the protection of vulnerable persons	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Enhance the Concerted Action Plan to Prevent and Counter Bullying	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Subtotal – Protection of vulnerable persons and countering of bullying	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Subtotal – Providing stronger support to families	—	-42.2	-97.1	-106.9	-100.4	-102.7	-449.3

TABLE D.25

Breakdown of the measures to meet the needs of specific clientele
(cont.)
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Facilitating housing assistance							
Support for building housing units previously announced under the AccèsLogis Québec program	-58.0	-50.0	—	-22.1	-15.9	-4.0	-150.0
Renewal of 5 800 privately owned housing units under the Rent Supplement Program	—	—	-4.9	-8.3	-15.7	-24.1	-53.0
Funding for the construction of a warehouse in Nunavik	-4.0	—	—	—	—	—	-4.0
Subtotal – Facilitating housing assistance	-62.0	-50.0	-4.9	-30.4	-31.6	-28.1	-207.0
Further investing in youth							
Enhancement of youth measures	—	—	-7.0	-7.0	-6.0	-7.0	-27.0
Fonds de dépenses en infrastructures	—	—	—	—	—	—	—
Enhancement for Forces AVENIR	-3.0	—	—	—	—	—	-3.0
Subtotal – Further investing in youth	-3.0	—	-7.0	-7.0	-6.0	-7.0	-30.0
Addressing the issues of Québec's English-speaking communities							
Enhance the program to strengthen the vitality of English-speaking communities	—	-1.6	-1.5	-1.0	-1.0	-1.0	-6.1
Maintain and establish wellness centres	—	-0.8	-0.9	-1.0	-1.0	-1.0	-4.7
Establish an employment strategy	—	-1.4	-1.4	-1.4	-1.4	-1.4	-7.0
Support the mission of the Secrétariat aux relations avec les Québécois d'expression anglaise	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Subtotal – Addressing the issues of Québec's English-speaking communities	—	-4.0	-4.0	-3.6	-3.6	-3.6	-18.8
TOTAL	-78.5	-272.9	-305.4	-386.8	-373.9	-373.0	-1 790.5

3. SUPPORTING INDIGENOUS COMMUNITIES

Indigenous communities face unique economic and social realities, particularly owing to their geographical locations. The government therefore intends to continue its commitment to support Indigenous and northern communities in the economic and social development with the aim of improving their quality of life.

In Budget 2020-2021, the government is providing \$219.2 million in additional investments over six years to:

- support priority initiatives aimed at fostering well-being in Indigenous communities;
- support infrastructure development in the Eeyou Istchee James Bay region, in partnership with the local Cree communities;
- enhance assistance for the Breakfast Club in Indigenous communities;
- establish support measures for the northern population to facilitate access to the available tax assistance.

TABLE D.26

Financial impact of the measures to support Indigenous communities (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Supporting priority initiatives aimed at fostering well-being in Indigenous communities ⁽¹⁾	—	-40.0	-40.0	-40.0	-40.0	-40.0	-200.0
Supporting infrastructure development in the Eeyou Istchee James Bay region ^{(2),(3)}	-15.0	—	—	—	—	—	-15.0
Enhancing assistance for the Breakfast Club in Indigenous communities ^{(2),(4)}	—	-0.6	-0.6	—	—	—	-1.2
Helping the northern population obtain available financial support ⁽⁵⁾	—	-0.6	-0.6	-0.6	-0.6	-0.6	-3.0
TOTAL	-15.0	-41.2	-41.2	-40.6	-40.6	-40.6	-219.2

(1) The amounts will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère du Conseil exécutif.

(3) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(4) The amounts for 2020-2021 will be drawn from the Contingency Fund.

(5) The amounts will be drawn from the Tax Administration Fund.

3.1 Supporting priority initiatives aimed at fostering well-being in Indigenous communities

The government is sensitive to the findings of the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec and the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Consultations with Indigenous communities will therefore continue with the aim of determining what measures will be given priority and acting on the findings.

The government is taking the first step to that end in Budget 2020-2021 by providing \$200.0 million over five years to implement the measures deemed a priority and that:

- foster educational success among Indigenous youth;
- raise awareness about Indigenous realities in public service representatives;
- support the well-being of Indigenous women and girls;
- improve access to culturally appropriate services that meet the needs expressed by First Nations and Inuit.

National Inquiry into Missing and Murdered Indigenous Women and Girls and the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec

On August 3, 2016, the federal government announced the establishment of the National Inquiry into Missing and Murdered Indigenous Women and Girls (MMIWG) to look into and report on the systemic causes of all forms of violence against Indigenous women and girls.

- In conjunction with the MMIWG national inquiry, a component focusing specifically on the public services provided by the Québec government to Indigenous women and girls was also launched.

Moreover, on December 21, 2016, the Québec government established the Commission on relations between Indigenous Peoples and certain public services in Québec. The Commission was mandated to investigate and make recommendations as to the concrete measures to be implemented to prevent or eliminate any form of violence or discriminatory practices in the provision of public services to the Indigenous peoples of Québec.

The final report of the MMIWG national inquiry and the supplementary report focusing Québec were released on June 3, 2019. The final report of the Commission on relations between Indigenous Peoples and certain public services in Québec was released on September 30, 2019.

3.2 Supporting infrastructure development in the Eeyou Istchee James Bay region

The government is providing \$15.0 million to contribute to a study of a project integrating transportation, electricity and telecommunications infrastructure in the Eeyou Istchee James Bay region, in partnership with Cree communities.

Building infrastructure in the Eeyou Istchee James Bay region would help ease the barriers to the region's development related to its remoteness and the northern climate, while pursuing environmental protection efforts, in particular the establishment of protected areas.

3.3 Enhancing assistance for the Breakfast Club in Indigenous communities

The Breakfast Club helps 38 schools in Québec Indigenous communities provide healthy and nutritious breakfasts to disadvantaged students, thereby fostering the student's active and sustained participation in learning activities.

To enable a greater number of Indigenous students to start the day off right, the government is increasing the support provided to the Breakfast Club by \$1.2 million over two years.

3.4 Helping the northern population obtain available financial support

The government wants to provide greater support to vulnerable persons living in northern villages that, because of their remote location, have limited access to certain support services, particularly in the area of taxation.

The government is therefore providing \$3.0 million over five years to enable Revenu Québec to implement measures to assist the residents of Nunavik in filing their income tax returns.

— This support will enable people living in the North to access all of the support measures they are entitled to receive.

This action is consistent with the government's desire to follow the Québec Ombudsperson's recommendations and ensure that low-income individuals will have access to all of the tax assistance available to them.

Section E

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2020 AND 2021

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SUMMARY

Economic growth accelerated in Québec in 2019. After posting a 2.5% increase in 2018, real GDP rose by 2.8% in 2019.

- The expansion was better than forecast. When Budget 2019-2020 was tabled, the Ministère des Finances du Québec had projected 1.8% growth for Québec in 2019, as did private sector economists.

The economy's performance is especially remarkable given the slowdown in global economic growth.

- Globally, economic growth decelerated from 3.5% in 2018 to 2.9% in 2019, the slowest pace of growth since the 2009 global economic recession.

The current economic cycle is on firm ground. Consequently, economic activity is expected to continue increasing in Québec in the coming years.

- Real GDP growth is forecast at 2.0% in 2020 and 1.5% in 2021.
- Thus, in 2020, Québec's real GDP growth is expected to outstrip that of Canada for the third year in a row.

Economic expansion in Québec will need to rely on higher labour productivity to increase the economy's growth potential.

- Québec is confronted with an aging population, limiting growth in the labour force and exerting greater pressure on the labour market.
- In addition, Québec has the highest employment rate of all the provinces for people aged 15 to 64. This component as a source of economic growth is therefore limited.
- Against this backdrop, productivity gains hold the greatest potential for boosting economic growth and the standard of living.

TABLE E.1

Economic growth

(real GDP, percentage change)

	2018	2019	2020	2021
Québec	2.5	2.8	2.0	1.5
Canada	2.0	1.6	1.7	1.7
United States	2.9	2.3	1.8	2.0
World	3.5	2.9	3.1	3.3

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

1. THE ECONOMIC SITUATION IN QUÉBEC

1.1 Continually strong economic growth

In 2019, Québec's real GDP grew at a remarkable rate of 2.8%. This is an outstanding performance compared to Canada's real GDP growth (+1.6%) for the same period. Such a gap in Québec's favour has not been seen since 2009.

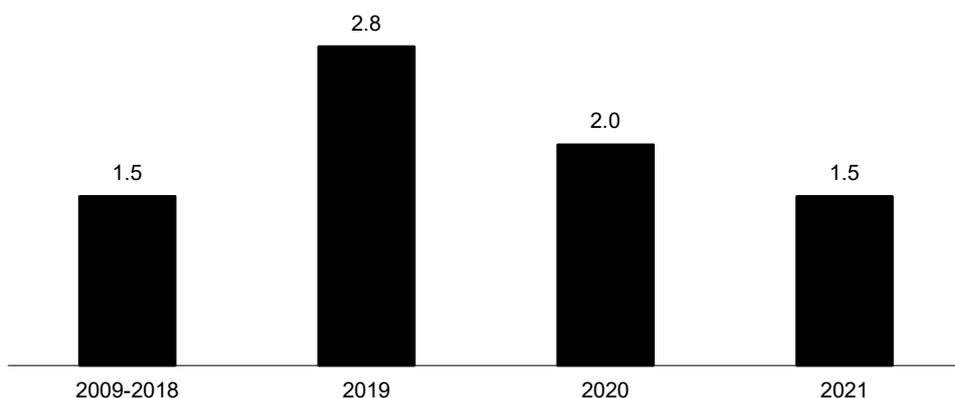
In the coming years, economic growth is expected to remain strong, at a forecast rate of 2.0% in 2020 and 1.5% in 2021.

- The increase in economic activity will be supported by various measures introduced since fall 2018 to boost the growth potential of Québec's economy. The government:
 - introduced measures to give almost \$12 billion back to Quebecers over six years, including cuts in school taxes and enhancement of the family allowance;
 - structurally invested in areas, particularly education and infrastructure, to lay the foundations for sustained growth;
 - encouraged private investment by, in particular, introducing accelerated depreciation for investments and increased the incentives to keep experienced workers employed;
 - overhauled Investissement Québec to give it a stronger role in the economy.

In addition, Québec's economy will continue to expand while the government works to achieve its goal of fighting climate change.

CHART E.1

Economic growth in Québec (real GDP, annual percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.2 Faster rise in Quebecers' standard of living in 2019

From 2009 to 2018, Québec's real GDP growth and that of its main trading partners were generally synchronized.

- The increase in economic activity spurred an improvement in Quebecers' standard of living, as measured by real GDP per capita.
- From 2009 to 2018, Québec's real GDP per capita grew at an average annual rate of 0.7%. This is a similar pace of growth to that of Ontario (+0.6%) and Canada (+0.6%).

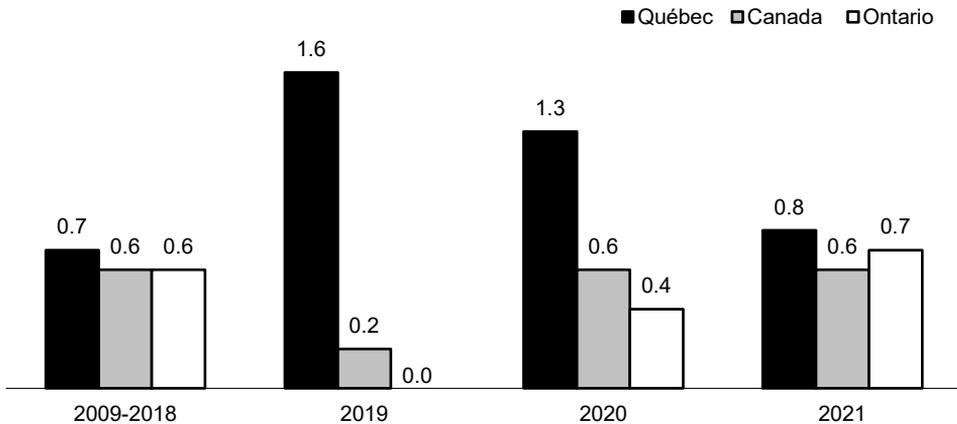
In 2019, the significant acceleration in economic growth set Québec apart from Canada and Ontario.

- The sharp increase in Québec's real GDP drove a strong improvement in the standard of living (+1.6%). Over the same period, standard of living growth decelerated in Ontario (0.0%) and Canada (+0.2%).

The right conditions are in place for continuation of the positive trend in Québec's economy. Québec's standard of living is thus expected to continue rising at a faster pace than Ontario's and Canada's.

CHART E.2

Changes in standard of living (real GDP per capita, annual percentage change)



Note: For 2019-2021, Ministère des Finances du Québec forecasts for Québec and Canada and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

Outstanding economic growth in 2019

The pace of economic activity picked up in 2019. The strong growth is driven by the interaction of numerous variables, in particular:

- low global oil prices and interest rates had a stimulating effect on a healthy economy;
- sound management of public finances made it possible to reinject money into the economy. Quebecers benefited from a reduction in the tax burden of individuals and businesses, higher government spending and an increase in investments under the Québec Infrastructure Plan;
- a booming labour market led strong productivity and wage growth;
- a vibrant labour market helped attract human capital and, especially, improved net interprovincial migration;
- the favourable conditions for households supported consumption and the residential sector. In addition, low financing costs and more affordable real estate than in the rest of Canada boosted housing demand;
- high household and business confidence.

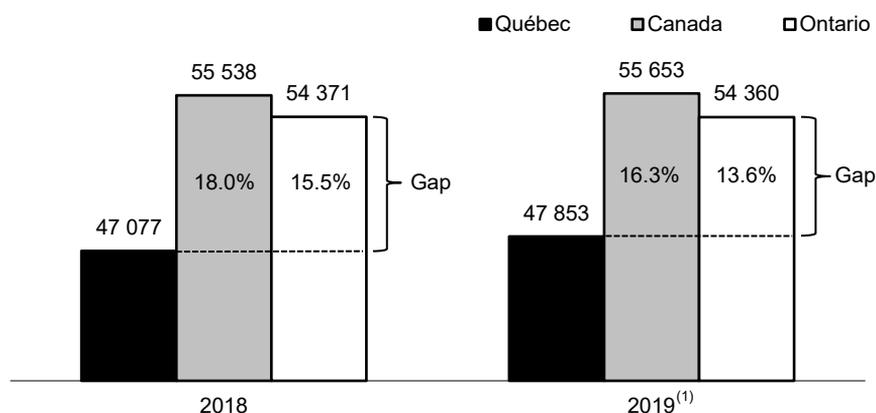
The wealth gap with Ontario narrowed in 2019

In 2019, real GDP growth accelerated in Québec, from a rate of 2.5% in 2018 to 2.8% in 2019. The faster pace of economic growth fostered an improvement in Quebecers' standard of living, as measured by real GDP per capita, which rose from \$47 077 in 2018 to \$47 853 in 2019, a 1.6% increase.

- For the same period, the standard of living in Ontario remained unchanged. As a result, the standard of living gap narrowed from 15.5% in 2018 to 13.6% in 2019.

Changes in standard of living

(in chained 2012 dollars and gap in per cent)



Note: The standard of living corresponds to real GDP per capita.

(1) For 2019, Ministère des Finances du Québec forecasts for Québec and Canada and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

Productivity gains set Québec apart in 2019

Over the last ten years, expansion of Québec's economy was primarily fuelled by significant employment gains whereas productivity rose at a slower pace than in Ontario. This trend reversed in 2019, with productivity gains setting Québec apart.

Contribution of economic growth factors

(average annual percentage change and contribution in percentage points)

	Québec		Ontario	
	2009-2018	2019	2009-2018	2019
Real GDP	1.5	2.8	1.7	1.7
Potential labour pool ⁽¹⁾	0.2	0.2	0.8	1.5
Employment rate ⁽²⁾	0.7	1.6	0.1	1.4
Productivity ⁽³⁾	0.5	1.0	0.8	-1.2
STANDARD OF LIVING⁽⁴⁾	0.7	1.6	0.6	0.0

Note: Totals may not add due to rounding.

(1) Population aged 15-64.

(2) The employment rate corresponds to the total number of workers out of the population aged 15-64.

(3) Productivity represents real GDP per worker.

(4) Standard of living as measured by real GDP per capita.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

1.3 Balanced economic growth

Real GDP will increase by 2.0% in 2020 and 1.5% in 2021, after rising by 2.8% in 2019. Households will remain the main driver of growth in the coming years.

- Household spending will be supported by a vibrant labour market, which is driving sustained wage growth, and by higher household confidence. In addition, the initiatives taken by the Québec government will continue to raise Quebecers' disposable income.
- The favourable situation of households coupled with tensions in the housing market, reflected in particular by a very low vacancy rate, will continue to boost the residential sector.

On the business side, non-residential investment is expected to continue rising, sustained by the initiatives announced by the Québec and federal governments.

- Moreover, in the context of a tightening labour market, businesses will look to increase their productivity in order to continue growing their operations.
- An ease in trade tensions as a result of the upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA) and the Phase One trade deal between the United States and China should also reduce uncertainty for business leaders as well as boost investment and exports.

Public investment and spending will continue to spur growth.

TABLE E.2

Real GDP and its major components in Québec (percentage change and contribution in percentage points in brackets)

	2019	2020	2021
Domestic demand	2.5 (2.5)	1.8 (1.9)	1.4 (1.4)
– Household consumption	1.8 (1.1)	1.9 (1.1)	1.6 (0.9)
– Residential investment	3.1 (0.2)	0.9 (0.1)	0.3 (0.0)
– Non-residential business investment	2.0 (0.2)	2.6 (0.2)	2.3 (0.2)
– Government spending and investment	3.7 (1.0)	1.9 (0.5)	0.9 (0.2)
External sector	– (0.6)	– (0.2)	– (0.0)
– Exports	1.6 (0.8)	1.9 (0.9)	1.8 (0.8)
– Imports	0.2 (–0.1)	1.4 (–0.7)	1.7 (–0.8)
Inventories	– (–0.4)	– (–0.1)	– (0.0)
REAL GDP	2.8	2.0	1.5

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Still-robust labour market

Québec's labour market remained robust in 2019, reflecting the healthy economic situation.

- 77 700 jobs were created in 2019, an increase of 1.8%. By comparison, annual job creation averaged 38 900 in 2018 (+0.9%).
 - Between December 2018 and December 2019, 57 400 jobs were gained (+1.3%), including 51 700 full-time jobs and 47 500 private-sector jobs.
- The unemployment rate fell to 5.1% in 2019, a historic low for the fourth year in a row.

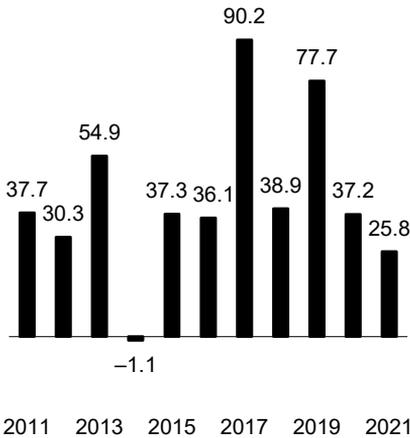
The labour market is expected to remain robust in the coming years. However, job creation will be influenced by demographic changes. A smaller pool of potential workers, the already very low unemployment rate and the high employment rate will limit job gains in the coming years.

- Thus, in 2020, 37 200 jobs will be added, a 0.9% increase, and the unemployment rate will decrease to 5.0%. In 2021, a job gain of 25 800 is forecast, up 0.6%, and the unemployment rate will decline to 4.9%.

The low unemployment rate allows people looking for a job to seize labour market opportunities. In addition, full use of the available workforce and productivity gains will be needed to support economic growth in the years ahead.

CHART E.3

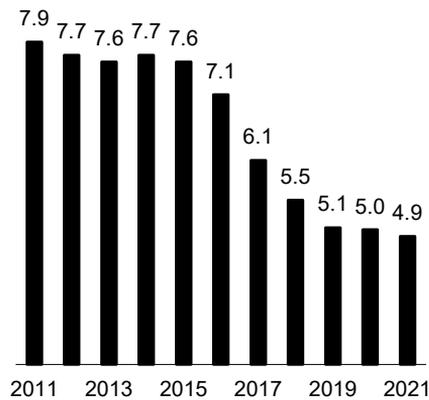
Job creation in Québec
(thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.4

Unemployment rate in Québec
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

The booming labour market that is spurring productivity and economic growth

Significant job creation over the past few years has contributed to a rapid decline in the unemployment rate, which fell to 5.1% in 2019.

- In Canada, only British Columbia saw a lower unemployment rate (4.7%).

Furthermore, in 2019, the employment rate for the population aged 15 and over was 61.5% in Québec, surpassing that of Ontario (61.4%) for the second straight year.

- The employment rate for the 15-and-over age group is historically higher in Ontario than in Québec primarily due to the composition of the population.
- In fact, the population is older in Québec than in Ontario and the employment rate falls rapidly among people aged 55 and over.

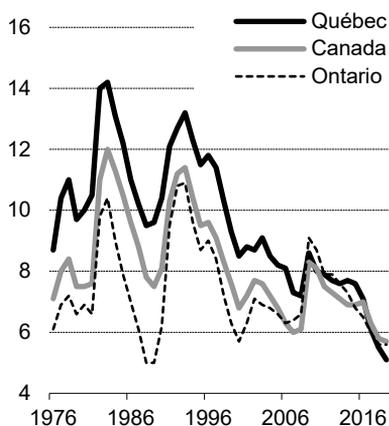
These trends, which lead to a tighter labour market, put upward pressure on wages.

- In 2019, growth in wages and salaries was higher in Québec (+5.9%) than in Canada (+4.5%).

In 2019, the labour market's strong performance occurred simultaneously with the substantial increase in productivity (+1.0%).

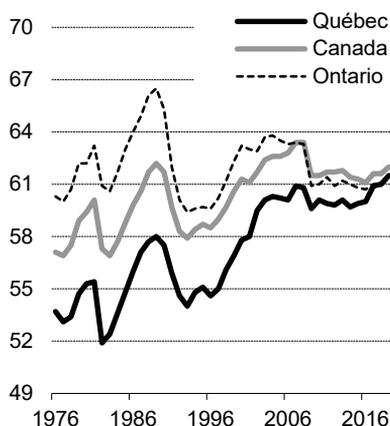
- Growth in productivity is a driving factor in wage growth.
- A significant increase in wages can result in higher consumer spending and household savings.

Change in unemployment rate
(per cent)



Source: Statistics Canada.

Change in employment rate
(per cent)



Source: Statistics Canada.

The strong labour market is driving an improvement in net interprovincial migration

The good labour market performance in recent years has enabled Québec to attract and retain more workers. In fact, Québec is losing fewer people to the other provinces.

- In 2019, Québec had a net interprovincial migration of –3 000.
- This is lower than the losses recorded in the previous years (–9 000 people, on average, over the last ten years).

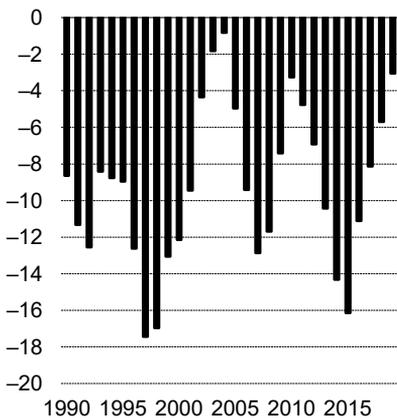
This turnaround is positive for Québec. A negative net interprovincial migration is a loss for the economy, whereas Québec needs all of its workers to respond to the demand of a dynamic labour market.

As a result, total population growth rose in Québec despite population aging.

- The population grew by 1.2% in 2019, the highest growth rate seen since 1989 (+1.3%).

Net interprovincial migration in Québec

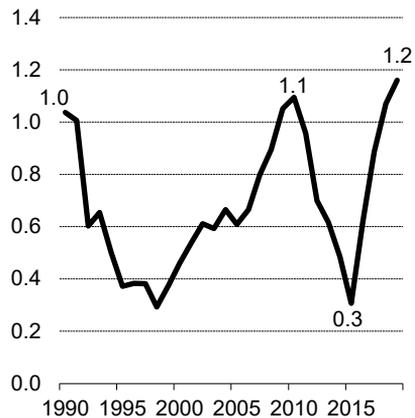
(thousands of people)



Source: Statistics Canada.

Population growth in Québec

(percentage change)



Source: Statistics Canada.

1.4 A dynamic labour market that puts households in a stronger financial position

Benefiting from favourable conditions, households will increase their consumption expenditure by 1.9% in 2020 and 1.6% in 2021.

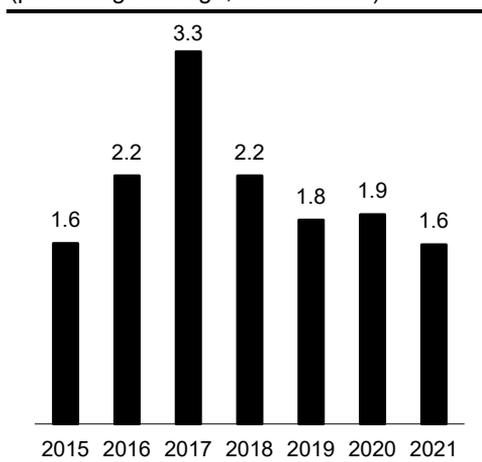
- In 2019, the labour market's strong performance occurred simultaneously with the substantial increase in productivity (+1.0%). The increase in productivity supported wage growth.
- The growth in earnings was coupled with various measures aimed at reducing the tax burden on individuals and increasing transfers from public administrations to households.
- In addition, higher household confidence and low interest rates and oil prices will continue to support consumption.

The sharp rise in household income has given Quebecers more financial leeway and they are saving more of their disposable income than before.

- In 2019, the Québec household savings rate rose to 8.6%, the highest rate recorded since 1995 (9.2%). It is expected to continue increasing and stand at 9.6% in 2020 and 9.5% in 2021.
- Whereas the savings rate has gone up in Québec, several provinces reported a negative savings rate, including Ontario (−0.6% in 2018).

CHART E.5

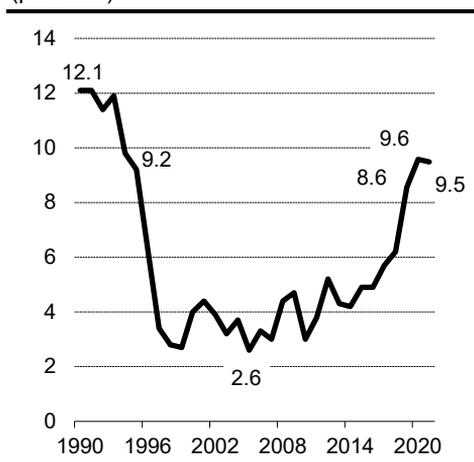
Household consumption expenditure in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.6

Household savings rate in Québec (per cent)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Consumer and business confidence at a peak

The Conference Board of Canada's consumer confidence index for Québec has risen sharply over the last few years.

- The index rose from 100.0 points in 2014 to 163.3 points in 2019.

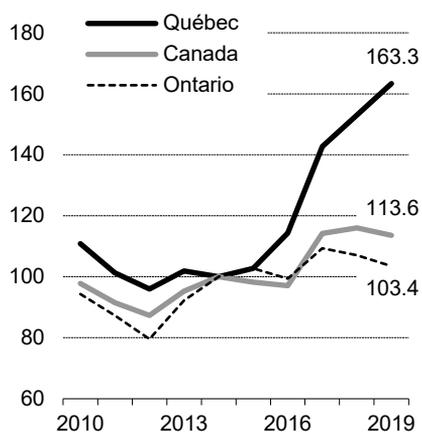
Consumers in Canada and Ontario were not as optimistic. In 2019, the consumer confidence index was 113.6 points in Canada and 103.4 points in Ontario.

The high level of consumer confidence in Québec heralds continued growth in consumption in the coming quarters.

Furthermore, business owners are highly optimistic. According to the Canadian Federation of Independent Business (CFIB), the Business Barometer Index, which measures small business confidence, shows that business owners in Québec were among the most optimistic in Canada in 2019.

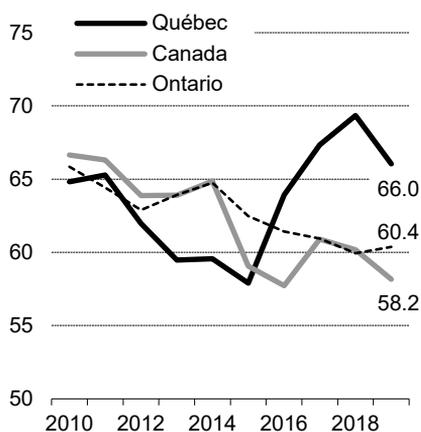
- The Québec small business confidence index stood at 66.0 points in 2019.¹ Only Prince Edward Island saw a higher index (66.2 points). For the same period, the index stood at 58.2 points in Canada and 60.4 points in Ontario.

Consumer confidence index
(points, 2014 = 100)



Source: Conference Board of Canada.

Small business confidence index
(points)



Source: Canadian Federation of Independent Business' Business Barometer Index.

¹ The index is measured on a scale of 0 to 100. An index above 50 means owners expecting their business' performance to be stronger in the next year outnumber those expecting weaker performance.

1.5 Continually strong residential sector

Québec's real estate sector was very dynamic in 2019. The combination of strong growth of household income, low interest rates, affordable housing and population growth boosted housing demand. More specifically, in 2019:

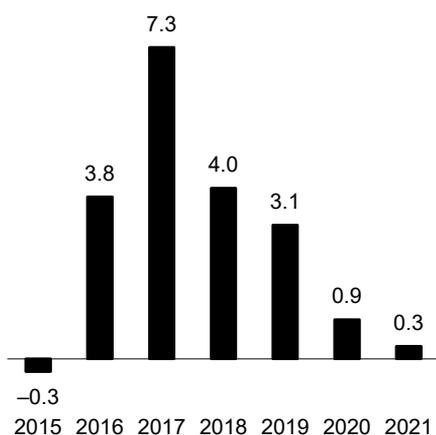
- housing starts climbed by 2.3%, to 48 000 units, the highest level of housing starts seen since 2011 (48 400 units);
- sales of existing homes continued trending higher (+11.8%), hitting an annual peak of 96 600 transactions.

The real estate market will remain dynamic in the coming years. Interest rates will stay low and the robust labour market will put households in a stronger financial position. However, housing demand could ease due to the anticipated slowdown in population growth.

- As a result, residential investment is expected to continue rising, but at a more modest pace, standing at 0.9% in 2020 and 0.3% in 2021. It was up by 3.1% in 2019.
- The number of housing starts is forecast at 47 600 in 2020 and 45 200 in 2021, higher than the average level over the last ten years.
- Furthermore, residential investment will be supported by renovation spending and an increase in home sales.

CHART E.7

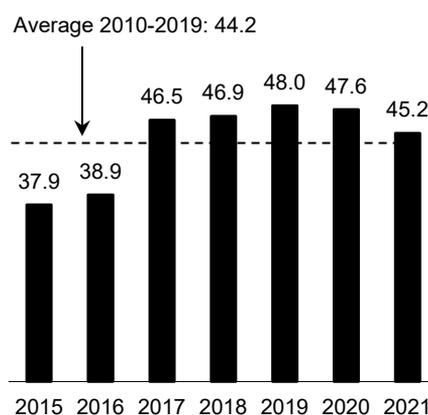
Residential investment in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.8

Housing starts in Québec (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

Affordable home prices in Québec

Québec's residential market continued to boom. There were 48 000 housing starts in 2019, the highest number seen since 2011. In addition, the number of home sales hit an annual high, at 96 600 transactions completed by a real estate broker.

The high level of activity testifies to the strong housing demand. Despite the increase in housing starts, the housing market remains tense and vacancy rates for rental properties remain low.

- In 2019, Québec saw the lowest vacancy rental rate since 2004, at 1.8%. The Canada Mortgage and Housing Corporation (CMHC) considers a market to be balanced at a roughly 3.0% vacancy rate.

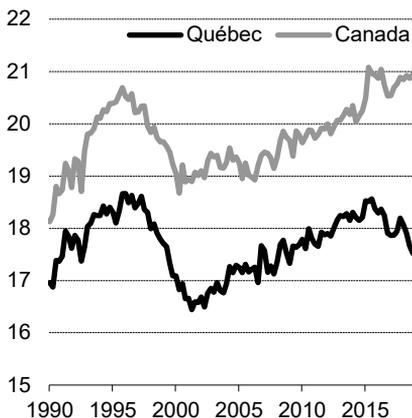
The strong housing demand in Québec drove the average price of resale homes up by 5.2% in 2019, to \$323 600. Even with the increase, home prices remain affordable.

- By comparison, the average property price in 2019 was \$606 700 in Ontario, \$700 400 in British Columbia and \$500 400 in Canada.

In addition, the strong growth in household income and the low interest rates have reduced the share of household expenditures that goes to shelter in recent years.

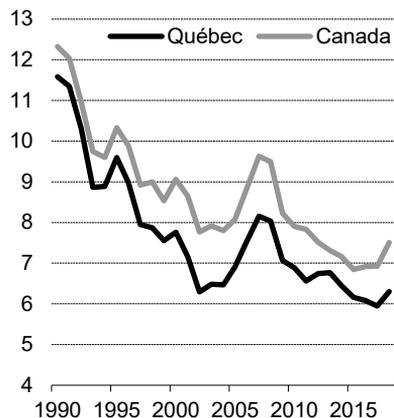
- In the third quarter of 2019, 17.5% of Québec household's disposable income went to shelter. This is considerably lower than for Canadian households (20.9%). Furthermore, unlike in Canada as a whole, the share of disposable income that goes to shelter has trended down in Québec.
- Moreover, the low cost of borrowing and affordable home prices in Québec mean lower interest payments for households. In addition, the CMHC gave the housing market in the Montréal census metropolitan area a low vulnerability rating.

Household spending on housing as a share of disposable income
(per cent, in nominal terms)



Sources: Institut de la statistique du Québec and Statistics Canada.

Total interest paid by households as a share of disposable income
(per cent, in nominal terms)



Sources: Institut de la statistique du Québec and Statistics Canada.

Fewer foreign buyers in Québec and on the island of Montréal in 2019

The share of real estate transactions by foreign buyers¹ dropped in 2019 in Québec, and on the island of Montréal in particular.

- This contrasts with the three previous years, when the share of real estate transactions by foreign buyers increased.

According to Québec land register data compiled by JLR Solutions Foncières, the percentage of foreign buyers in all real estate transactions in Québec was down from 1.1% in 2018 to 0.9% in 2019.

- A similar situation was seen on the island of Montréal, where the share of real estate transactions by foreign buyers fell from 3.4% in 2018 to 2.6% in 2019.
- In 2019, buyers from the rest of Canada accounted for 2.5% of transactions in Québec as a whole and 3.0% of transactions in Montréal.

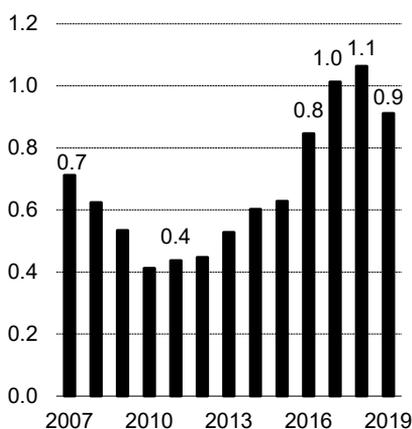
Thus, Québec buyers account for the vast majority of real estate transactions both in Québec as a whole and on the island of Montréal.

- In 2019, 96.6% of all real estate transactions in Québec and 94.3% of transactions on the island of Montréal involved Québec buyers.

Even if the proportion of foreign buyers decreased in 2019, the government will continue to monitor the real estate market in Québec.

Québec real estate transactions by foreign buyers

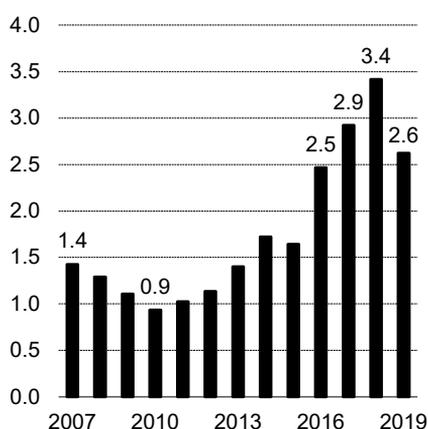
(percentage of total transactions
in Québec)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

Island of Montréal real estate transactions by foreign buyers

(percentage of total transactions
on the island of Montréal)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

¹ "Foreign buyers" means buyers who, at the time of the real estate transaction, declared an address of residence outside Canada. This information, which appears in the notarial act, does not indicate the status of the buyer under the *Immigration and Refugee Protection Act*.

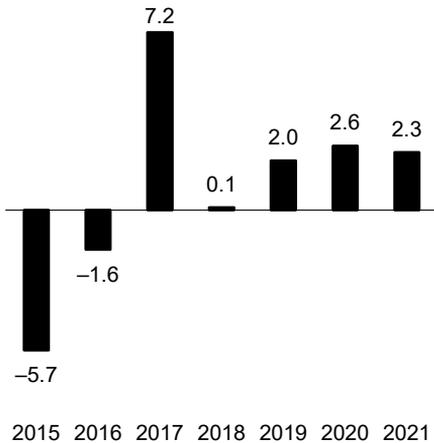
1.6 Conditions conducive to growth in non-residential business investment

After increasing by 2.0% in 2019, non-residential business investment is expected to accelerate to 2.6% in 2020 and 2.3% in 2021. The increase in investment will be supported by a number of factors, including:

- the accelerated depreciation measures introduced by the governments of Québec and Canada, the investment and innovation tax credit (C3i) and extension of the eligibility period for the tax holiday for large investment projects;
- an ease in trade tensions as a result of the upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA) and the Phase One trade deal between the United States and China, which will attenuate uncertainty among business leaders;
- the shrinking pool of available workers, which encourages businesses to invest in machinery and equipment to enhance their productivity;
- financial conditions that remain favourable;
- good economic conditions and healthy public finances in Québec, which reinforce Québec business confidence.

CHART E.9

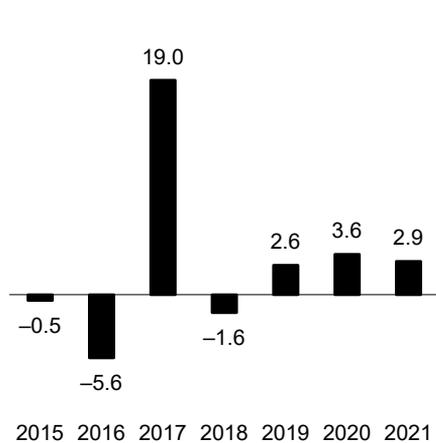
Total non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.10

Business investment in machinery and equipment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Structuring government investments that spur economic growth

Public administrations, such as the Québec government, municipalities and the federal government, will boost their investments in the coming years.

— In 2019, the total value of gross fixed capital formation for all levels of government in Québec was \$20.3 billion. It is expected to be \$21.1 billion in 2020 and \$22.0 billion in 2021.

More specifically, the Québec government will inject more funding into the 2020-2030 Québec Infrastructure Plan (QIP). The QIP makes it possible to add infrastructure and upgrade infrastructure with an asset maintenance deficit.

— To meet the public's significant infrastructure needs, the Québec government is announcing, as part of Budget 2020-2021, \$15.1 billion in additional investments under the 2020-2030 QIP.

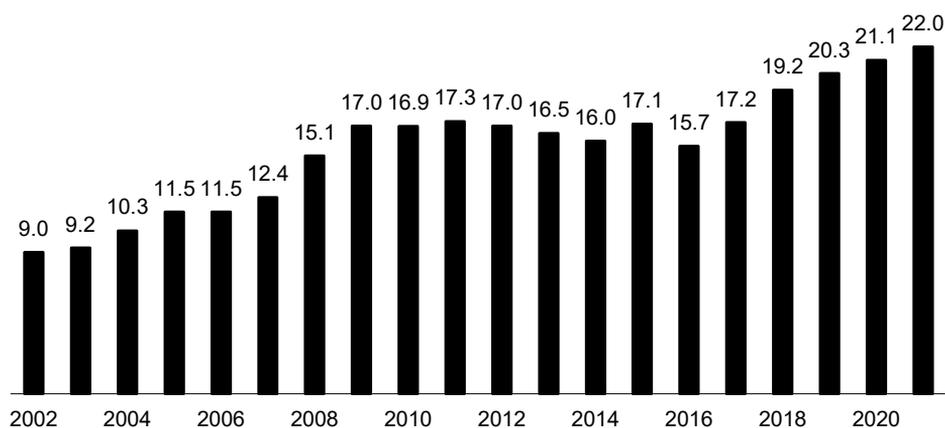
— This increase will raise the total investments from \$115.4 billion to \$130.5 billion over ten years. They will reach roughly \$13 billion a year on average from 2020-2021 to 2029-2030.

— In 2020-2021, the QIP will account for over half of Québec public investments and 2.3% of Québec's GDP.

These investments are an important support for the economy, as they ensure that public infrastructure is good-quality and modern.

CHART E.11

Government investments in Québec (billions of dollars, in nominal terms)



Note: Government investments include investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.7 Moderate increase in exports

In 2019, export growth slowed to 1.6%, from 4.2% in 2018, mainly due to the deceleration in world trade and the U.S. tariffs on steel and aluminum. The tariffs were finally lifted in May 2019, around a year after being implemented.

Exports are expected to see moderate growth in the coming years, with forecast increases of 1.9% in 2020 and 1.8% in 2021. They will be supported by:

- the favourable Canadian dollar exchange rate;
- the upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA), which will ease uncertainties.

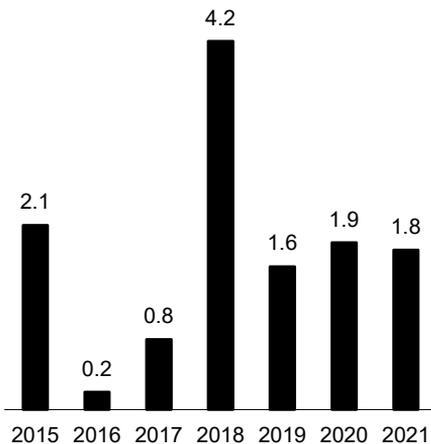
However, the weaker-than-expected growth in world trade and the moderation of U.S. economic growth will curb the increase in demand for Québec goods and services.

Growth in imports, on the other hand, is expected to accelerate from 0.2% in 2019 to 1.4% in 2020 and 1.7% in 2021.

- The retaliatory measures imposed by Canada in response to the U.S. steel and aluminum tariffs will no longer weigh on Québec imports as they did at the start of 2019.
- Furthermore, import growth will be supported by household consumption and non-residential business investment.

CHART E.12

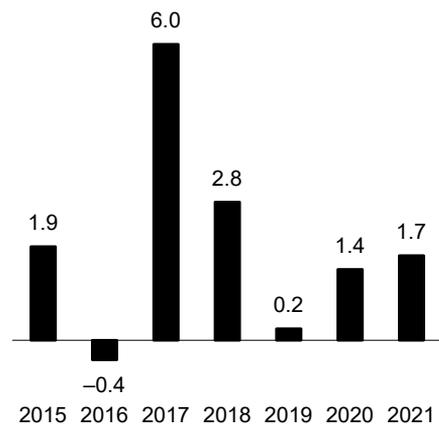
Québec's total exports
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.13

Québec's total imports
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.8 Continued robust growth in nominal GDP

Nominal GDP, which measures the value of output by taking into account the price effect, is forecast to grow by 4.1% in 2020 and 3.4% in 2021, after increasing by 4.7% in 2019.

Robust nominal GDP growth will continue. Economic activity will remain vigorous, and GDP prices will rise by 2.1% in 2020 and 1.9% in 2021. Note that the GDP deflator, the index that measures changes in GDP prices, is determined by two factors:

- domestic demand prices, of which the consumer price index (CPI) is an important indicator. Positive trends in the economy will sustain CPI growth in the years to come;
- the ratio of export prices to import prices, that is, the terms of trade. In 2020, the terms of trade will improve as a result of the low oil prices that will curb growth in import prices.

□ Highest increase in inflation since 2011

Inflation as measured by the CPI accelerated from 1.7% in 2018 to 2.1% in 2019.

- Such a sharp increase has not been seen since 2011 (+3.0%).
- The acceleration is attributable to the momentum in the economy coupled with strong wage growth.

In 2020 and 2021, the CPI is expected to rise by 2.2% a year, slightly above the Bank of Canada's 2.0% target.

- The combination of Québec's dynamic economy and booming labour market will continue to support inflation.

TABLE E.3

Nominal GDP growth in Québec (percentage change)

	2019	2020	2021
Real DGP	2.8	2.0	1.5
Price – GDP deflator	1.8	2.1	1.9
NOMINAL GDP	4.7	4.1	3.4

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Robust economic activity supporting price growth in 2019

In 2019, the consumer price index (CPI) increased by 2.1% in Québec, compared to a 1.7% increase in 2018.

- In Ontario and Canada, the reverse was seen, with the annual CPI increase falling from 2.4% in 2018 to 1.9% in 2019 in Ontario and from 2.3% in 2018 to 1.9% in 2019 in Canada.
- For the first time since 2012, inflation was higher in Québec than in Canada and Ontario in 2019.

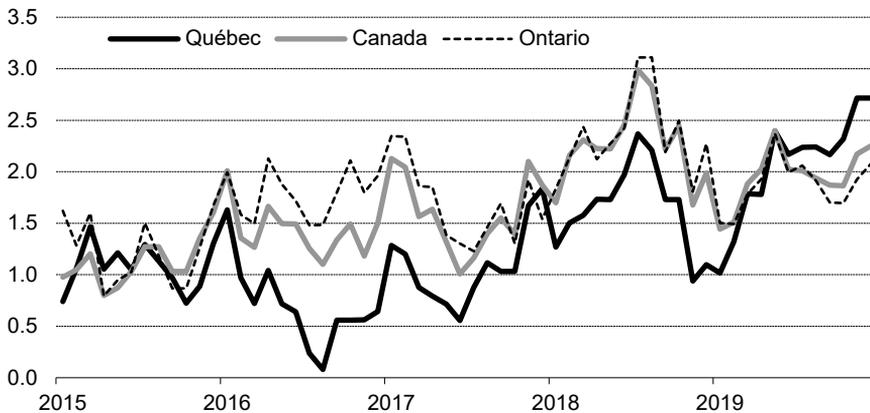
The acceleration is primarily attributable to the higher price of services in Québec, which increased from 2.0% in 2018 to 2.9% in 2019.

- The increase reflects high labour costs in the context of a tightening labour market.
- In particular, the average weekly earnings of Québec workers rose by 3.4% for the available months in 2019, the biggest increase since 2007 (+4.2%).
- Labour shortage, which primarily affects the service sector, puts upward pressure on wages. Businesses passed part of the wage increases on to consumers.

Even if the inflation rate rose quickly, Quebecers' purchasing power did not diminish thanks to higher earnings. Furthermore, corporate profits continued to grow. The increase in the consumer price index in Québec reflects the exceptionally strong economic activity.

Change in consumer price index

(annual percentage change)



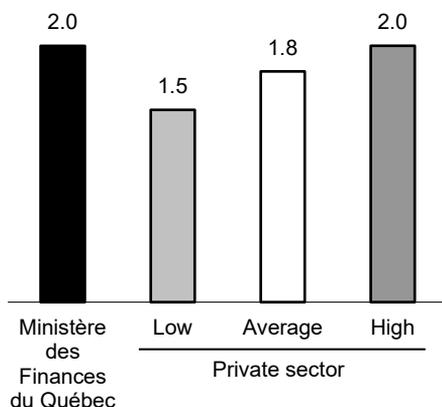
Source: Statistics Canada.

1.9 Comparison with private sector forecasts

The Ministère des Finances du Québec's economic growth outlook for the coming years is comparable to the average private sector forecasts.

CHART E.14

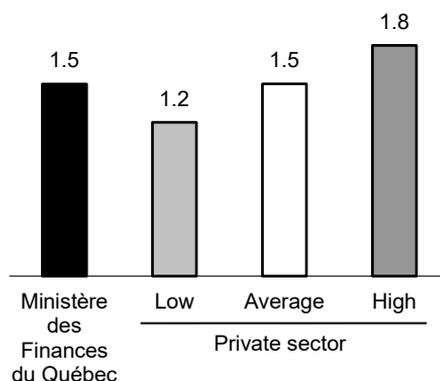
Economic growth in Québec, 2020 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of February 21, 2020, which includes the forecasts of 11 private sector institutions.

CHART E.15

Economic growth in Québec, 2021 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of February 21, 2020, which includes the forecasts of 11 private sector institutions.

TABLE E.4

Québec economic outlook – Comparison with the private sector (percentage change)

	2019	2020	2021	2022	2023	2024	Average 2020-2024
Real GDP							
Ministère des Finances du Québec	2.8	2.0	1.5	1.4	1.4	1.4	1.5
Private sector average	—	1.8	1.5	1.4	1.4	1.4	1.5
Nominal GDP							
Ministère des Finances du Québec	4.7	4.1	3.4	3.2	3.2	3.2	3.4
Private sector average	—	3.7	3.4	3.3	3.3	3.4	3.4

Note: Averages may not add due to rounding.

Source: Ministère des Finances du Québec summary as of February 21, 2020, which includes the forecasts of 11 private sector institutions.

TABLE E.5

Economic outlook for Québec
(percentage change, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024
Output						
Real gross domestic product	2.8	2.0	1.5	1.4	1.4	1.4
Nominal gross domestic product	4.7	4.1	3.4	3.2	3.2	3.2
Nominal gross domestic product (\$billion)	459.9	478.6	495.0	510.8	526.9	544.0
Components of GDP (in real terms)						
Final domestic demand	2.5	1.8	1.4	1.3	1.3	1.5
– Household consumption	1.8	1.9	1.6	1.5	1.4	1.4
– Government spending and investment	3.7	1.9	0.9	1.0	1.1	1.6
– Residential investment	3.1	0.9	0.3	0,0	0.3	0.4
– Non-residential business investment	2.0	2.6	2.3	2.1	2.1	2.1
Exports	1.6	1.9	1.8	1.8	1.8	1.8
Imports	0.2	1.4	1.7	1.7	1.7	1.8
Labour market						
Population (thousands)	8 485	8 542	8 598	8 654	8 709	8 762
Population aged 15 and over (thousands)	7 052	7 101	7 150	7 202	7 255	7 309
Jobs (thousands)	4 340	4 377	4 403	4 424	4 442	4 460
Job creation (thousands)	77.7	37.2	25.8	21.2	17.7	17.8
Unemployment rate (per cent)	5.1	5.0	4.9	4.9	4.8	4.7
Other economic indicators (in nominal terms)						
Household consumption	3.2	3.5	3.5	3.1	3.0	3.0
– Excluding food expenditures and shelter	2.9	3.3	3.3	2.9	2.9	2.9
Housing starts (thousands of units)	48.0	47.6	45.2	43.6	42.1	40.8
Residential investment	7.5	4.1	3.0	2.4	2.5	2.6
Non-residential business investment	4.4	3.2	3.2	2.8	3.5	3.8
Wages and salaries	5.9	4.8	3.7	3.1	3.0	3.0
Household income	5.9	4.6	3.6	3.3	3.2	3.1
Net operating surplus of corporations	4.0	3.6	3.5	3.5	3.5	3.5
Consumer price index	2.1	2.2	2.2	2.0	2.0	2.0
– Excluding food and energy	2.5	2.3	2.1	1.8	1.8	1.8

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

❑ Québec's economic activity is influenced by the situation of its main trading partners

In 2018, the equivalent of over 47% of Québec's nominal GDP was derived from goods and services exports.

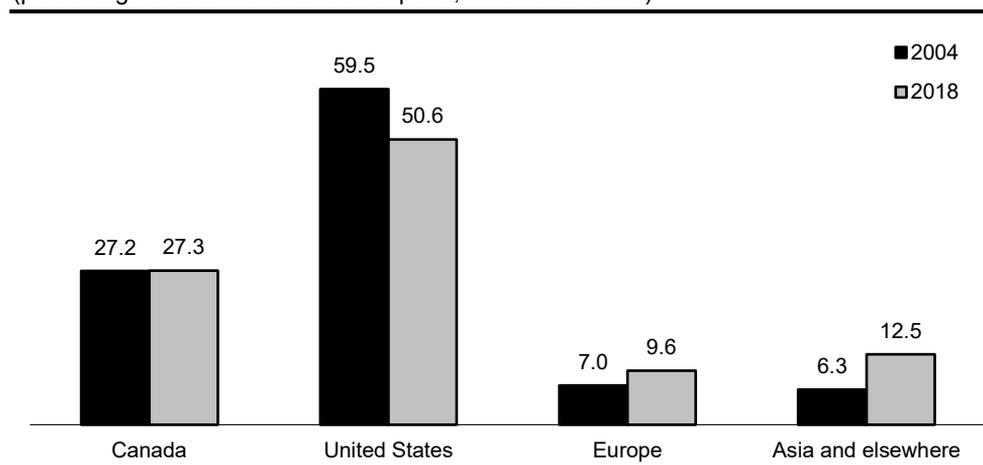
- Over the same period, Canada was the recipient of more than a quarter of Québec's total merchandise exports, while the rest of the world accounted for nearly 75%. The United States alone was the destination of over 50% of Québec's merchandise exports.
- Although the United States remains its top trading partner, Québec began diversifying the geographical destination of exports a few years ago. As a result, the share of Québec shipments to the United States decreased from 59.5% in 2004 to 50.6% in 2018.

Despite greater geographical diversification of its exports, Québec is still vulnerable to changes in the economic conditions of its two main trading partners.

- In Canada, real GDP growth slowed from 2.0% in 2018 to 1.6% in 2019, with the low oil prices putting a drag on growth in oil producing provinces. In 2020 and 2021, real GDP is forecast to grow at an annual rate of 1.7%.
- In the United States, growth in economic activity is expected to slow from a rate of 2.3% in 2019 to 1.8% in 2020 and 2.0% in 2021.

CHART E.16

Share of Québec's merchandise exports by destination (percentage of total merchandise exports, in nominal terms)



Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.1 The economic situation in Canada

□ Continued moderate growth in real GDP

The pace of real GDP growth slowed in Canada, falling from 2.0% in 2018 to 1.6% in 2019.

— In 2019, the economic situation deteriorated in oil producing provinces, due primarily to low global prices.

Despite some regional disparities, economic activity is expected to continue expanding in 2020 and 2021, still supported by households.

— Consumption and residential investment will be driven by, in particular, population growth, wage growth and a lighter tax burden.

However, several factors will continue to restrain Canada's economic performance in the coming years.

— In the short term, transportation constraints and limited growth in global oil demand will present a challenge for oil producing provinces.

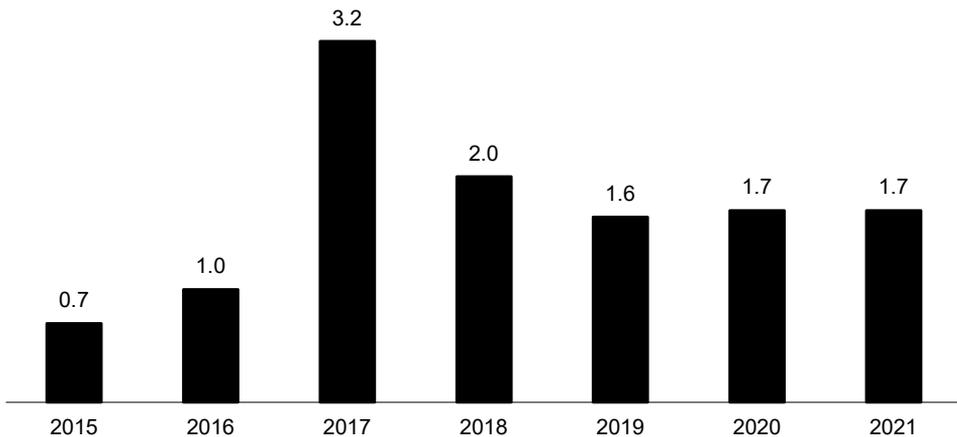
— Foreign demand for Canadian goods and services will be less robust owing to moderation in the U.S. economy.

— High household debt levels could also constrain growth in consumer spending. In addition, Canadian households' limited financial leeway makes them more vulnerable to external shocks.

CHART E.17

Economic growth in Canada

(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

□ Moderate but balanced growth

In 2019, economic activity in Canada grew at a moderate pace, at a rate of 1.6%. The growth outlook for the coming years is modest. Real GDP growth is forecast at 1.7% in 2020 and 2021. All components should contribute to an increase in economic activity.

- Household spending will continue to climb, supported by federal tax cuts, including an increase in the basic personal amount Canadians can earn before facing federal income tax, and wage growth. However, high household debt levels should keep spending growth below the trend of the last ten years (+2.5% annual average).
- After contracting in 2018 and 2019 as a result of restrictive measures introduced by the various levels of government, the Canadian residential sector will gain momentum, driven by, in particular, strong population growth and low interest rates.
- Non-residential business investment is expected to gain momentum after a challenging 2019. The upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA) and the start of certain large-scale energy projects will drive business spending.
- Export growth should improve as the transportation capacity to move oil increases. However, the limited growth in U.S. demand will weigh on shipments to foreign markets.

TABLE E.6

Real GDP and its major components in Canada (percentage change and contribution in percentage points in brackets)

	2019	2020	2021
Domestic demand	1.3 (1.3)	1.5 (1.5)	1.6 (1.6)
– Household consumption	1.5 (0.8)	1.6 (0.9)	1.8 (1.0)
– Residential investment	-0.6 (0.0)	1.7 (0.1)	0.8 (0.1)
– Non-residential business investment	0.2 (0.0)	2.9 (0.3)	3.3 (0.4)
– Government spending and investment	1.7 (0.4)	0.9 (0.2)	0.6 (0.1)
External sector	— (0.4)	— (0.3)	— (0.0)
– Exports	1.7 (0.6)	1.9 (0.6)	1.9 (0.6)
– Imports	0.3 (-0.1)	0.9 (-0.3)	1.8 (-0.6)
Inventories	— (-0.1)	— (-0.2)	— (0.1)
REAL GDP	1.6	1.7	1.7

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Upturn in the residential sector following a two-year setback

The residential sector saw two consecutive downturns in investment in 2018 and 2019.

- Stricter federal mortgage rules limited the number of households that qualify for a mortgage loan and their borrowing options.
- New regulations introduced in British Columbia and Ontario to prevent overheating in the housing market also contributed to the setback in the market. The restrictive policies included a foreign buyer's tax on real estate.

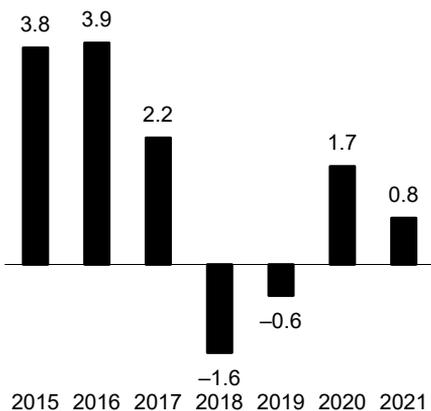
However, the residential sector has been getting stronger in recent months.

- Canadian households have adapted to the different restrictive measures implemented to cool major housing markets that are overheating.
- Housing demand is still being driven by strong population growth, good labour market performance and low interest rates.
- Owing to the sector's vibrancy, the housing supply appears to be insufficient. The vacancy rates in the major regions of Canada, including Vancouver (1.1%), Toronto (1.5%) and Montréal (1.5%), remained near historic lows in 2019.

Residential investment is thus expected to grow at forecast rates of 1.7% in 2020 and 0.8% in 2021, driven by higher renovation spending and property transfer costs. However, a slight drop in the number of units built will cause a decline in investment in new residential construction.

CHART E.18

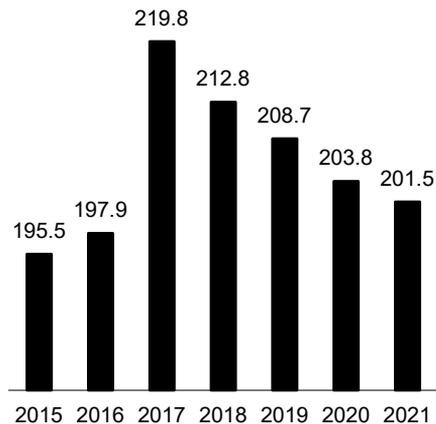
Residential investment in Canada (percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.19

Housing starts in Canada (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

❑ Sustained growth in non-residential investment

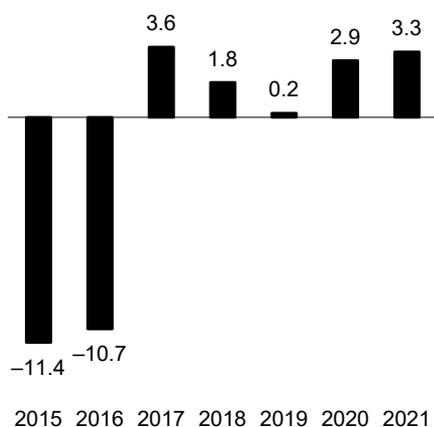
Growth in non-residential business investment should accelerate to 2.9% in 2020 and 3.3% in 2021, after edging up by 0.2% in 2019. The increase will be supported by a number of factors.

- After contracting four out of the last five years, energy investment is expected to pick up again.
 - The recovery will be supported by the start of large-scale projects, including construction of a natural gas liquefaction plant and liquefied natural gas marine terminal in British Columbia as well as pipeline construction.
- An easing of trade tensions over the global economy with the upcoming entry into force of the CUSMA and the U.S.-China Phase One trade deal is expected to reduce uncertainties.
 - The reduction in trade barriers will support continued growth in the global economy and make business leaders more confident.
- In addition, the accelerated depreciation measures coupled with low borrowing costs will also boost non-residential business investment in the coming years.

CHART E.20

Non-residential business investment in Canada

(percentage change, in real terms)

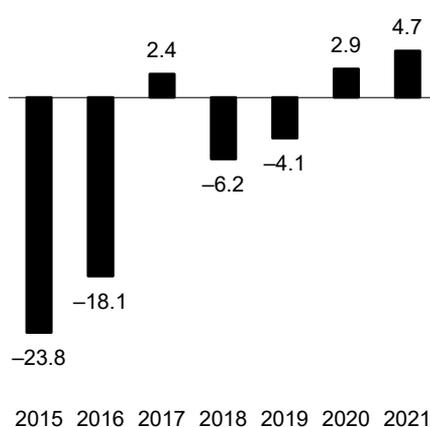


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.21

Non-residential business investment in Canada's energy sector

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

LNG Canada project

The goal of the LNG Canada project in British Columbia is to increase Canada's international liquefied natural gas exports, especially to Asia.

The project represents a total investment of about \$40 billion.

- It includes the construction of a pipeline, a natural gas liquefaction plant and a marine terminal.
- It is the biggest private sector investment project in Canadian history.

The project is a joint venture that includes global energy players. Construction began in late 2018.

Natural gas exports should begin by 2025 and continue over 40 years.

Upcoming entry into force of the Canada–United States–Mexico Agreement

Following months of negotiations, all three countries approved the Canada–United States–Mexico Agreement (CUSMA), which replaces the North American Free Trade Agreement (NAFTA). This is a positive development for the North American economy because of the strong trade ties between the three countries. Indeed, trade with CUSMA member countries accounts for over 65% of total trade for Canada and Mexico.

- The agreement's entry into force will, among other things, ease uncertainty among business leaders and thereby boost business investment and exports.

So far, the CUSMA has been officially ratified by the United States and Mexico. Canada is expected to ratify it soon. The agreement should thus enter into force within the next few months.

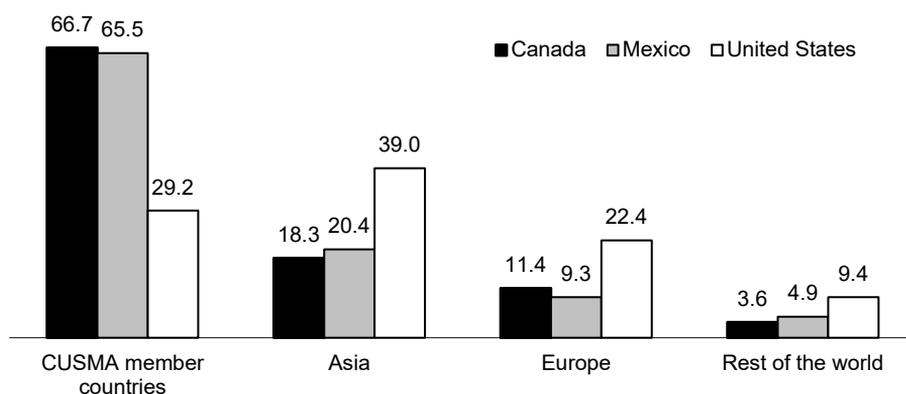
The key changes from NAFTA

Overall, the new trade agreement is similar to NAFTA in several regards. However, a number of changes have been made to further reduce trade barriers and promote fair competition in the free trade area.

- The agreement allows U.S. dairy farmers greater access to the Canadian market. Canadian duty-free import quotas will be raised for several products, such as milk and cheese.
- In addition, vehicles can be imported from a CUSMA member country duty-free if 75% of the content is manufactured in North America.
 - Furthermore, at least 40% of the content of imported vehicles must be sourced from a place where the average hourly wage is at least US\$16 to be duty-free.

CUSMA countries' share of trade in 2018 by destination

(per cent of total trade, in nominal terms)



Sources: United States Census Bureau, Statistics Canada and Bank of Mexico.

2.2 The economic situation in the United States

□ U.S. economy likely to grow near its potential

After reaching 2.3% in 2019, U.S. real GDP growth is forecast to slow to a rate of 1.8% in 2020 and 2.0% in 2021, near the potential growth rate.

As seen in 2019, over the next two years the U.S. economy will be driven primarily by American households, which will benefit from:

- the lagged effects of the key interest rate cuts by the U.S. Federal Reserve in 2019, with continued accommodative financial conditions;
- the robust labour market. Job creation will stay at high levels considering the longevity of the economic cycle.

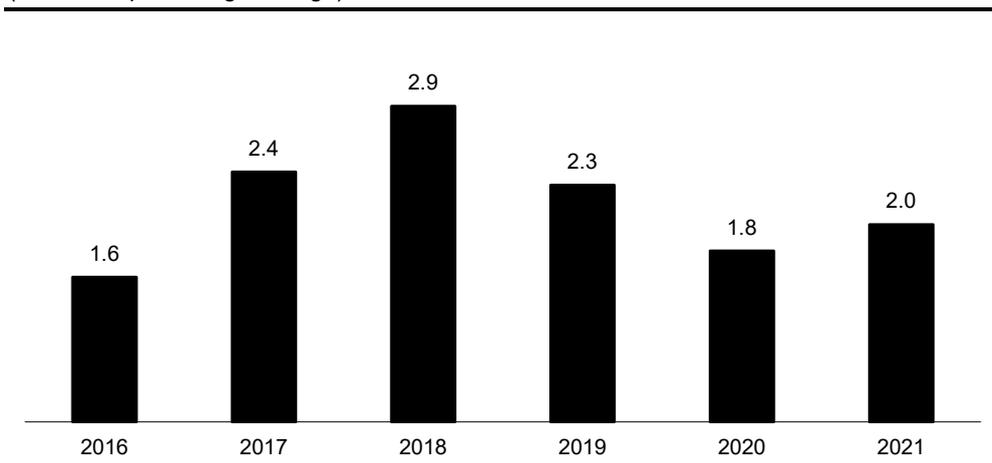
Furthermore, the signing of the Phase One trade deal between the United States and China, as well as the upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA), will reduce the uncertainties weighing on economic growth.

In the short term, however, growth will continue to be limited by the effects of U.S.-China trade tensions, since most of the U.S. tariffs on Chinese goods remain in place even if the agreement is signed.

In addition, the positive impact on economic growth of the tax cuts and government spending that took effect in 2018 will wane by 2021. As a result, fiscal policy will be more neutral.

CHART E.22

Economic growth in the United States
(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ U.S. households to continue driving the economy

After increasing by 2.6% in 2019, household consumption expenditure is forecast to rise by 2.5% in 2020 and 2.3% in 2021.

U.S. consumers will benefit from the labour market's strong performance. Despite a relative moderation, the level of job creation will remain high considering the longevity of the current economic cycle.

— Following an increase of 1.4% in 2019, U.S. employment growth is forecast at 1.2% in 2020 and 1.0% in 2021, while the unemployment rate will remain near 3.4%, a 50-year low.

U.S. households have also improved their financial position over the past few years. The share of income going toward financial obligations is near a historic low.

Residential investment is expected to pick up, increasing by 1.9% in 2020 and 1.4% in 2021 after contracting by 1.5% in 2019. It will be supported by the robust labour market and low interest rates.

— In 2019, monetary easing drove a decrease of nearly 100 basis points in 30-year mortgage rates in the United States, stimulating housing construction in late 2019, particularly single-family dwellings.

— The recent increase in building permits points to continued expansion in the residential sector in the coming quarters.

CHART E.23

Financial obligations of U.S. households

(percentage of disposable income, in nominal terms)



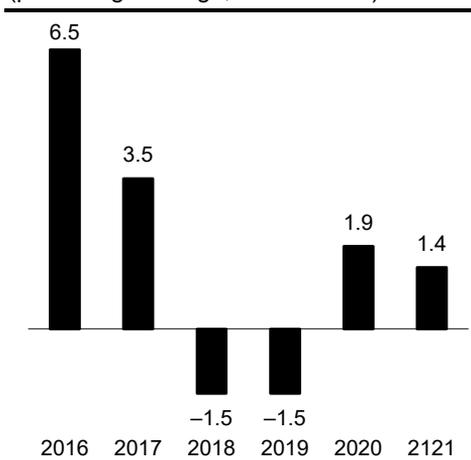
Note: Financial obligations represent principal and interest payments.

Source: U.S. Federal Reserve.

CHART E.24

Residential investment in the United States

(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

Monetary easing in the United States

After raising its key interest rate four times in 2018, the U.S. Federal Reserve significantly changed course in 2019, cutting the rate three times between July and October as, what it called, a mid-cycle adjustment to sustain the current economic expansion.

- The monetary easing was carried out against a backdrop of renewed fears of recession following an escalation in U.S.-China trade tensions and the inversion of the yield curve.

Monetary easing breathed new life into the U.S. economy

The residential sector benefitted the most from the interest rate cuts, owing to the nearly 100-basis-point decrease in 30-year mortgage rates in 2019.

The lower-than-anticipated rates led to a wave of mortgage refinancing, allowing U.S. households to lower their monthly mortgage payments and either spend or save the extra money they have.

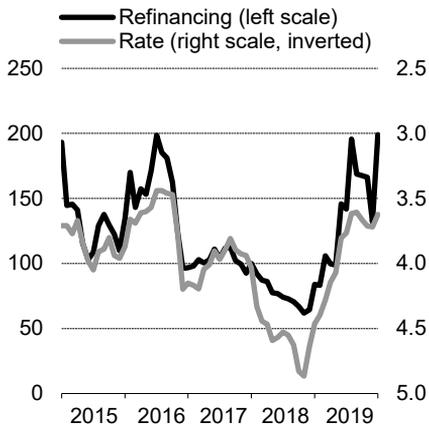
- This was especially seen in spending on durable goods, such as furniture and recreational goods, which jumped following the increase in refinancing applications.

The lower financing costs also spurred residential construction and the home resale market, which saw significant gains in recent months, after a difficult 2018.

- Between December 2018 and December 2019, single-family housing starts jumped by nearly 30%, while sales of existing single-family homes rose by over 10%.

Refinance index and 30-year mortgage rate

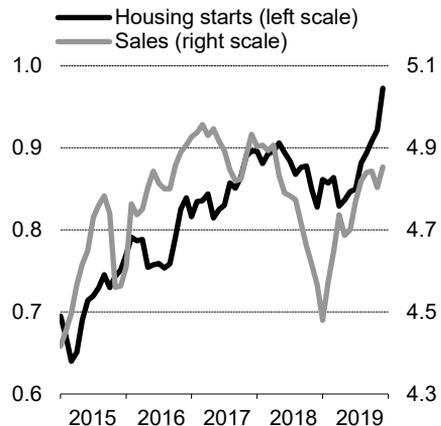
(refinance index, January 2018 = 100, rate in per cent)



Sources: IHS Markit and Ministère des Finances du Québec.

Housing starts and sales of existing single-family homes

(millions of units, 3-month moving average)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ Moderate growth in business investment and government spending

Following a rate of 2.1% in 2019, growth in non-residential business investment is forecast to slow to 1.3% in 2020 and then gradually rise to 2.3% in 2021.

— In particular, the signing of the U.S.-China Phase One trade deal, as well as the upcoming entry into force of the CUSMA, should ease trade uncertainties.

Despite these developments, however, growth in business investment is expected to remain moderate.

— The negative repercussions of the China-U.S. trade tensions are expected to continue in the short term. They have disrupted supply chains and most of the U.S. tariffs are still in place.

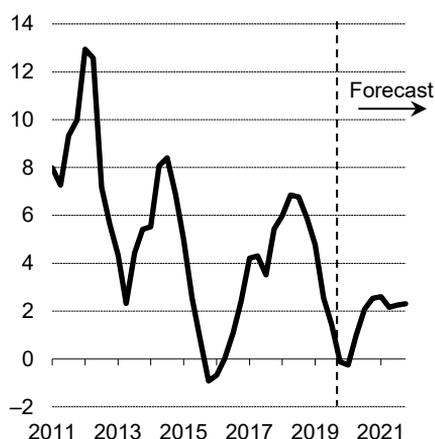
— Furthermore, investments in the energy sector are expected to continue declining due to the low oil prices.

In addition, following a period of high spending, the federal government's fiscal policy will become more neutral starting at the end of 2020, when the budget agreement adopted in summer 2019 ends.

— Thus, after growing by 3.5% in 2019, U.S. federal government spending is forecast to increase by 3.2% in 2020 and then remain relatively stable (+0.1%) in 2021.

CHART E.25

Non-residential business investment in the United States (annual percentage change, in real terms)

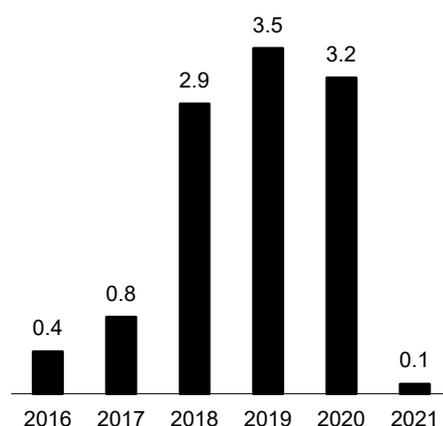


Sources: IHS Markit and Ministère des Finances du Québec.

CHART E.26

U.S. federal government spending (percentage change, in real terms)

(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

3. THE GLOBAL ECONOMIC SITUATION

□ 2019 global growth the lowest since the financial crisis

Global economic activity slowed in 2019, reflecting trade and geopolitical tensions, increased protest movements in several regions as well as the difficult Brexit negotiations.

- The global economy grew by 2.9% in 2019, the slowest pace since 2009 (−0.1%), when the global economy was in recession.

Global economic growth is expected to accelerate slightly, to a rate of 3.1% in 2020 and 3.3% in 2021, supported by:

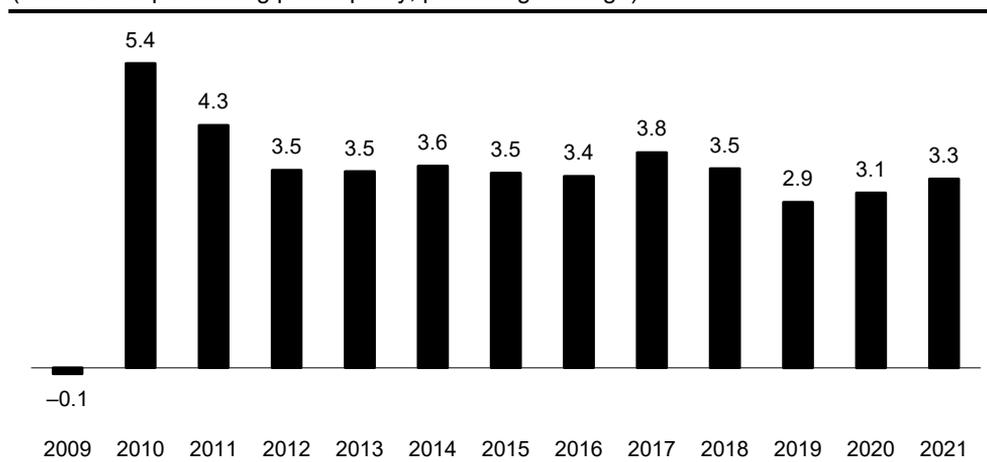
- accommodative financial conditions and expansionary fiscal policies in several countries and regions;
- a relative easing in global trade uncertainty owing to, in particular, the signing of the U.S.-China Phase One trade deal and the upcoming entry into force of the Canada–United States–Mexico Agreement (CUSMA);
- faster growth of emerging economies, especially India.

The forecast for global economic growth is nevertheless moderate. Weak productivity, the COVID-19 epidemic and the effects of population aging on the labour pool in several countries, among other factors, will constrain growth.

CHART E.27

Global economic growth

(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

The following table shows the detailed economic outlook by region and country.

TABLE E.7

Global economic outlook

(real GDP, annual percentage change)

	Weight⁽¹⁾	2019	2020	2021
World⁽²⁾	100.0	2.9	3.1	3.3
Advanced economies⁽²⁾	40.8	1.7	1.5	1.6
Québec	0.3	2.8	2.0	1.5
Canada	1.4	1.6	1.7	1.7
United States	15.2	2.3	1.8	2.0
Euro area	11.4	1.2	1.0	1.1
– Germany	3.2	0.6	0.8	1.1
– France	2.2	1.2	1.1	1.2
– Italy	1.8	0.2	0.4	0.6
United Kingdom	2.2	1.4	1.1	1.5
Japan	4.1	0.7	0.5	0.7
Emerging and developing economies⁽²⁾	59.2	3.8	4.2	4.5
China	18.7	6.1	5.6	5.9
India ⁽³⁾	7.7	4.8	5.6	6.2

(1) Weight in global GDP in 2018.

(2) Data based on purchasing power parity.

(3) Data calculated for the fiscal year (April 1 to March 31).

Sources: Institut de la statistique du Québec, International Monetary Fund, IHS Markit, Datastream, Eurostat, Statistics Canada and Ministère des Finances du Québec.

❑ Moderate growth in advanced economies

After increasing by 1.7% in 2019, real GDP growth in advanced economies is forecast at 1.5% in 2020 and 1.6% in 2021. This is near the potential growth rate for this group of countries.

— Financial conditions remain favourable owing to the expansionary monetary policies and the budgetary measures introduced by some of the economies' governments, which will boost domestic demand.

However, growth will slow with the anticipated moderation in economic activity in the United States as well as the euro area and Japan.

❑ Trade tensions in 2019

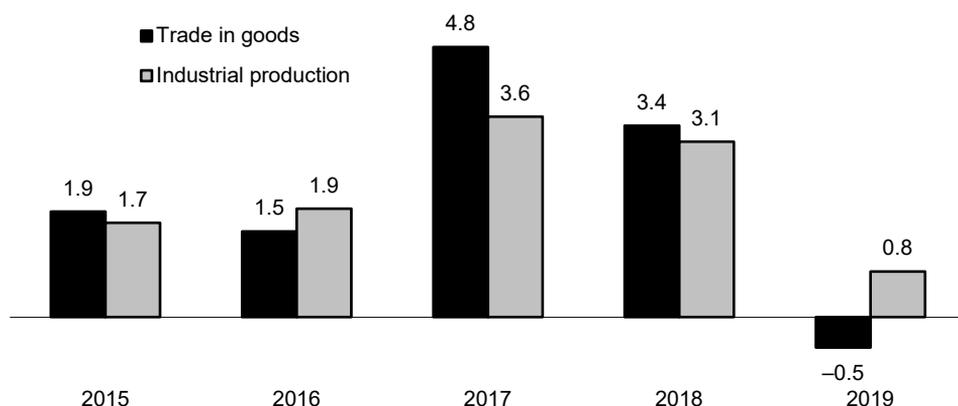
Trade tensions between some major economies contributed to a contraction in trade and more moderate growth in global industrial production in 2019.

— The volume of world trade in goods fell by 0.5% for the available months in 2019, compared to the same period in 2018. It was the first decline since 2009 and followed 3.4% growth in 2018.

— Industrial production moderated, increasing by 0.8% over the same period (+3.1% in 2018), the weakest increase since 2009.

CHART E.28

World trade in goods and industrial production (percentage change in real terms)



Note: Cumulative for the first 11 months of 2019.

Sources: CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

□ Acceleration of growth in emerging economies

Real GDP in emerging economies is projected to grow by 4.2% in 2020 and 4.5% in 2021, following 3.8% growth in 2019, driven by waning trade and investment uncertainties and the expected recovery in India.

- In 2019, India's economy saw its weakest growth since 2008, due primarily to a slowdown in domestic demand. Economic growth is expected to pick up pace, however, accelerating from 4.8% in 2019 to 5.6% in 2020 and 6.2% in 2021, supported by an expansionary fiscal policy and low oil prices.

Growth in emerging economies will continue to outstrip growth in advanced economies. However, emerging economies will be vulnerable to a bigger slowdown in China, protectionism, an outflow of capital and extreme weather events.

■ Continued moderate slowdown in China

China's economy grew by 6.1% in 2019, the slowest pace in nearly 30 years. The slowdown is attributable to both trade tensions and relative weakening of domestic demand. Real GDP growth is forecast to decelerate to 5.6% in 2020 and 5.9% in 2021.

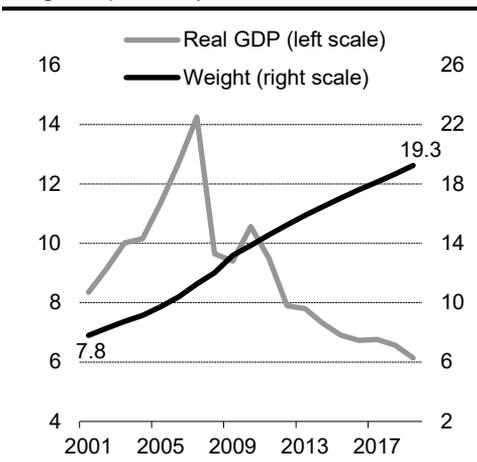
- The effects of the COVID-19 epidemic will impact several sectors of the Chinese economy in 2020. Furthermore, the structural slowdown will continue in the coming years. China's labour pool has levelled off and the country is still undergoing a transition to domestic demand-led growth while trying to reduce its debt levels.

However, China has rolled out measures to support the economy, in particular investments, to prevent a pronounced slowdown.

CHART E.29

China's economic growth and weight in global GDP

(real GDP, percentage change and weight in per cent)

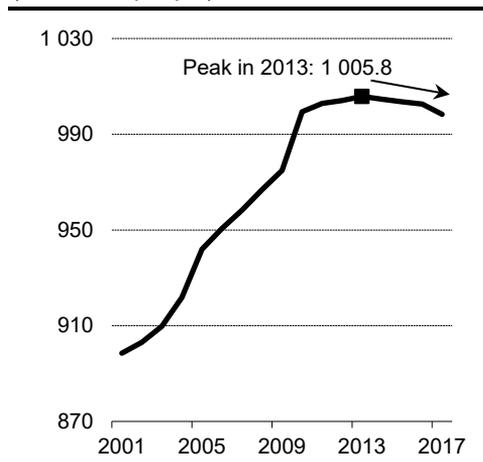


Source: International Monetary Fund.

CHART E.30

Chinese population aged 15-64

(millions of people)



Sources: Bloomberg, Reuters and National Bureau of Statistics of China.

First phase of the trade deal between the United States and China

After a trade war that lasted over two years, China's Vice Premier Liu He and U.S. President Donald Trump signed the first phase of a trade deal in Washington on January 15, 2020. The signed deal will reduce uncertainty in the short term and should support global economic growth.

The United States and China agreed not to erect any new trade barriers. In addition:

- China committed to increasing its imports of U.S. products and services in 2020 and 2021 by \$200 billion over 2017 levels;
- the United States agreed to reduce the tariffs on nearly one quarter of its total imports from China from 15% to 7.5%, representing about \$120 billion worth of goods.

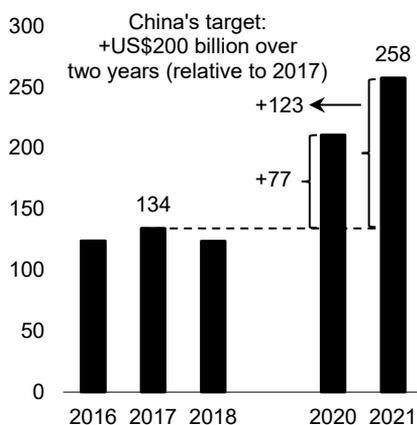
The United States also removed China from its list of currency manipulators, contributing to an appreciation of the Chinese currency.

However, the Phase One trade deal has not ended trade tensions between the two countries. In fact, the majority of U.S. tariffs on Chinese goods remain and the deal barely addresses thornier issues, such as protection of intellectual property and technology transfer.

- Furthermore, a number of analysts deem the hike in Chinese imports of U.S. goods under the trade deal ambitious.
- If the import target is met, it will likely be to the detriment of Chinese imports from other countries, which could limit positive impacts on the global economy.

U.S. exports to China covered by the trade deal

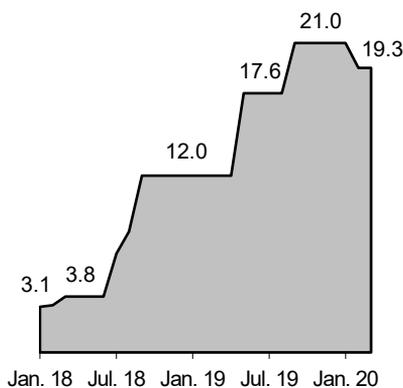
(billions of U.S. dollars, in nominal terms)



Sources: Peterson Institute for International Economics and United States Trade Representative.

Average U.S. tariffs on all goods imported from China

(per cent)



Source: Peterson Institute for International Economics.

4. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Positive market sentiment at the start of the year hampered on COVID-19 concerns

Financial markets posted significant gains in 2019. A number of positive developments, particularly conclusion of the U.S.-China Phase One trade deal as well as the election of a majority government in the United Kingdom, supported riskier assets at the end of the year.

— As a result, global stock markets registered solid gains in 2019 and North American indexes set record highs.

— Bond yields in the major advanced economies also climbed at the end of 2019.

However, the COVID-19 epidemic in China and concerns about the potential repercussions for global economic growth rattled international financial markets.

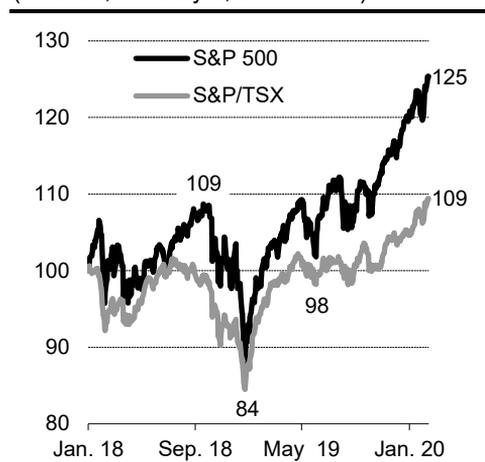
— Safe-haven demand rose, leading to lower bond yields in advanced economies and a generalized appreciation of the U.S. dollar to the detriment of other currencies.

— In addition, prices for oil and other commodities saw a sharp decline on fears of the impact of the coronavirus epidemic.

CHART E.31

U.S. and Canadian stock markets

(indexes, January 2, 2018 = 100)

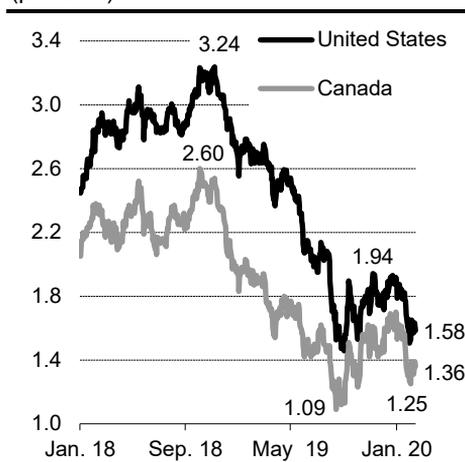


Note: Most recent figure is for February 14, 2020.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.32

Yield on 10-year federal government bonds

(per cent)



Note: Most recent figure is for February 14, 2020.
Sources: Statistics Canada and Bloomberg.

❑ U.S. Federal Reserve expected to leave monetary policy unchanged in 2020

The U.S. Federal Reserve cut its key policy rate three times in 2019 due, in particular, to uncertainty about trade policies and muted inflation pressures in the United States.

U.S. Federal Reserve officials have said numerous times since making the last cut in October 2019 that the current monetary policy is appropriate and that there would need to be a material reassessment of their outlook to warrant an adjustment in the key rate.

— Against this backdrop, the federal funds rate is expected to remain unchanged in 2020, that is, in a target range of 1.50% to 1.75%. The first rate hike of 25 basis points is expected to be made in the third quarter of 2021.

❑ Bank of Canada likely to maintain status quo in 2020

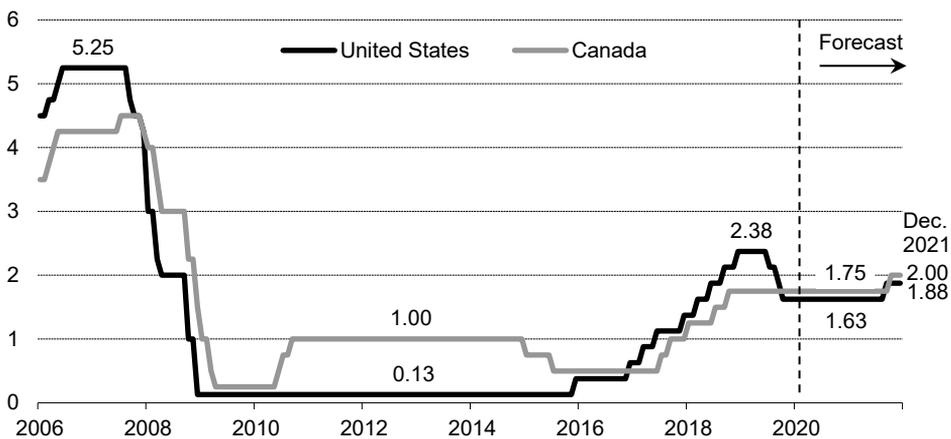
In January, the Bank of Canada said that the slowdown in Canada's economy at the end of 2019 was partly related to special factors, such as strikes and poor weather. Growth in the Canadian economy is therefore expected to pick up through the first half of 2020.

With Canadian inflation holding steadily near the 2% target, the Bank of Canada is expected to keep its key interest rate unchanged in 2020. It will likely make its first rate hike in late 2021.

— However, if Canada's economic slowdown were to be worse and last longer than anticipated, or if economic uncertainty were to heighten, the Bank of Canada could decide to lower its key rate in the coming months.

CHART E.33

Key interest rates in the United States and Canada (federal funds target rate⁽¹⁾ and overnight rate target, per cent)



(1) Mid-point of the target range.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Bond yields expected to remain relatively low

Bond yields have remained low globally in the last few years. They rose in the major advanced economies at the end of 2019 as easing trade tensions supported risk appetite on financial markets.

— However, bond yields have fallen since the start of 2020, due, in particular, to an increase in demand for safe havens. Certain events, such as fears related to the COVID-19 epidemic in China, disrupted financial markets.

In the coming quarters, bond yields in advanced economies are expected to remain relatively low, mainly due to risks weighing on the global economic outlook and monetary policies that will remain highly accommodative.

❑ Canadian dollar expected to trend near current values

At the beginning of January, the Canadian dollar rose above 77.0 U.S. cents on easing trade uncertainties around the world.

— However, it fell to around 75.5 U.S. cents in mid-February as increased risk aversion buoyed the U.S. dollar to the detriment of other currencies. In addition, the drop in oil prices on worries about global demand weighed on the Canadian currency.

The Canadian dollar is expected to trend near current values in the coming quarters, although it could be buoyed by the improved global economic growth outlook and continued moderate expansion in the Canada's economy.

— After averaging 75.6 U.S. cents in 2019, the Canadian dollar is forecast to average 76.8 U.S. cents in 2020 and 77.8 U.S. cents in 2021.

TABLE E.8

Canadian financial markets

(average annual percentage rate, unless otherwise indicated, end-of-year data in brackets)

	2019	2020	2021
Overnight rate target	1.8 (1.8)	1.8 (1.8)	1.8 (2.0)
3-month Treasury bills	1.7 (1.7)	1.7 (1.8)	1.9 (2.0)
10-year bonds	1.6 (1.6)	1.7 (1.8)	2.0 (2.1)
Canadian dollar (in U.S. cents)	75.6 (77.0)	76.8 (77.2)	77.8 (78.6)
U.S. dollar (in Canadian dollars)	1.32 (1.30)	1.30 (1.30)	1.29 (1.27)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Oil prices expected to remain relatively stable

Oil prices have been volatile since the end of 2019 due to numerous diverging factors. The price of Brent crude oil rose to US\$69 a barrel at the beginning of January and then dropped below \$60 in February.

— Oil prices have been sensitive to easing trade tensions between the United States and China, escalating geopolitical risks in the Middle East, as well as worries about the COVID-19 epidemic.

Oil prices will continue to be influenced by various factors in the coming quarters, including:

- the projected acceleration of global economic growth;
- the persistent abundant global supply despite the efforts by the Organization of the Petroleum Exporting Countries (OPEC) and its partners to cut their production.

However, heightened geopolitical risks, extension of the OPEC production cuts and a stronger-than-expected acceleration in global growth could support oil prices in the coming months.

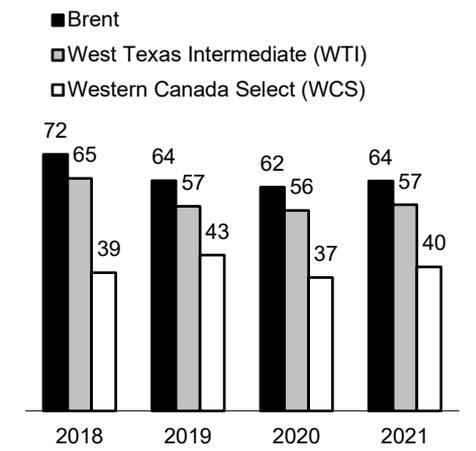
Furthermore, the addition of new oil transportation facilities in the coming years, including expansion of the Trans Mountain pipeline, could get more Canadian oil moving to export markets.

Despite some fluctuations and persistent risks, oil prices will remain near 2019 levels in 2020 and 2021.

CHART E.34

Brent, WTI and WCS oil prices

(U.S. dollars per barrel)

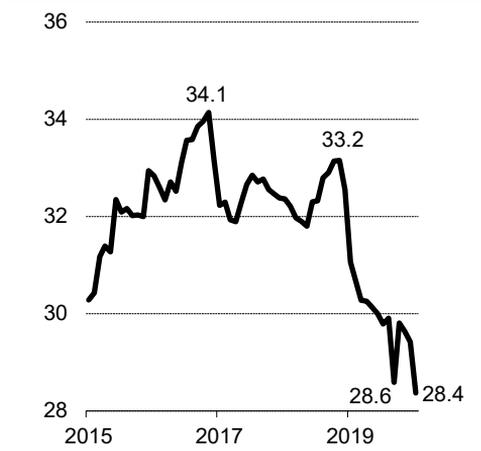


Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.35

Oil production of OPEC member countries

(millions of barrels per day)



Source: Bloomberg.

5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

Economic and financial forecasts are based on several assumptions, some of which are associated with risks that could influence forecasts. The main sources of uncertainty include:

- worsening of the COVID-19 epidemic, or if it becomes a pandemic, could cause a marked slowdown in the Chinese economy and put a drag on global growth;
- new trade agreements that could facilitate world trade and stimulate economic growth;
- an escalation in trade tensions, which could put a greater drag on trade, investment and economic activity worldwide;
 - Despite the trade deal between the United States and China, several tariffs remain and a number of thorny issues were not addressed. Reaching a comprehensive deal could involve arduous negotiations.
 - Furthermore, tensions exist between the United States and the European Union. Negotiation of a free trade agreement between the two regions could prove difficult.
- tensions in Europe. Despite the United Kingdom's exit from the European Union on January 31, 2020, there is still a considerable degree of uncertainty over the outcome of negotiations between now and the end of the transition period on December 31, 2020;
- more accommodative monetary policies in major economies, particularly Canada and the United States;
- limited leeway for central banks to stimulate the economy when interest rates are already very low;
- geopolitical tensions;
- different-than-forecast trend in commodity prices, especially the price of oil.

Canada's housing market could see a stronger-than-expected improvement. Given the low vacancy rates, there could be a bigger increase in housing demand, putting pressure on already high home prices. A price increase could lead to more borrowing and increase the vulnerability of households.

Québec is facing an aging population. This demographic change is exerting pressure on the labour market. With the unemployment rate at historic lows, the labour shortage could limit Québec's economic growth.

Québec could see bigger-than-expected productivity gains as a result of Québec and federal government initiatives.

□ Sensitivity analysis to economic variables

Economic forecasts incorporate certain components of uncertainty that may cause actual results to differ from the forecasts.

■ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important factors are related to the economic activity of Québec's main trading partners, namely the United States and the Canadian provinces.

■ Effects of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression model¹ on the basis of historical data show that a change of 1% in U.S. real GDP entails, on average, a change of 0.45% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP results in an average change of 0.42% in Québec's real GDP.

— The maximum effect takes hold one quarter later.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2016, the Ontario market accounted for more than 58% of Québec's interprovincial exports. The estimated effects for Ontario and the United States are not cumulative.

TABLE E.9

Impact of external shocks on Québec's real GDP growth rate

External shocks of 1%	Maturity ⁽¹⁾ (quarters)	Impact on Québec's real GDP (percentage points)
U.S. real GDP	2	0.45
Ontario real GDP	1	0.42

(1) Maturity corresponds to the number of quarters needed for the greatest impact on Québec's real GDP, presented in the right-hand column, to be recorded.

Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Markit, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

¹ This econometric technique is used to estimate, on the basis of numerous observations, the extent to which fluctuations in one economic variable affect another economic variable.

Section F

QUÉBEC'S FINANCIAL SITUATION

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SUMMARY

Budget 2020-2021 is an opportunity for the government to present its fiscal policy directions and announce new initiatives for the benefit of all Quebecers.

Québec's economic and fiscal policy directions include:

- actions to provide environmental leadership;
- initiatives to increase the potential of Québec's economy and create wealth;
- measures to improve services and meet the needs of Quebecers;
- maintenance of a balanced budget and further debt reduction;
- further public infrastructure investment, in particular in the education, health and public transit sectors.

Budget 2020-2021 contains:

- positive adjustments in the financial framework since March 2019;
- additional investments totalling \$1.8 billion in 2019-2020, \$2.6 billion in 2020-2021 and \$3.5 billion in 2021-2022 to implement new initiatives;
- a budgetary surplus of \$1.9 billion in 2019-2020 and a balanced budget as of 2020-2021;
- in 2020-2021, a spending increase of 4.5% for the Éducation et Enseignement supérieur portfolio and 5.3% for the Santé et Services sociaux portfolio.

In addition, the Québec government is reiterating its intention to have the QST collected on sales of movable corporeal property from abroad and plans to work with the federal government to implement a harmonized solution.

1. QUÉBEC'S BUDGETARY SITUATION

□ Québec's 2020-2021 budget

The Québec government's revenue in 2020-2021 stands at \$121.3 billion, making it possible to fund:

- portfolio expenditures, that is, spending for the government's various functions, totalling \$110.3 billion;
- debt service, totalling \$8.3 billion;
- deposits of dedicated revenues in the Generations Fund, totalling \$2.7 billion.

A balanced budget is forecast for 2020-2021.

TABLE F.1

Québec's budget – March 2020 (millions of dollars)

	2020-2021
Revenue	
Own-source revenue	95 603
% change	3.0
Federal transfers	25 692
% change	2.4
Total revenue	121 295
% change	2.8
Expenditure	
Portfolio expenditures	-110 300
% change	5.1
Debt service	-8 266
% change	5.4
Total expenditure	-118 566
% change	5.1
SURPLUS	2 729
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	-2 729
BUDGETARY BALANCE⁽¹⁾	—

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.1 Recent developments in the budgetary situation

Since March 2019, robust economic growth has resulted in positive adjustments as of 2019-2020.

Favourable adjustments stemming from changes in the economic and budgetary situation total \$4.3 billion in 2019-2020, \$2.6 billion in 2020-2021 and \$3.3 billion in 2021-2022.

These improvements allow the government to continue delivering on its commitments by investing \$1.8 billion in 2019-2020, \$2.6 billion in 2020-2021 and \$3.5 billion in 2021-2022 in Quebecers' priorities.

For 2019-2020, spending is down \$227 million relative to March 2019.

TABLE F.2

Adjustments to the financial framework since March 2019

(millions of dollars)

	2019-2020	2020-2021	2021-2022
BUDGETARY BALANCE⁽¹⁾ – MARCH 2019	—	—	—
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	1 454	1 989	2 267
– Other revenue	763	360	69
Subtotal	2 217	2 348	2 336
Revenue from government enterprises	–85	–253	–184
Federal transfers	173	92	343
Portfolio expenditures	880	–490	167
Debt service	1 151	872	662
Deposits of dedicated revenues in the Generations Fund	–129	–45	–83
Use of the contingency reserve	100	100	100
TOTAL IMPROVEMENTS	4 307	2 624	3 341
MARCH 2020 INITIATIVES			
Providing environmental leadership ⁽²⁾	–266	–322	–1 007
Increasing the potential of the economy and creating wealth ⁽³⁾	–388	–843	–971
Improving services and meeting the needs of Quebecers	–294	–582	–615
Subtotal	–947	–1 747	–2 594
NOVEMBER 2019 INITIATIVES	–857	–876	–872
TOTAL INITIATIVES	–1 804	–2 624	–3 466
OTHER ADJUSTMENTS			
Estimated losses on the CSeries investment	–603	—	—
Shortfall to be offset	—	—	125
BUDGETARY BALANCE⁽¹⁾ – MARCH 2020	1 900	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) These initiatives include investments totalling \$6.2 billion over six years under the first implementation plan for the electrification and climate change framework policy, as well as environmental protection measures totalling \$472.7 million. Funding for this plan is presented on page F.27.

(3) These initiatives exclude amounts of \$45.5 million in 2019-2020, \$82.8 million in 2020-2021 and \$104.7 million in 2021-2022 since they are included under the heading “Providing environmental leadership” in this table.

□ Adjustments related to the economic and budgetary situation

Adjustments related to the economic and budgetary situation are due to, in particular:

- an increase of \$2.2 billion in own-source revenue excluding revenue from government enterprises in 2019-2020 and \$2.3 billion in 2020-2021 and 2021-2022;
 - Tax revenue, which includes, among other things, personal income tax and corporate taxes, is adjusted upward by \$1.5 billion in 2019-2020, \$2.0 billion in 2020-2021 and \$2.3 billion in 2021-2022 owing, in particular, to the stronger-than-anticipated economy.
 - Other revenue is adjusted upward by \$763 million in 2019-2020, \$360 million in 2020-2021 and \$69 million in 2021-2022. The adjustments for 2019-2020 are explained by the higher-than-anticipated results for carbon market auctions and the increase in the revenue of the Natural Resources and Energy Capital Fund,¹ tied to the sale of shares held in Quebec Iron Ore.
- a reduction of \$85 million in revenue from government enterprises in 2019-2020, \$253 million in 2020-2021 and \$184 million in 2021-2022 resulting from, in particular, the decrease in the results of Hydro-Québec which is tied to the rate freeze in 2020-2021, the decline in energy prices on export markets and the drop in the price of aluminum;
- an increase of \$173 million in revenues from federal transfers in 2019-2020, owing to, in particular, the reimbursement of expenditures related to asylum seekers. The increase of \$92 million in 2020-2021 and \$343 million in 2021-2022 is attributable to, in particular, the implementation of infrastructure projects for which a federal contribution is received, in particular, as part of the one-off increase in the Gas Tax Fund announced in 2019;
- a decrease of \$880 million in portfolio expenditures in 2019-2020 representing funding that became available during the year and an increase of \$490 million in 2020-2021 stemming from:
 - the reassessment of the cost of certain programs related to, in particular, the demand for services in health and education,
 - the implementation of infrastructure projects that receive a federal contribution;
- a decrease of \$1.2 billion in debt service in 2019-2020, \$872 million in 2020-2021 and \$662 million in 2021-2022, mainly because of lower-than-expected interest rates and the return on the Retirement Plans Sinking Fund (RPSF), which was higher than anticipated in 2018-2019 and has an impact on future years.

¹ After the *Act respecting mainly government organization as regards the economy and innovation* was assented to (December 11, 2019), the name Mining and Hydrocarbon Capital Fund was replaced by Natural Resources and Energy Capital Fund.

❑ March 2020 initiatives

The favourable budgetary situation allows the government to announce new initiatives so as to continue implementing its commitments.

In Budget 2020-2021, the government is providing for additional investments of \$947 million in 2019-2020, \$1.7 billion in 2020-2021 and \$2.6 billion in 2021-2022, to:

- provide environmental leadership;
- increase the potential of the economy and create wealth;
- improve services and meet the needs of Quebecers.

These investments are in addition to those announced in the November 2019 *Update on Québec's Economic and Financial Situation*, that is, \$857 million in 2019-2020, \$876 million in 2020-2021 and \$872 million in 2021-2022.

❑ Other adjustments

Other adjustments stem from factoring in:

- the losses estimated at \$603 million on the CSeries investment in 2019-2020;
- a shortfall to be offset of \$125 million in 2021-2022. This shortfall will be managed so as to eliminate it by the time Budget 2021-2022 is prepared.

Recap of the November 2019 initiatives

In the November 2019 *Update on Québec's Economic and Financial Situation*, the government announced investments of \$857 million in 2019-2020, \$876 million in 2020-2021 and \$872 million in 2021-2022.

The government put money back in the pockets of Quebecers through, in particular:

- the full enhancement of the family allowance;
- the immediate elimination of the additional contribution for childcare;
- the reduction in healthcare institution parking fees.

The government has also implemented many targeted initiatives to meet specific needs.

November 2019 initiatives

(millions of dollars)

	2019-2020	2020-2021	2021-2022
Putting money back in the pockets of Quebecers	-332	-758	-717
Targeted initiatives to meet specific needs	-525	-119	-155
TOTAL	-857	-876	-872

Note: Totals may not add due to rounding.

Adjustments to the financial framework since November 2019

Acceleration of economic growth has resulted in positive adjustments to the financial framework for 2019-2020 and subsequent years relative to the data presented in the November 2019 *Update on Québec's Economic and Financial Situation*.

- Overall, adjustments related to the economic and budgetary situation total \$2.1 billion in 2019-2020, \$1.6 billion in 2020-2021 and \$2.4 billion in 2021-2022.

The improvements in the financial framework are enabling the government to fund initiatives totalling \$947 million in 2019-2020, \$1.7 billion in 2020-2021 and \$2.6 billion in 2021-2022.

Adjustments to the financial framework since November 2019

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022
BUDGETARY BALANCE⁽¹⁾ – NOVEMBER 2019	1 400	100	100
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises	651	1 111	1 101
Revenue from government enterprises	257	116	178
Federal transfers	–339	359	610
Portfolio expenditures	1 447	–244	152
Debt service	–104	197	204
Deposits of dedicated revenues in the Generations Fund	38	9	24
Use of the contingency reserve	100	100	100
TOTAL IMPROVEMENTS	2 050	1 647	2 369
MARCH 2020 INITIATIVES			
Providing environmental leadership ⁽²⁾	–266	–322	–1 007
Increasing the potential of the economy and creating wealth ⁽³⁾	–388	–843	–971
Improving services and meeting the needs of Quebecers	–294	–582	–615
TOTAL INITIATIVES	–947	–1 747	–2 594
OTHER ADJUSTMENTS			
Estimated losses on the CSeries investment	–603	—	—
Shortfall to be offset	—	—	125
BUDGETARY BALANCE⁽¹⁾ – MARCH 2020	1 900	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) These initiatives include investments totalling \$6.2 billion over six years under the first implementation plan for the electrification and climate change framework policy, as well as environmental protection measures totalling \$472.7 million. Funding for this plan is presented on page F.27.

(3) These initiatives exclude amounts of \$45.5 million in 2019-2020, \$82.8 million in 2020-2021 and \$104.7 million in 2021-2022 since they are included under the heading "Providing environmental leadership" in this table.

1.2 Detailed adjustments for 2019-2020

The adjustments to the financial framework since March 2019 are making it possible to keep the budget balanced.

The economic and budgetary situation leads to a \$4.3-billion positive adjustment in the budgetary balance in 2019-2020. Thanks to this improvement, targeted initiatives and the estimated losses on the CSeries investment totalling \$2.4 billion can be funded.

A budgetary surplus of \$1.9 billion results from these adjustments for 2019-2020.

TABLE F.3

Adjustments to the financial framework since March 2019 (millions of dollars)

	2019-2020				March 2020
	March 2019	Adjustments			
		Economic and budgetary situation	Initiatives and other	Total	
Own-source revenue					
Tax revenue	71 027	1 454	—	1 454	72 481
Other revenue	14 909	763	—	763	15 672
Subtotal	85 936	2 217	—	2 217	88 153
Revenue from government enterprises	4 778	-85	—	-85	4 693
Total	90 714	2 132	—	2 132	92 846
Federal transfers	24 924	173	—	173	25 097
Revenue	115 638	2 305	—	2 305	117 943
Portfolio expenditures	-104 038	880	-1 804	-924	-104 962
Debt service	-8 996	1 151	—	1 151	-7 845
Expenditure	-113 034	2 031	-1 804	227	-112 807
Estimated losses on the CSeries investment	—	—	-603	-603	-603
Contingency reserve	-100	100	—	100	—
SURPLUS	2 504	4 436	-2 407	2 029	4 533
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	-2 504	-129	—	-129	-2 633
BUDGETARY BALANCE⁽¹⁾	—	4 307	-2 407	1 900	1 900

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Own-source revenue excluding revenue from government enterprises

For 2019-2020, own-source revenue excluding revenue from government enterprises shows a positive adjustment of \$2.2 billion compared to the March 2019 forecast and totals \$88.2 billion.

TABLE F.4

Adjustments to own-source revenue excluding revenue from government enterprises (millions of dollars)

	2019-2020
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2019	85 936
Tax revenue	
Personal income tax	1 004
Contributions for health services	–3
Corporate taxes	196
School property tax	3
Consumption taxes	254
Subtotal	1 454
Other revenue	
Duties and permits	283
Miscellaneous revenue	480
Subtotal	763
Total adjustments	2 217
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2020	88 153

(1) Own-source revenue excluding revenue from government enterprises.

■ Tax revenue

For 2019-2020, revenue from personal income tax is adjusted upward by \$1.0 billion relative to the March 2019 forecast.

— This adjustment is explained by higher-than-expected withholdings at source since the beginning of fiscal 2019-2020 owing to, in particular, the fact that the growth of 5.9% in wages and salaries is 2.7 percentage points higher than forecast in March 2019.

In 2019-2020, revenue from corporate taxes is adjusted upward by \$196 million compared to the March 2019 forecast. This adjustment is due essentially to more-favourable-than-expected tax revenues since the beginning of the fiscal year despite the downward adjustment of 0.7 percentage point in the net operating surplus of corporations in 2019.

Revenue from consumption taxes is adjusted upward by \$254 million in 2019-2020. This adjustment, which stems mainly from the Québec sales tax, is explained by, in particular, the fact that growth in residential construction is 5.6 percentage points higher than forecast in 2019 and by higher-than-expected growth in household consumption² (0.1 percentage point in 2019).

■ Other revenue

Revenue from duties and permits is adjusted upward by \$283 million in 2019-2020 due to, in particular, the higher-than-expected revenue collected under Québec's cap-and-trade system for GHG emission allowances (carbon market).

In addition, miscellaneous revenue is adjusted upward by \$480 million in 2019-2020 owing to, in particular, the higher-than-anticipated investment income of the Generations Fund and the higher-than-anticipated revenue of the Natural Resources and Energy Capital Fund, tied to the sale of shares held in Quebec Iron Ore.

² Household consumption excluding food expenditures and shelter.

□ Revenue from government enterprises

For 2019-2020, revenue from government enterprises is adjusted downward by \$85 million, to \$4.7 billion.

This adjustment can be attributed to, in particular, a decrease in the results of Hydro-Québec, which is tied to the downward adjustment in sales in Québec and in energy prices on export markets.

TABLE F.5

Adjustments to revenue from government enterprises (millions of dollars)

	2019-2020
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2019	4 778
Hydro-Québec	-250
Loto-Québec	91
Société des alcools du Québec	35
Investissement Québec	9
Société québécoise du cannabis ⁽¹⁾	7
Other ⁽²⁾	23
Total adjustments	-85
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2020	4 693

(1) Revenue allocated to the Cannabis Sales Revenue Fund.

(2) Other revenue includes, in particular, the forecast for other government enterprises and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

□ Federal transfers

For 2019-2020, revenues from federal transfers stand at \$25.1 billion, or \$173 million more than forecast in the March 2019 budget.

This upward adjustment is explained by a \$442-million increase in other programs, attributable to, in particular, the agreement concluded with the federal government in August 2019 regarding the reimbursement of expenses related to asylum seekers.

In addition, transfers for health and for post-secondary education and other social programs have been adjusted downward by \$165 million and \$104 million, respectively, due to an increase in the value of the special Québec abatement, which is subtracted from these transfers.

— The increase in the value of the special Québec abatement is explained by higher growth in wages and salaries in Québec since the March 2019 budget.

TABLE F.6

Adjustments to federal transfers (millions of dollars)

	2019-2020
FEDERAL TRANSFERS – MARCH 2019	24 924
Equalization	—
Health transfers	–165
Transfers for post-secondary education and other social programs	–104
Other programs	442
Total adjustments	173
FEDERAL TRANSFERS – MARCH 2020	25 097

□ Portfolio expenditures

For 2019-2020, portfolio expenditures amount to \$105.0 billion, which represents an upward adjustment of \$924 million relative to the March 2019 forecasts.

TABLE F.7

Adjustments to portfolio expenditures

(millions of dollars)

	2019-2020
PORTFOLIO EXPENDITURES – MARCH 2019	104 038
Éducation et Enseignement supérieur	
Increased support for college centres for technology transfer (March 2020 initiative)	50
Spending by education and higher education institutions	141
Subtotal	191
Santé et Services sociaux	
Improvement of the accessibility and quality of health services (March 2020 initiative)	200
Medication costs and other funding that became available during the year	-256
Subtotal	-56
Other portfolios	
Initiatives to meet specific needs (fall 2019)	525
Full enhancement of the family allowance (fall 2019)	132
Immediate elimination of the additional contribution for childcare (fall 2019)	161
Other March 2020 initiatives	697
Reallocation of funding that became available during the year and other adjustments	-726
Subtotal	789
Total adjustments	924
PORTFOLIO EXPENDITURES – MARCH 2020	104 962

Note: Totals may not add due to rounding.

Spending for the Éducation et Enseignement supérieur portfolio increased by \$191 million in 2019-2020 owing to additional support for college centres for technology transfer and increased spending by education and higher education institutions.

Spending for the Santé et Services sociaux portfolio was adjusted downward by \$56 million in 2019-2020. Savings relative to the cost of medication made it possible to fund additional investments for improving the accessibility and quality of health services.

Spending for other portfolios was adjusted upward by \$789 million in 2019-2020 due to, in particular:

- the initiatives announced in fall 2019, which include initiatives to meet specific needs, full enhancement of the family allowance and immediate elimination of the additional contribution for childcare;
- new non-recurring initiatives to fight climate change, create wealth, improve services and meet the needs of Quebecers;
- reallocation of funding that became available during the year, making it possible to fund new targeted initiatives in 2019-2020.

Spending is down relative to March 2019

The government is managing spending responsibly and efficiently.

Government spending for 2019-2020 is \$227 million less than forecast a year ago in the March 2019 Budget.

Savings on debt service, coupled with funds that became available in portfolio expenditures, have made it possible to implement new initiatives totalling:

- \$857 million in the *Update on Québec's Economic and Financial Situation* of last November;
- \$947 million in this budget.

Expenditure management, 2019-2020
(millions of dollars)

	2019-2020
EXPENDITURE – MARCH 2019	-113 034
ADJUSTMENTS RELATED TO THE ECONOMIC AND BUDGETARY SITUATION	
Portfolio expenditures	
November 2019 adjustments (page A.17 of the November 2019 update)	-567
Funding available in March 2020 to finance new initiatives	1 447
Subtotal	880
Debt service	1 151
INITIATIVES	
November 2019 initiatives	-857
March 2020 initiatives	-947
Subtotal	-1 804
Total expenditure adjustments	227
EXPENDITURE – MARCH 2020	-112 807

□ Debt service

For 2019-2020, debt service is adjusted downward by \$1.2 billion to \$7.8 billion.

- Interest on the direct debt is \$1 040 million less because of lower-than-expected interest rates and improvement of the budgetary situation.
- The \$111-million downward adjustment in interest on the liability for the retirement plans and other employee future benefits is due to the higher-than-anticipated return on the Retirement Plans Sinking Fund (RPSF) in 2018-2019. The income of the RPSF is applied against debt service.

TABLE F.8

Adjustments to debt service

(millions of dollars)

	2019-2020
DEBT SERVICE – MARCH 2019	8 996
Interest on the direct debt ⁽¹⁾	-1 040
Interest on the liability for the retirement plans and other employee future benefits ⁽²⁾	-111
Total adjustments	-1 151
DEBT SERVICE – MARCH 2020	7 845

(1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowings. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. Given that the forecast for this revenue is closely tied to the change in interest rates, it may be adjusted upward or downward.

(2) This corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

1.2.1 Targeted initiatives in 2019-2020

As part of Budget 2020-2021, the government is investing additional sums as of 2019-2020, mainly by implementing targeted, non-recurring measures. These investments are being made thanks to funding that became available during the year in expenditures.

Providing environmental leadership

The government is taking actions to fight climate change. To ensure environmental leadership as of 2019-2020, the government is:

- transferring \$150.0 million to the Ville de Montréal for making green infrastructure investments for water management under the “Montréal Reflex” framework agreement;
- investing \$70.0 million to promote the enhancement and accessibility of natural environments by renewing agreements to fund greenways and blueways with the Communauté métropolitaine de Montréal and the Communauté métropolitaine de Québec and by supporting projects to improve the supply and accessibility of bicycle paths in the other regions;
- announcing \$45.0 million to support the production and distribution of renewable natural gas;
- investing \$0.5 million to promote the development of sustainable tourism projects.

Increasing the potential of the economy and creating wealth

To increase the potential of Québec's economy and create wealth, the government is:

- granting \$140.0 million to partially reimburse the deficit of the Fonds d'assurance stabilisation des revenus agricoles assumed by La Financière agricole du Québec;
- allocating \$81.0 million to increase clinical research and genomics research by providing financial support to Génome Québec and the Montreal Clinical Research Institute;
- increasing by \$50.0 million the funding granted to college centres for technology transfer, which contribute to the economic development of their respective regions and Québec as a whole;
- investing \$47.3 million for the purpose of revising the farm property tax credit program;
- granting \$44.5 million for implementing the 2020-2025 tourism industry growth strategy;

- providing \$10.0 million to attract skilled foreign workers;
- awarding a subsidy of \$7.0 million to the Ville de Québec to redevelop the Espace de la Capitale-Nationale;
- providing \$3.2 million for rebuilding the fuel facilities of the Coopérative de consommation de l'île d'Anticosti in order to ensure energy supplies for the population and businesses;
- granting \$2.6 million to encourage cultural vision and innovation;
- allocating \$2.0 million to implement Québec's new international vision.

❑ Improving services and meeting the needs of Quebecers

To improve services and meet the needs of Quebecers as of 2019-2020, the government is:

- allocating \$200.0 million to improve the accessibility and quality of health services;
- granting \$58.0 million to support the building of housing units under the AccèsLogis Québec program that were previously announced but are not yet completed;
- providing \$15.0 million in support of infrastructure projects in the Eeyou Istchee James Bay region in partnership with the Cree community;
- allocating \$13.5 million to roll out a free mediation program for small claims and for family mediation for couples without children, and thereby improve access to legal services for people throughout Québec;
- awarding \$4.0 million to build a warehouse to support the social housing stock in Nunavik;
- transferring \$3.0 million to the Fondation Forces AVENIR to enhance recognition programs for science and technological application projects.

❑ Renewal of the collective agreements

The government is providing \$400.0 million to cover the financial impact of the government offers proposed as part of the renewal of the collective agreements of government employees.

TABLE F.9

Targeted initiatives in 2019-2020

(millions of dollars)

	2019-2020
Providing environmental leadership	-265.5
– Enhancing the “Montréal Reflex” framework agreement	-150.0
– Improving the draw of natural environments	-70.0
– Supporting the production and distribution of renewable natural gas	-45.0
– Promoting the development of sustainable tourism projects	-0.5
Increasing the potential of the economy and creating wealth	-387.6
– Reimbursing La Financière agricole du Québec's share of the deficit of the Fonds d'assurance stabilisation des revenus agricoles	-140.0
– Increasing clinical research and genomics research	-81.0
– Increasing support for college centres for technology transfer	-50.0
– Revising the farm property tax credit program	-47.3
– Implementing the 2020-2025 tourism industry growth strategy	-44.5
– Attracting skilled foreign workers	-10.0
– Redeveloping the Espace de la Capitale-Nationale	-7.0
– Ensuring energy supplies for the île d'Anticosti	-3.2
– Stimulating cultural vision and innovation	-2.6
– Implementing Québec's new international vision	-2.0
Improving services and meeting the needs of Quebecers	-293.5
– Improving the accessibility and quality of health services	-200.0
– Supporting the building of housing units previously announced under the AccèsLogis Québec program	-58.0
– Supporting the development of infrastructure in the Eeyou Istchee James Bay region	-15.0
– Rolling out a free mediation program	-13.5
– Funding the construction of a warehouse in Nunavik	-4.0
– Enhancing Fondation Forces AVENIR programs	-3.0
Subtotal March 2020 initiatives	-946.6
Government offers for the renewal of the collective agreements of government employees	-400.0
TOTAL	-1 346.6

Budgetary surpluses generated by the strong performance of the economy over the past three years

Surpluses of roughly \$2.8 billion, or about 2.5% of the government's annual budget, have been recorded over the past five years.

- While the surpluses for 2015-2016 and 2016-2017 stem mainly from expenditures that were less than originally planned, the surpluses recorded over the past three years can be attributed chiefly to the strong performance of the economy.

Indeed, in 2015-2016 and 2016-2017, differences of \$2.1 billion and \$1.6 billion, respectively, were recorded relative to expenditure. For these two years, the differences associated with revenue were –\$37 million and \$318 million, respectively.

However, the budgetary surpluses recorded since 2017-2018 stem essentially from the adjustment of approximately \$3.2 billion per year on average in revenue, resulting from the increase in tax revenue associated with the main sources of the government's own-source revenue, tied to sustained economic growth.

- In 2018-2019, the improvements have made it possible to eliminate the use of \$1.6 billion from the stabilization reserve that was forecast in the March 2018 budget.

The recurring portion of the improvements linked to revenue, which is in the order of \$2.3 billion, is being reinvested as of 2020-2021 as part of this budget.

Differences in the budgetary balance, 2015-2016 to 2019-2020

(millions of dollars)

	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020
Revenues ⁽¹⁾	–37	318	2 096	5 149	2 305
Portfolio expenditures ⁽²⁾ and debt service	2 095	1 616	231	2 227	227
Estimated losses on the CSeries investment	—	—	—	—	–603
Other adjustments affecting the budgetary balance ⁽³⁾	133	427	295	–2 573	–29
Budgetary balance⁽⁴⁾	2 191	2 361	2 622	4 803	1 900

Note: The differences in the budgetary balance represent the difference between the original budget forecast and the results in the Public Accounts. For 2019-2020, the forecasts in Budget 2019-2020 are compared to those in Budget 2020-2021.

- (1) For 2018-2019, the \$5.1-billion adjustment in revenue takes into account an upward adjustment of nearly \$1 billion in revenues dedicated to the Generations Fund.
- (2) The differences in expenditures take into account the implementation of targeted initiatives totalling \$2 199 million in 2017-2018, \$1 617 million in 2018-2019 (total initiatives of \$1 661 million, less those of \$44 million in revenue) and \$1 804 million in 2019-2020.
- (3) Takes into account deposits of dedicated revenues in the Generations Fund, contingency reserves and elimination of the use of \$1 587-million from the stabilization reserve in 2018-2019.
- (4) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.3 Budgetary outlook

This subsection presents Québec's budgetary outlook for the years 2019-2020 to 2024-2025.

— The government forecasts a balanced budget for the period covered by the financial framework.

1.3.1 Five-year financial framework

Revenue amounts to \$121.3 billion in 2020-2021, with growth of 2.8%. In 2021-2022, it will grow by 3.2%.

Expenditure amounts to \$118.6 billion in 2020-2021, with growth of 5.1%. In 2021-2022, it will grow by 3.1%.

Deposits of dedicated revenues in the Generations Fund amount to \$2.7 billion in 2020-2021 and will reach \$3.0 billion in 2021-2022.

Steps to offset a shortfall of \$125 million in 2021-2022 and \$250 million from 2022-2023 to 2024-2025 will be identified in the coming years.

— In the event that the shortfall has not been completely eliminated by the tabling of the budget for each of the years with a shortfall, the stabilization reserve would be used to achieve budgetary balance within the meaning of the *Balanced Budget Act*.

Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy usually follow a similar trajectory.

From 2008-2009 to 2013-2014, the share of expenditure in the economy exceeded that of revenue owing to deficits. The share of expenditure rose steadily until 2013-2014, when it stood at 26.0%.

From 2014-2015 to 2020-2021, the share of revenue in excess of that of expenditure can be attributed to the budgetary surpluses recorded and efforts to reduce the debt through deposits of dedicated revenues in the Generations Fund.

- In particular, the share of expenditure will rise from 24.2% of GDP in 2018-2019 to 24.8% of GDP in 2020-2021. This increase reflects government investments, particularly in the environment, health and education.
- As for revenue, its share in the economy will decrease from 26.1% in 2018-2019 to 25.3% in 2020-2021, particularly because of the measures announced in recent years. The government intends to continue its actions in this regard in order to reduce the share of revenue in the economy.

For subsequent years, the difference between the share of revenue and that of expenditure as a percentage of GDP will hold steady at nearly 1 percentage point. This difference can be attributed essentially to debt reduction efforts.

Change in the share of revenue and expenditure in the economy, 2002-2003 to 2024-2025

(percentage of GDP)

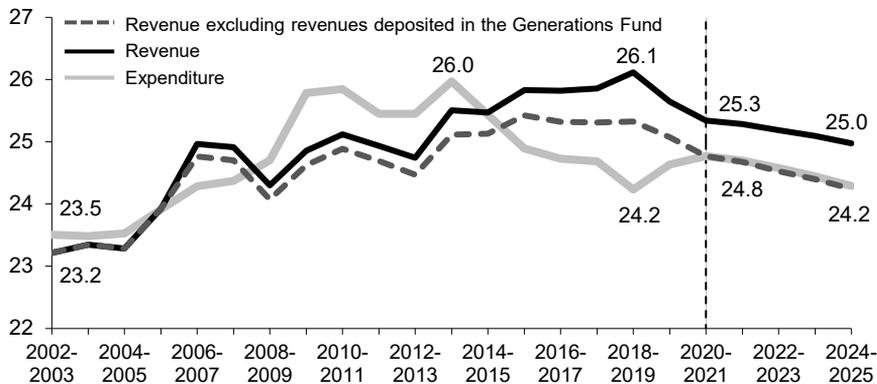


TABLE F.10

Financial framework, 2019-2020 to 2024-2025

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	AAGR ⁽¹⁾
Revenue							
Personal income tax	33 502	35 435	36 898	38 222	39 686	41 177	
Contributions for health services	6 593	6 896	7 059	7 210	7 323	7 501	
Corporate taxes	8 712	8 530	8 862	9 025	9 259	9 503	
School property tax	1 556	1 349	1 323	1 356	1 391	1 426	
Consumption taxes	22 118	22 961	23 702	24 351	25 142	25 894	
Duties and permits	4 512	4 643	4 546	4 653	4 756	4 877	
Miscellaneous revenue	11 160	10 975	11 354	11 742	12 099	12 493	
Government enterprises	4 693	4 814	5 115	5 535	5 967	6 190	
Own-source revenue	92 846	95 603	98 859	102 094	105 623	109 061	
% change	1.3	3.0	3.4	3.3	3.5	3.3	2.9
Federal transfers	25 097	25 692	26 293	26 529	26 598	26 808	
% change	8.6	2.4	2.3	0.9	0.3	0.8	2.5
Total revenue	117 943	121 295	125 152	128 623	132 221	135 869	
% change	2.8	2.8	3.2	2.8	2.8	2.8	2.9
Expenditure							
Portfolio expenditures	-104 962	-110 300	-113 617	-116 837	-120 375	-123 664	
% change	7.4	5.1	3.0	2.8	3.0	2.7	4.0
Debt service	-7 845	-8 266	-8 630	-8 683	-8 420	-8 460	
% change	-10.1	5.4	4.4	0.6	-3.0	0.5	-0.5
Total expenditure	-112 807	-118 566	-122 247	-125 520	-128 795	-132 124	
% change	6.0	5.1	3.1	2.7	2.6	2.6	3.7
Estimated losses on the C-Series investment	-603	—	—	—	—	—	
Shortfall to be offset	—	—	125	250	250	250	
SURPLUS	4 533	2 729	3 030	3 353	3 676	3 995	
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-2 633	-2 729	-3 030	-3 353	-3 676	-3 995	
BUDGETARY BALANCE⁽²⁾	1 900	—	—	—	—	—	

(1) Average annual growth rate (AAGR) from 2019-2020 to 2024-2025.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

Funding for the first implementation plan for the electrification and climate change framework policy

The government will soon be tabling the electrification and climate change framework policy. With this framework policy, the government will set forth Québec's vision for fighting climate change, meeting the 2030 target for the reduction of GHG emissions and adapting to climate change, while also contributing to Québec's economic development.

Over the next six years, the government will allocate \$6.2 billion to the fight against climate change. These amounts are provided for in the government's financial framework.

- Revenues of \$4.1 billion from the Electrification and Climate Change Fund (ECCF),¹ derived mainly from revenue from the carbon market, will be reinvested in their entirety in measures to fight climate change.
- Given the urgent need for action, and recognizing the need to broaden the scope of its environmental action, the government is awarding an additional \$2.1 billion in the form of budgetary appropriations funded by general and other taxes. These sums will be allocated to:
 - public transit (\$1.3 billion);²
 - initiatives introduced by various departments (\$0.8 billion).

Financing of the implementation plan for the electrification and climate change framework policy

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Revenue								
ECCF ⁽¹⁾	—	192	795	754	770	788	817	4 116
General and other taxes	116	73	146	291	433	509	538	2 105
Total revenue	116	265	942	1 045	1 202	1 297	1 355	6 221
Expenditure								
ECCF	—	-192	-795	-754	-770	-788	-817	-4 116
Public transit (LTNF)	—	—	—	-150	-300	-400	-450	-1 300
Budgetary appropriations for the departments	-116	-73	-146	-141	-133	-109	-88	-805
Total expenditure	-116	-265	-942	-1 045	-1 202	-1 297	-1 355	-6 221

(1) Consists mainly of revenues from the carbon market, investment income of the ECCF and revenues from the federal government's Leadership Fund.

1 Bill 44 stipulates that the Green Fund will become the Electrification and Climate Change Fund.

2 In this regard, budgetary appropriations will be allocated to the Ministère de l'Environnement et de la Lutte contre les changements climatiques to allow the transfer of funds from the Electrification and Climate Change Fund to the Land Transportation Network Fund (LTNF). The LTNF is responsible, in particular, for funding public transit projects.

❑ Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, which is a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

— As at March 31, 2020, the stabilization reserve will stand at \$13.9 billion.

TABLE F.11

Stabilization reserve (millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses	Balance, end of year
2015-2016	—	2 191	—	2 191
2016-2017	2 191	2 361	—	4 552
2017-2018	4 552	2 622	—	7 174
2018-2019	7 174	4 803	—	11 977
2019-2020	11 977	1 900	—	13 877

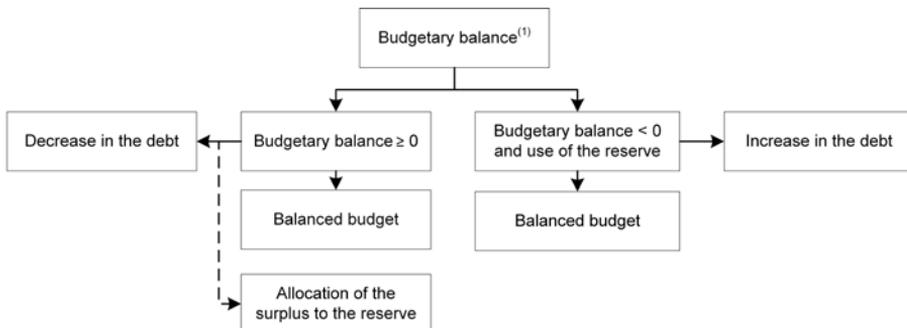
Stabilization reserve

The stabilization reserve facilitates the government's multi-year budget planning, for it can be used in the event of an overrun, that is, a budgetary balance of less than zero. It thus helps to keep the budget balanced under the *Balanced Budget Act*.

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash. In other words, the stabilization reserve is not money in the bank.

Such surpluses are used during the year to reduce the government's debt on financial markets.

If the government uses the stabilization reserve to balance the budget, an amount corresponding to the overrun would have to be borrowed, giving rise to an increase in the debt as shown in the chart below.



(1) Budgetary balance after deposits of dedicated revenues in the Generations Fund.

1.4 Major investments in public infrastructure

Québec has significant public infrastructure needs. To meet them, the government is announcing an increase of \$15.1 billion over 10 years for the Québec Infrastructure Plan (QIP).

— The 2020-2030 QIP thus amounts to \$130.5 billion, or more than \$13 billion per year on average.

TABLE F.12

Investments under the 2020-2030 Québec Infrastructure Plan (billions of dollars)

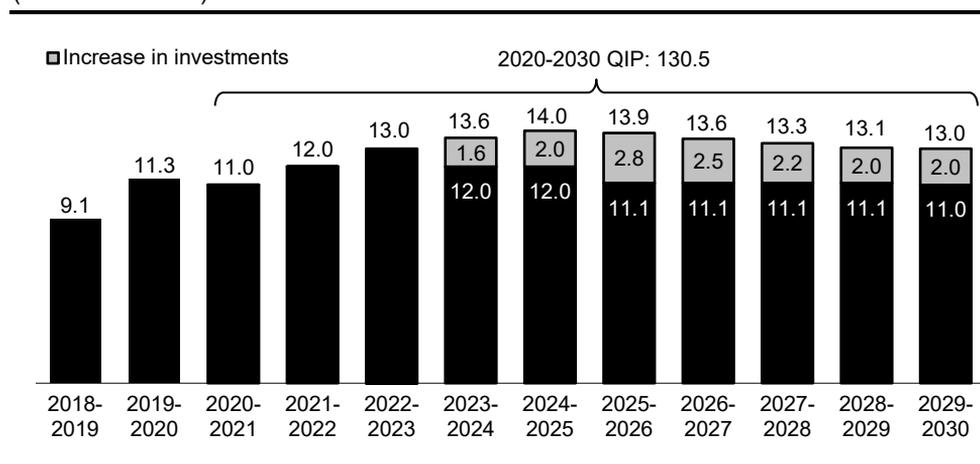
	2020-2030
Investments under the 2019-2029 QIP	115.4
Increase in investments	15.1
INVESTMENTS UNDER THE 2020-2030 QIP	130.5

The 2020-2030 QIP allocates substantial sums to public transit (\$13.6 billion³) and is studying several new large-scale projects for the development of structuring networks.

In addition, it provides for major investments in education and higher education (\$25.5 billion, including \$19.2 billion in schools), in health and social services (\$20.5 billion) and for keeping the road network in good condition (\$26.8 billion).

CHART F.1

Annual investments under the 2020-2030 Québec Infrastructure Plan (billions of dollars)

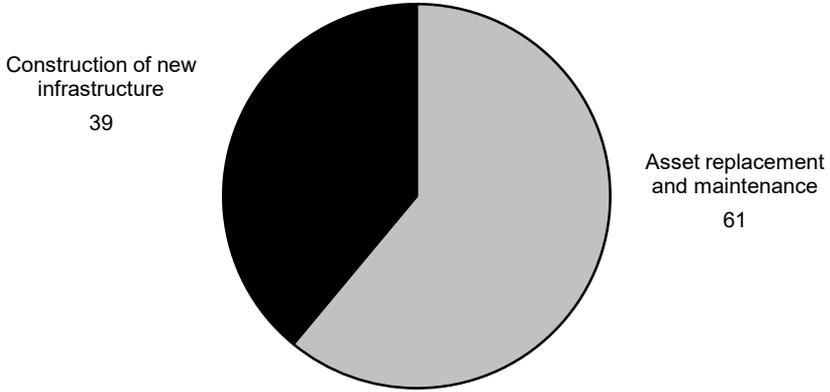


³ Investments in public transit total \$15.8 billion including the portion of the central envelope allocated to this sector.

Under the 2020-2030 QIP, the major share of investments, or 61%,⁴ will go to replacing and maintaining assets. The share devoted to the construction of new infrastructure is 39%.

CHART F.2

2020-2030 Québec Infrastructure Plan by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

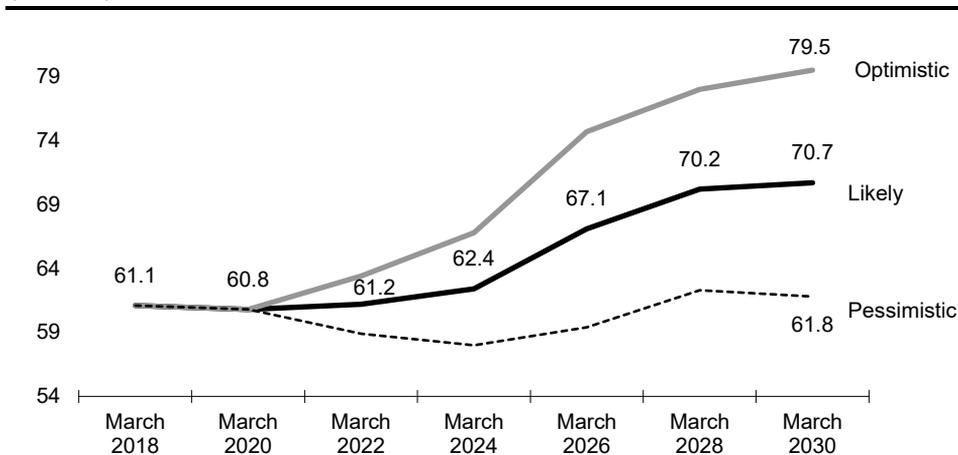
⁴ Excluding the central envelope.

In view of the investments currently planned under the 2020-2030 QIP, of which a large share will go to maintaining assets, the government expects that the proportion of assets in good condition will increase in the coming years.

— It is estimated⁵ that the proportion of infrastructure in good condition will increase from 60.8% in March 2020 to 70.7% in March 2030.

CHART F.3

Anticipated change in the proportion of infrastructure in good condition of public bodies
(per cent)



Note: The proportion of infrastructure in good condition could increase to a rate of 79.5% in March 2030 if future QIPs give priority to maintenance projects or not exceeding a rate of 61.8% if the rate of deterioration or inflation in the cost of work is higher than expected.

Source: Secrétariat du Conseil du trésor.

⁵ These estimates are preliminary. They were obtained using an initial model. They will be refined and improved during future QIPs and could vary over time, particularly with regard to the investment choices made by departments and bodies and their ability to carry out planned work, as well as by the ability of the construction industry to respond.

2. REVENUE AND EXPENDITURE FORECASTS

This section presents the revenue and expenditure outlook for three years, from 2019-2020 to 2021-2022.

TABLE F.13

Change in revenue and expenditure (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Revenue				
Own-source revenue excluding revenue from government enterprises	88 153	90 789	93 744	
% change	2.4	3.0	3.3	2.9
Revenue from government enterprises	4 693	4 814	5 115	
% change	-15.4	2.6	6.3	-2.7
Federal transfers	25 097	25 692	26 293	
% change	8.6	2.4	2.3	4.4
Total revenue	117 943	121 295	125 152	
% change	2.8	2.8	3.2	2.9
Expenditure				
Portfolio expenditures ⁽²⁾	-104 962	-110 300	-113 617	
% change	7.4	5.1	3.0	5.1
Debt service	-7 845	-8 266	-8 630	
% change	-10.1	5.4	4.4	-0.4
Total expenditure⁽²⁾	-112 807	-118 566	-122 247	
% change	6.0	5.1	3.1	4.7
Estimated losses on the CSeries investment	-603	—	—	
Shortfall to be offset	—	—	125	
SURPLUS	4 533	2 729	3 030	
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund	-2 633	-2 729	-3 030	
BUDGETARY BALANCE⁽³⁾	1 900	—	—	

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

(2) Growth in portfolio expenditures went from 5.0% in Budget 2019-2020 to 7.4% in Budget 2020-2021 due mainly to the decrease in expenditure in 2018-2019.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2.1 Change in revenue

Revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Revenue totals \$117.9 billion in 2019-2020, or \$92.8 billion in own-source revenue and \$25.1 billion from federal transfers.

Revenue will stand at \$121.3 billion in 2020-2021 and \$125.2 billion in 2021-2022, representing growth of 2.8% and 3.2%, respectively.

TABLE F.14

Change in revenue (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	88 153	90 789	93 744	
<i>% change</i>	2.4	3.0	3.3	2.9
Revenue from government enterprises	4 693	4 814	5 115	
<i>% change</i>	-15.4	2.6	6.3	-2.7
Subtotal	92 846	95 603	98 859	
<i>% change</i>	1.3	3.0	3.4	2.6
Federal transfers	25 097	25 692	26 293	
<i>% change</i>	8.6	2.4	2.3	4.4
TOTAL	117 943	121 295	125 152	
<i>% change</i>	2.8	2.8	3.2	2.9

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

2.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is tied to economic activity in Québec and to changes in the tax system.

Own-source revenue also includes other revenue sources, that is, duties and permits, in particular revenue from the carbon market, and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Own-source revenue excluding revenue from government enterprises will reach \$88.2 billion in 2019-2020, \$90.8 billion in 2020-2021 and \$93.7 billion in 2021-2022. It will grow by 2.4%, 3.0% and 3.3%, respectively. These changes reflect essentially the vitality of the economic activity forecast for those years and the impact of the fiscal measures announced and implemented.

TABLE F.15

Change in own-source revenue excluding revenue from government enterprises

(millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Tax revenue	72 481	75 171	77 844	
<i>% change</i>	3.3	3.7	3.6	3.5
Other revenue	15 672	15 618	15 900	
<i>% change</i>	-1.5	-0.3	1.8	0.0
TOTAL	88 153	90 789	93 744	
<i>% change</i>	2.4	3.0	3.3	2.9

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

☐ Tax revenue

Personal income tax, the government's largest revenue source, will grow by 5.4% in 2019-2020, 5.8% in 2020-2021 and 4.1% in 2021-2022, settling at \$33.5 billion, \$35.4 billion and \$36.9 billion, respectively.

- These changes reflect, in particular, the growth of household income, including wages and salaries, and takes into account the parameters of the personal income tax system.
- They also reflect the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

TABLE F.16

Change in own-source revenue excluding revenue from government enterprises (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Tax revenue				
Personal income tax	33 502	35 435	36 898	
% change	5.4	5.8	4.1	5.1
Contributions for health services	6 593	6 896	7 059	
% change	3.7	4.6	2.4	3.5
Corporate taxes	8 712	8 530	8 862	
% change	-5.1	-2.1	3.9	-1.2
School property tax	1 556	1 349	1 323	
% change	-16.0	-13.3	-1.9	-10.6
Consumption taxes	22 118	22 961	23 702	
% change	5.3	3.8	3.2	4.1
Subtotal	72 481	75 171	77 844	
% change	3.3	3.7	3.6	3.5
Other revenue				
Duties and permits	4 512	4 643	4 546	
% change	3.5	2.9	-2.1	1.4
Miscellaneous revenue	11 160	10 975	11 354	
% change	-3.4	-1.7	3.5	-0.6
Subtotal	15 672	15 618	15 900	
% change	-1.5	-0.3	1.8	0.0
TOTAL	88 153	90 789	93 744	
% change	2.4	3.0	3.3	2.9

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

Contributions for health services will grow by 3.7% in 2019-2020, 4.6% in 2020-2021 and 2.4% in 2021-2022, settling at \$6.6 billion, \$6.9 billion and \$7.1 billion, respectively.

- These changes reflect the fact that wages and salaries are expected to grow by 5.9% in 2019, 4.8% in 2020 and 3.7% in 2021.
- They also take into account the impact of the reduction of the Health Services Fund contribution rate for all Québec SMBs.

Revenue from corporate taxes will decrease by 5.1% in 2019-2020 and 2.1% in 2020-2021 and increase by 3.9% in 2021-2022. It will stand at \$8.7 billion, \$8.5 billion and \$8.9 billion, respectively, for those same three fiscal years.

- These changes reflect the projected growth of the net operating surplus of corporations, established at 4.0% in 2019, 3.6% in 2020 and 3.5% in 2021.
- They also reflect the measures implemented in recent years to ease the tax burden, in particular the depreciation measure to incentivize businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

Revenue from the school property tax will decline by 16.0% in 2019-2020, 13.3% in 2020-2021 and 1.9% in 2021-2022, settling at \$1.6 billion in 2019-2020 and \$1.3 billion in 2020-2021 and 2021-2022. These changes are explained mainly by the impact of the projected tax rate reduction as part of the gradual implementation of a single school tax rate.

Revenue from consumption taxes will grow by 5.3% in 2019-2020, 3.8% in 2020-2021 and 3.2% in 2021-2022, reaching \$22.1 billion, \$23.0 billion and \$23.7 billion, respectively.

- These changes reflect the projected growth of household consumption,⁶ established at 2.9% in 2019 and 3.3% in 2020 and 2021 and sustained mainly by the growth in wages and salaries.
- They also reflect the growth of residential construction, amounting to 7.5% in 2019, 4.1% in 2020 and 3.0% in 2021.

⁶ Household consumption excluding food expenditures and shelter.

❑ Other revenue

Revenue from duties and permits will increase by 3.5% in 2019-2020 and 2.9% in 2020-2021 and will decrease by 2.1% in 2021-2022, settling at \$4.5 billion, \$4.6 billion and \$4.5 billion, respectively.

— These changes can be attributed to, in particular, the anticipated growth in carbon market revenue.

Miscellaneous revenue will decline by 3.4% and 1.7% in 2019-2020 and 2020-2021 and will climb by 3.5% in 2021-2022, reaching \$11.2 billion, \$11.0 billion and \$11.4 billion, respectively.

— These changes stem mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

— They also reflect the government's decision to make the first two hours of parking at healthcare institutions free of charge and to set the daily rate between \$7 and \$10 depending on the region.

❑ Changes in line with those in the economy

Growth in own-source revenue excluding revenue from government enterprises generally reflects the changes in economic activity and the impact of measures introduced by the government.

Growth in this revenue will stand at 3.0% in 2020-2021 and reach 3.3% in 2021-2022.

— This growth reflects, in particular, various initiatives implemented in recent years, including the standardization of the school tax rates announced in budgets 2019-2020 and 2020-2021 and the depreciation measures announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

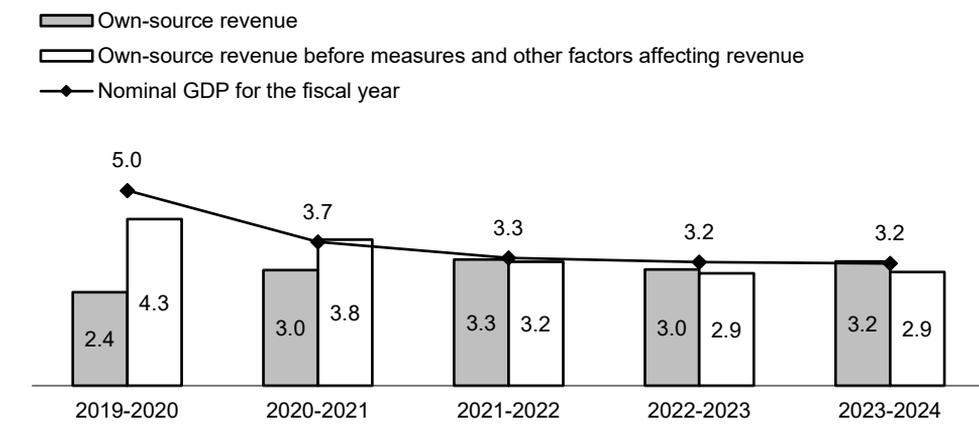
— Had it not been for those measures, own-source revenue growth in 2020-2021 would stand at 3.8%, a rate in line with economic growth.

Over the forecast period, revenue growth will keep pace with economic growth.

CHART F.4

Growth in own-source revenue excluding revenue from government enterprises

(per cent)



Revenue growth in line with economic growth

Growth in own-source revenue excluding revenue from government enterprises, 2019-2020 to 2023-2024

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Own-source revenue	92 846	95 603	98 859	102 094	105 623
% change	1.3	3.0	3.4	3.3	3.5
Less: Government enterprises	4 693	4 814	5 115	5 535	5 967
Own-source revenue excluding revenue from government enterprises	88 153	90 789	93 744	96 559	99 656
% change	2.4	3.0	3.3	3.0	3.2
Less: Measures and other factors affecting revenue growth⁽¹⁾					
Budget 2020-2021	—	-183	-252	-266	-224
Fall 2019 update	—	-99	-75	-87	-90
Budget 2019-2020	-314	-381	-377	-374	-369
Fall 2018 update	-436	-581	-383	-270	-230
Recovery measures – August 2018	-83	-48	-21	—	—
Budget 2018-2019	-998	-1 104	-1 190	-1 219	-1 227
Previous budgets and other ⁽²⁾	-173	-403	-563	-661	-566
Subtotal	-2 004	-2 798	-2 861	-2 877	-2 706
Own-source revenue excluding revenue from government enterprises before measures	90 157	93 587	96 605	99 436	102 362
% change	4.3	3.8	3.2	2.9	2.9
Nominal GDP growth in %	5.0	3.7	3.3	3.2	3.2

Note: Totals may not add due to rounding. Save for some exceptions, the amounts correspond to those published in the budgets and fall updates.

(1) Main measures affecting revenue growth.

(2) This category includes, in particular, the revenue measures published in the budgets and fall updates since fall 2014, revenues from the carbon market, the elimination of restrictions on input tax refunds for large businesses and the investment income of the Generations Fund.

2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises corresponds in large part to the net earnings of these enterprises.

Revenue from government enterprises will stand at \$4.7 billion in 2019-2020, for a decrease of 15.4%, at \$4.8 billion in 2020-2021, for an increase of 2.6%, and at \$5.1 billion in 2021-2022, for an increase of 6.3%.

- The decrease of 15.4% for 2019-2020 reflects, in particular, the anticipated decrease in the results of Hydro-Québec, attributable to the non-recurrence of gains associated with the partial disposal of the TM4 subsidiary by Hydro-Québec in 2018-2019 and to a decline in net exports of electricity.
- The change of 2.6% in 2020-2021 mainly reflects the increase in the anticipated results of Hydro-Québec resulting from the growth forecast for net exports of electricity and demand in Québec, taking into account the impact of the rate freeze.
- The change of 6.3% in 2021-2022 mainly reflects the increase in the anticipated results of Hydro-Québec resulting from the growth forecast for demand in Québec.

The increase in revenue from government enterprises also includes the positive impact of the increased sales and productivity of Loto-Québec and the Société des alcools du Québec.

TABLE F.17

Change in revenue from government enterprises (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Hydro-Québec	2 175	2 275	2 500	
Loto-Québec	1 362	1 372	1 406	
Société des alcools du Québec	1 194	1 222	1 252	
Investissement Québec	148	131	137	
Société québécoise du cannabis ⁽²⁾	27	50	71	
Other ⁽³⁾	-213	-236	-251	
TOTAL	4 693	4 814	5 115	
% change	-15.4	2.6	6.3	-2.7

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

(2) Revenue allocated to the Cannabis Sales Revenue Fund.

(3) Other revenue includes, in particular, the forecast for other government enterprises and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

2.1.3 Federal transfers

Federal transfer revenues correspond to revenues from the federal government paid to Québec pursuant to the *Federal-Provincial Fiscal Arrangements Act*, to which is added revenue from other programs under bilateral agreements. They include mainly equalization and revenue from the Canada Health Transfer and the Canada Social Transfer.

— In 2020-2021, they will account for 21% of government revenue.

Federal transfers will stand at \$25.1 billion in 2019-2020, \$25.7 billion in 2020-2021 and \$26.3 billion in 2021-2022. They will show a slight increase of 2.4% in 2020-2021 and 2.3% in 2021-2022, owing mainly to health transfers.

Growth in equalization revenue will be much lower in 2020-2021 and 2021-2022 than in 2019-2020, causing Québec's share of the equalization envelope to decline from 66.2% in 2019-2020 to 63.4% in 2021-2022. This weak growth is due to Québec's remarkable economic performance relative to that of the rest of Canada.

TABLE F.18

Change in federal transfer revenues (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Equalization	13 124	13 253	13 514	
% change	11.9 ⁽²⁾	1.0	2.0	4.8
Health transfers	6 463	6 768	6 998	
% change	2.5	4.7	3.4	3.5
Transfers for post-secondary education and other social programs	1 516	1 581	1 600	
% change	-5.0	4.3	1.2	0.1
Other programs	3 994	4 090	4 181	
% change	14.6	2.4	2.2	6.2
TOTAL	25 097	25 692	26 293	
% change	8.6	2.4	2.3	4.4

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

(2) The equalization envelope grows in pace with Canada's nominal GDP. In addition, growing disparities in fiscal capacity compared to the average of the ten provinces have been observed. Equalization for 2019-2020 is based on data for the years 2015-2016 to 2017-2018.

2.2 Change in expenditure

Expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Expenditure stands at \$112.8 billion in 2019-2020, that is, \$105.0 billion for portfolio expenditures and \$7.8 billion for debt service.

Expenditure will stand at \$118.6 billion in 2020-2021 and \$122.2 billion in 2021-2022, up 5.1% and 3.1%, respectively.

- The decrease in expenditures in 2018-2019 and the increase in expenditures in 2019-2020 raise the growth in portfolio expenditures for 2019-2020, from 5.0% in Budget 2019-2020 to 7.4% in Budget 2020-2021.
- The higher growth in debt service in 2020-2021 is explained, in particular, by the low level in 2019-2020 stemming from very low interest rates.

TABLE F.19

Change in expenditure (millions of dollars)

	2019-2020	2020-2021	2021-2022	AAGR ⁽¹⁾
Portfolio expenditures	104 962	110 300	113 617	
<i>% change</i>	7.4	5.1	3.0	5.1
Debt service	7 845	8 266	8 630	
<i>% change</i>	-10.1	5.4	4.4	-0.4
TOTAL	112 807	118 566	122 247	
<i>% change</i>	6.0	5.1	3.1	4.7

(1) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

Adjustment to expenditure growth in 2019-2020

Budget 2019-2020 established expenditure at \$108.0 billion for 2018-2019 and \$113.0 billion for 2019-2020.

– This represented an annual spending growth of 4.7%.

The results published in Public Accounts 2018-2019 in fall 2019 showed that the level of spending for 2018-2019 had reached \$106.5 billion.

– This is a downward adjustment of \$1.5 billion compared to the March 2019 budget.

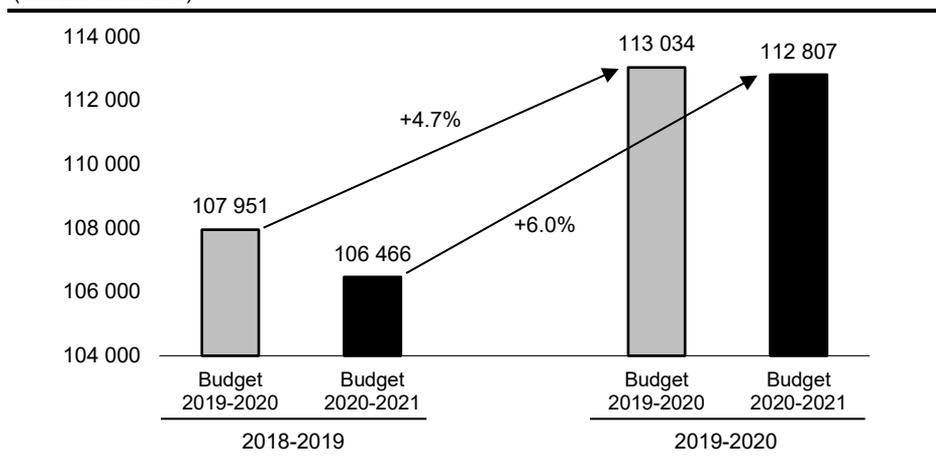
This adjustment is due mainly to a difference between planned expenditures and those incurred by bodies and special funds. Lower-than-anticipated interest rates also generated savings.¹

Budget 2020-2021 shows an expenditure level that is \$227 million lower than the target set for 2019-2020 in the previous budget.²

Growth in portfolio expenditures went from 5.0% in Budget 2019-2020 to 7.4% in Budget 2020-2021 mainly because of the decrease in expenditures in 2018-2019.

Adjustment to expenditure growth in 2019-2020

(millions of dollars)



1 For more information on the spending adjustments in 2018-2019, see page D.9 of the November 2019 *Update on Québec's Economic and Financial Situation*.

2 For more information on the spending adjustments in 2019-2020, see page F.18 of this document.

2.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The array of entities for which a minister is responsible constitutes a portfolio.

Portfolio expenditures will stand at \$105.0 billion in 2019-2020, \$110.3 billion in 2020-2021 and \$113.6 billion in 2021-2022, with growth reaching 7.4%, 5.1% and 3.0% respectively.

TABLE F.20

Change in expenditure by departmental portfolio (millions of dollars)

	2019-2020	2020-2021 ⁽¹⁾	2021-2022	AAGR ⁽²⁾
Éducation et Enseignement supérieur	24 627	25 734	26 672	
<i>% change</i>	6.7	4.5	3.6	4.9
Santé et Services sociaux	45 377	47 760	49 780	
<i>% change</i>	6.6	5.3	4.2	5.4
Other portfolios ⁽³⁾	34 958	36 806	37 165	
<i>% change</i>	8.9	5.3	1.0	5.0
TOTAL	104 962	110 300	113 617	
<i>% change</i>	7.4	5.1	3.0	5.1

Note: Totals may not add due to rounding.

(1) The breakdown of expenditures in 2020-2021 for the portfolios as a whole is presented in Appendix 1.

(2) Average annual growth rate (AAGR) from 2019-2020 to 2021-2022.

(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

The government's wage offers to public and parapublic sector union representatives

On December 12, 2019, the Minister Responsible for Government Administration and Chair of the Conseil du trésor presented the government's offers to public and parapublic sector union representatives as part of negotiations to renew the collective agreements of government employees.

- The agreements entered into with most government employees for the period 2015-2020 expire on March 31, 2020.

The government is offering wage parameters of 7.00% over five years, which, when fully implemented, will correspond to an additional \$2.9 billion.

The offer also provides for the payment of a lump sum of \$1 000 to any employee who will actually perform work on March 31, 2020 and who will have reached the maximum in his or her compensation scale on that date.

In addition, the government has proposed the creation of three discussion forums, for which additional sums are being provided. These forums will focus on these government priorities:

- educational success;
- accessibility of care for the clientele of residential and long-term care centres or people receiving home care;
- the overall health of employees.

All of these parameters are included in the financial framework of Budget 2020-2021 and represent a total increase of 9.00% of the payroll over five years.

Negotiation financial framework

	2020- 2021	2021- 2022	2022- 2023	Total 3 years	2023- 2024	2024- 2025	Total 5 years
Wage parameters	1.75%	1.75%	1.50%	5.00%	1.00%	1.00%	7.00%
Lump sum	\$1 000						
Discussion forums ⁽¹⁾	For priority groups						
Sectoral measures	Sectoral measures to be determined						
Impact on the payroll	2.00%	2.00%	2.00%	6.00%	1.50%	1.50%	9.00%

(1) The forums will be made up of labour and union representatives and be aimed, in particular, at discussing special monetary measures for teachers at the beginning of their career, patient-care attendants working in CHSLDs and health and social services assistants for home care.

Source: Secrétariat du Conseil du trésor.

□ Expenditures of the Éducation et Enseignement supérieur portfolio

The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of educational institutions (school boards,⁷ CEGEPs, universities, private educational institutions and government schools). This portfolio also includes student financial assistance and programs to promote recreation and sports activities.

Spending for the Éducation et Enseignement supérieur portfolio will stand at \$24.6 billion in 2019-2020, \$25.7 billion in 2020-2021, \$26.7 billion in 2021-2022 and \$27.6 billion in 2022-2023. Spending for this portfolio represents roughly 23% of total portfolio expenditures, ranking it second in importance.

— Growth in spending for the Éducation et Enseignement supérieur portfolio stands at 6.7% in 2019-2020. It will reach 4.5% in 2020-2021, 3.6% in 2021-2022 and 3.5% in 2022-2023.

Over four years, that is, from 2019-2020 to 2022-2023, annual growth of the Éducation et Enseignement supérieur portfolio will average 4.6%.

— The Québec government is meeting its objective of reaching an average annual growth rate of 3.5% in education over the period covered by the financial framework.

TABLE F.21

Expenditures of the Éducation et Enseignement supérieur portfolio (millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Program spending ⁽²⁾	21 207	22 196	23 143	24 123	
Other spending ⁽³⁾	3 420	3 538	3 529	3 484	
TOTAL	24 627	25 734	26 672	27 607	
% change	6.7	4.5	3.6	3.5	4.6

(1) Average annual growth rate (AAGR) from 2019-2020 to 2022-2023.

(2) This spending corresponds to departments' expenditures and is funded mainly through general and other taxes.

(3) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

⁷ Now that the *Act to amend mainly the Education Act with regard to school organization and governance* has been assented to, school boards will be replaced by school service centres in fiscal 2020-2021 except in the case of the Cree and Kativik school boards.

Financial impact of the initiatives announced in education

In Budget 2020-2021, the government is providing additional investments of \$265 million in 2020-2021 and \$298 million in 2021-2022 and 2022-2023.

In 2020-2021, these investments will total:

- \$141 million to improve the educational success of young people;
- \$100 million to foster the graduation rate for higher education and bringing institutions closer to their communities;
- \$20 million to promote participation in recreation and sports opportunities;
- \$5 million for the Secrétariat à la condition féminine to provide better support to women who are victims of domestic violence.

Financial impact of the initiatives in education

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	Total
Improving the educational success of young people	—	-141	-169	-169	-169	-169	-817
Fostering the graduation rate for higher education and bringing institutions closer to their communities	-50	-100	-100	-100	-100	-100	-550
Promoting participation in recreation and sports opportunities	—	-20	-20	-20	-20	-20	-99
Providing better support for women who are victims of domestic violence (Secrétariat à la condition féminine)	—	-5	-9	-9	-9	-9	-41
TOTAL	-50	-265	-298	-298	-298	-298	-1 506

Note: Totals may not add due to rounding.

□ Expenditures of the Santé et Services sociaux portfolio

The expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies, such as Héma-Québec.

Spending for the Santé et Services sociaux portfolio will stand at \$45.4 billion in 2019-2020, \$47.8 billion in 2020-2021, \$49.8 billion in 2021-2022 and \$51.8 billion in 2022-2023. Spending for this portfolio represents roughly 43% of total portfolio expenditures, ranking it first in importance.

— Growth in spending for the Santé et Services sociaux portfolio will reach 6.6% in 2019-2020, 5.3% in 2020-2021, 4.2% in 2021-2022 and 4.1% in 2022-2023.

Over four years, that is, from 2019-2020 to 2022-2023, annual growth of the Santé et Services sociaux portfolio will average 5.1%.

— The Québec government is meeting its objective of reaching an average annual growth rate of 4.1% in health over the period covered by the financial framework.

TABLE F.22

Expenditures of the Santé et Services sociaux portfolio (millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Program spending ⁽²⁾	40 625	42 787	44 678	46 657	
Other spending ⁽³⁾	4 752	4 973	5 102	5 175	
TOTAL	45 377	47 760	49 780	51 832	
% change	6.6	5.3	4.2	4.1	5.1

(1) Average annual growth rate (AAGR) from 2019-2020 to 2022-2023.

(2) This spending corresponds to expenditures of the Ministère de la Santé et des Services sociaux funded mainly through general and other taxes.

(3) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

Impact of the initiatives announced in health and social services

In Budget 2020-2021, the government is providing additional investments of \$1.2 billion in 2020-2021 and 2021-2022 and \$1.1 billion in 2022-2023 and subsequent years. In 2020-2021, the government will provide:

- \$489 million to improve access to health and social services;
- \$311 million to enhance senior care;
- \$190 million to continue enhancing services for youth in difficulty;
- \$220 million to increase services that address specific needs, including enhanced care and services for people with disabilities and more mental health initiatives;
- \$27 million to provide better support to women who are victims of domestic violence.

A portion of the funding required for these investments comes from the reallocation of health spending. In particular, for 2020-2021:

- \$313 million comes from savings made under the agreement entered into between the government and the Fédération des médecins spécialistes du Québec (FMSQ);
- \$487 million comes essentially from the reallocation of unrealized expenditures in health, in order to direct available funding more effectively toward the health services needs of the population.

Financial impact of the initiatives in health and social services

(millions of dollars)

	2019- 2020-	2020- 2021-	2021- 2022-	2022- 2023-	2023- 2024-	2024- 2025-	Total
Improving access to health and social services	-409	-489	-489	-585	-585	-585	-3 141
Enhancing senior care	—	-311	-313	-200	-200	-200	-1 224
Continuing to enhance services for youth in difficulty	—	-190	-190	-190	-190	-190	-950
Increasing services for specific needs	—	-220	-220	-100	-101	-101	-741
Providing better support to women who are victims of domestic violence	—	-27	-27	-27	-27	-27	-134
Total initiatives	-409	-1 236	-1 238	-1 102	-1 102	-1 102	-6 191
Available funding							
Agreement with the FMSQ ^{(1),(2)}	209	313	428	585	—	—	1 536
Reallocation of health spending	—	487	372	102	687	687	2 334
Total available funding	209	800	800	687	687	687	3 870
TOTAL	-200	-436	-438	-415	-415	-415	-2 321

(1) A portion of the funding required to implement the initiatives in health and social services is drawn from savings made under the agreement entered into between the government and the FMSQ. Use of these sums will be determined according to the decisions of the Institut de la pertinence des actes médicaux. In addition to the available funding recorded as of 2019-2020, the agreement provides for savings of \$69 million in 2018-2019, bringing total savings made over the period up to 2022-2023 to \$1.6 billion.

(2) The agreement with the FMSQ expires on March 31, 2023 and it is projected that all of the savings made will have been reinvested.

Program spending and other spending

Portfolio expenditures consist of program spending, that is, spending by departments, and other spending, namely, spending by entities funded through their own revenue and tax-funded expenditures.

– Growth in program spending will stand at 4.4% in 2020-2021 and 3.5% in 2021-2022.

Change in portfolio expenditures

(millions of dollars)

	2019-2020	2020-2021	2021-2022
Program spending ⁽¹⁾	82 532	86 191	89 226
<i>% change</i>	8.0	4.4	3.5
Other spending ⁽²⁾	22 430	24 109	24 391
<i>% change</i>	5.0	7.5	1.2 ⁽³⁾
TOTAL	104 962	110 300	113 617
<i>% change</i>	7.4	5.1	3.0

(1) This spending corresponds to departments' expenditures and is funded mainly through general and other taxes.

(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

(3) The growth in spending for "Other portfolios" in 2021-2022 is explained mainly by the reallocation of planned environmental expenditures for the fight against climate change and by the expiry of certain programs or agreements with the federal government.

Mission expenditures

Government expenditures are broken down into five public service missions. This breakdown of the government's expenditures into its main areas of activity is a stable indicator over time because it is not usually affected by Cabinet shuffles. Moreover, since this breakdown is also used in the Public Accounts, it facilitates comparisons of forecasts with actual results.

The public service missions are:

- Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- Support for Individuals and Families, which includes, in particular, last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- Administration and Justice, which consists of the activities of legislature, central bodies and public security, as well as administrative programs.

Mission expenditures

(millions of dollars)

	2019-2020	2020-2021	2021-2022
Health and Social Services ⁽¹⁾	44 124	46 562	48 520
Education and Culture	25 517	26 989	27 939
Economy and Environment	16 205	16 683	16 988
Support for Individuals and Families	10 899	11 413	11 558
Administration and Justice ⁽²⁾	8 217	8 653	8 612
TOTAL	104 962	110 300	113 617
% change	7.4	5.1	3.0

(1) The expenditures of the Health and Social Services mission are lower than those of the Santé et Services sociaux portfolio mainly because of the different treatment of expenditures made for entities in other portfolios. Such spending is eliminated in the missions when expenditures by mission are established, while it is eliminated under a separate heading "Inter-portfolio" eliminations when expenditures by portfolio are established.

(2) These amounts include the Contingency Fund reserve.

2.2.2 Debt service

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of the debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).

Overall, debt service will stand at \$7.8 billion in 2019-2020, \$8.3 billion in 2020-2021 and \$8.6 billion in 2021-2022, representing changes of -10.1%, 5.4% and 4.4%, respectively.

In 2019-2020, interest on the direct debt will decrease by 6.6% owing to lower interest rates and accelerated repayment of the debt from the Generations Fund.

In 2020-2021 and 2021-2022, it will increase by 10.0% and 9.2%, respectively, mainly because of the government's increased borrowing needs related, in particular, to public infrastructure investments, and the anticipated change in long-term interest rates. Interest on the direct debt was very low in 2019-2020 owing to, among other things, very low interest rates.

Interest on the liability for the retirement plans and other employee future benefits will decrease due to the annual increase in the investment income of the RPSF. The investment income of the RPSF is applied against debt service.

TABLE F.23

Change in debt service (millions of dollars)

	2019-2020	2020-2021	2021-2022
Interest on the direct debt ⁽¹⁾	6 944	7 639	8 341
<i>% change</i>	-6.6	10.0	9.2
Interest on the liability for the retirement plans and other employee future benefits ⁽²⁾	901	627	289
TOTAL	7 845	8 266	8 630
<i>% change</i>	-10.1	5.4	4.4

(1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. Given that the forecast for this revenue is closely tied to the change in interest rates, it may be adjusted upward or downward.

(2) This interest corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

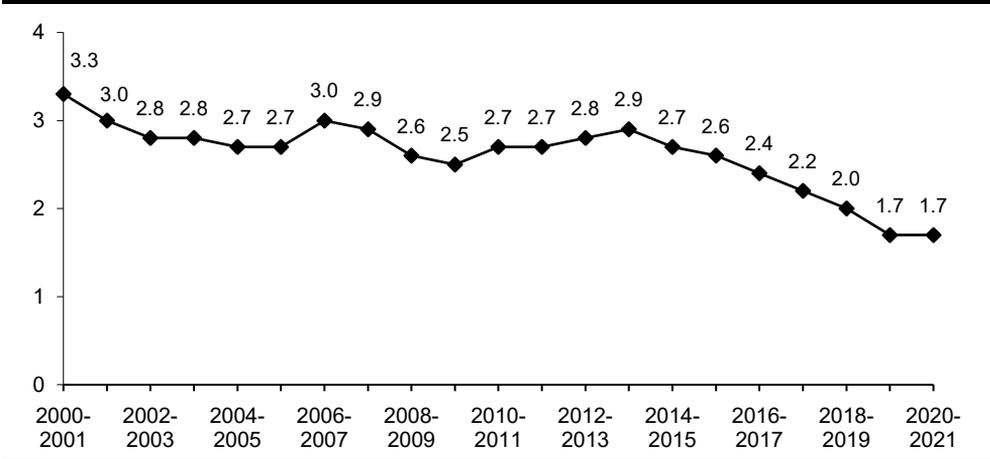
❑ Debt service burden relative to the economy

The debt service burden relative to the economy has decreased since 2013-2014, falling from 2.9% of GDP in 2013-2014 to 1.7% of GDP in 2019-2020.

The decrease in 2018-2019 and 2019-2020 is due to, in particular, the \$10-billion repayment of the debt from the Generations Fund.

CHART F.5

Debt service (percentage of GDP)



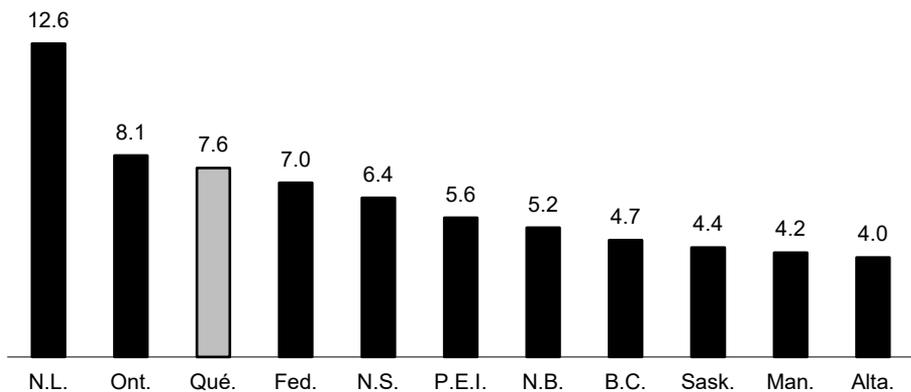
Comparison of the debt service of governments in Canada

In 2018-2019, Québec's debt service as a percentage of revenue was among the highest in Canada.

- In 2018-2019, interest payments on the debt totalled \$8.7 billion, which represents 7.6% of revenue, or \$1 040 per capita.
- Debt service is the third largest expenditure category of the government, after health and education.
- Every dollar paid in interest is one dollar less for funding public services.

Debt service of governments in Canada, 2018-2019

(percentage of revenue)



Sources: Governments' public accounts.

3. QUÉBEC'S DEMANDS WITH REGARD TO FEDERAL TRANSFERS

3.1 For an increase in the federal contribution to health and social programs

The federal government contributes to provincial spending on health, post-secondary education and other social sectors mainly through the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

Québec is asking that these two transfers be increased so that the provinces have the means to fully shoulder their responsibilities.

— The CHT envelope for Canada as a whole should correspond to 25% of provincial health spending, whereas the CST should be brought back to its 1994-1995 level, after inflation.

In the area of health care in particular, Québec expects the federal government to give priority to increasing the CHT before implementing other initiatives.

Furthermore, if the federal government decides to introduce a Canada-wide public prescription drug insurance plan, Québec would ask for the right to opt out with full financial compensation given that a plan of this type has already been in place in Québec since 1997.

❑ Priority must be given to increasing the CHT

The CHT has grown in pace with Canada's nominal GDP⁸ since 2017-2018, whereas prior to that it grew by 6% per year.

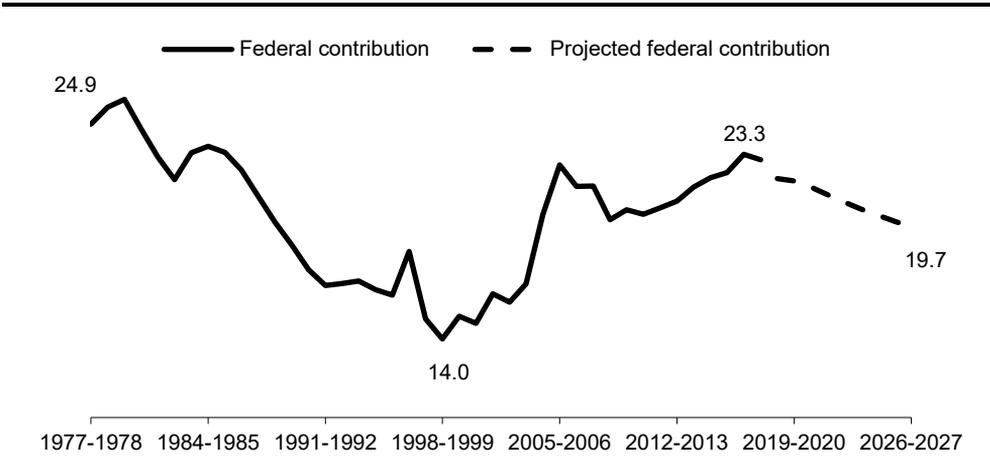
On account of this lower indexation, the federal contribution to provincial health spending will decline in a context where population aging is adding to the pressure placed on such spending.

— While the federal contribution to the provinces' health spending stood at roughly 25% in the late 1970s, it reached a record low in the late 1990s, before climbing back up following the signing of the federal-provincial-territorial agreement on health in September 2004.

— This contribution is expected to fall to 19.7% by 2026-2027, whereas it stood at 23.3% in 2016-2017.

CHART F.6

**Share of federal funding in provincial health spending,
1977-1978 to 2026-2027**
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

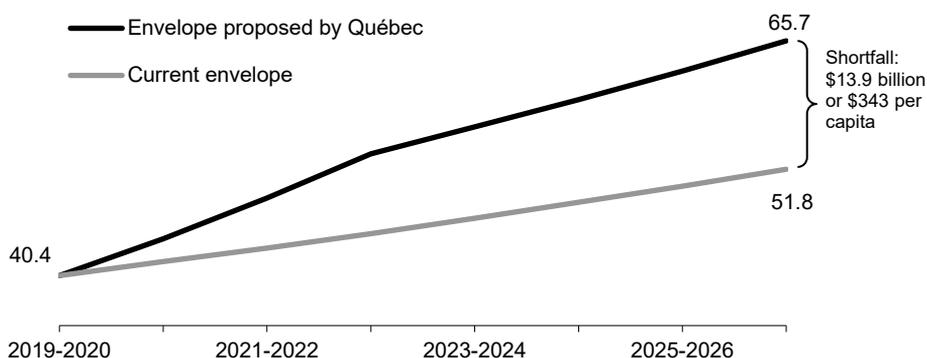
⁸ Indexation is subject to a floor of 3% per year.

Like the other provinces, Québec is asking for the CHT to be increased so that it corresponds to 25% of provincial health spending, as was the case in the late 1970s.⁹

- The CHT could be raised gradually between now and 2022-2023 to 25% of the health spending of the provinces and territories as a whole.
- Subsequently, this share would be maintained. In this way, the CHT would grow in pace with provincial and territorial health spending.¹⁰
- A favourable response to this request would lead, for Canada as a whole, to an additional contribution to the CHT of \$2.5 billion in 2020-2021 and \$13.9 billion or \$343 per capita in 2026-2027.
- For Québec, this increase would represent \$557 million in 2020-2021 and \$3.0 billion in 2026-2027.

CHART F.7

Gradual restoration of the Canada Health Transfer to a level representing 25% of provincial health spending, 2019-2020 to 2026-2027 (billions of dollars)



Note: The current envelope excludes targeted funds. If these funds were included, the additional funding required in 2026-2027 would be reduced from \$13.9 billion to \$12.7 billion for Canada as a whole.

Sources: Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

⁹ During a meeting of the Council of the Federation in December 2019, the premiers of the provinces and territories asked the federal government to increase CHT funding using an annual growth factor of 5.2% in accordance with an independent analysis of financial pressures conducted by the Conference Board of Canada in 2016.

¹⁰ In July 2018, the Conference Board of Canada estimated this average annual growth rate at 5.1%.

❑ Increasing the CST to its 1994-1995 level

Québec makes substantial investments in education. These investments are one of the pillars on which the potential of Québec's economy can be built.

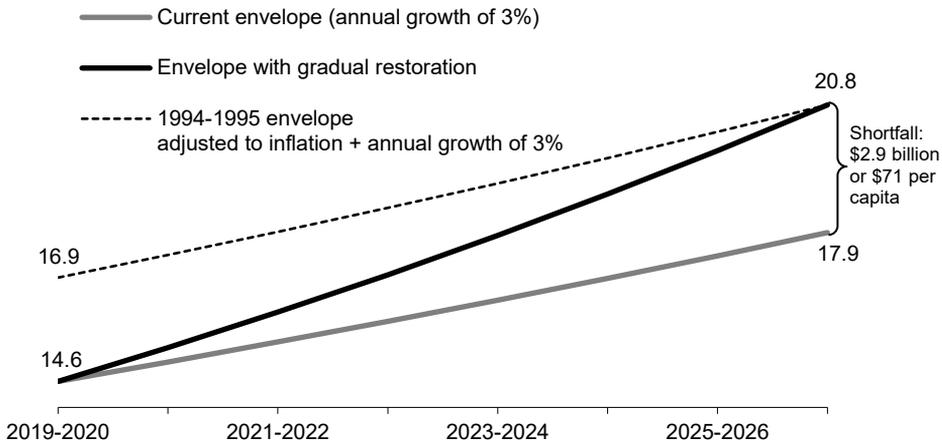
The federal government contributes to provincial spending on post-secondary education and other social sectors through the CST.

The CST, which increases by 3% per year, will stand at \$15.0 billion for Canada as a whole in 2020-2021. Taking inflation into account, this is lower than the level that prevailed in 1994-1995, prior to the substantial reductions in federal funding in the mid-1990s.

- Québec is asking the federal government to increase the CST envelope to its 1994-1995 level, after inflation. Québec is proposing that this funding shortfall be gradually eliminated by 2026-2027.
- A favourable response to this request would lead, for Canada as a whole, to an increase in the CST of \$323 million in 2020-2021 and \$2.9 billion or \$71 per capita in 2026-2027.
 - For Québec, this increase would represent \$73 million in 2020-2021 and \$627 million in 2026-2027.

CHART F.8

Gradual restoration of the Canada Social Transfer to its 1994-1995 level after inflation, 2019-2020 to 2026-2027 (billions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

3.2 Strengthening of the fiscal stabilization program

The stabilization program, established since 1967, allows a province to qualify for federal compensation when it suffers a substantial decline in its revenues because of the economic situation.¹¹

Three provinces have received payments under this program since 2015-2016, namely, Alberta, Saskatchewan and Newfoundland and Labrador. These three provinces were hard hit by the significant drop in the price of oil in 2014.

The fiscal stabilization program is subject to certain criteria (for example, a province must have seen its non-resource revenues decrease by at least 5% relative to the previous year).

Québec, like the other provinces, considers that this program is no longer adapted to the realities of today and must be revisited.

In December 2019, following a meeting of the Council of the Federation in Toronto, the finance ministers of the provinces asked their federal counterpart to make the following main improvements to the fiscal stabilization program:

- elimination of the maximum per capita payment, which has been \$60 since 1987-1988;
- lowering of the qualifying threshold for non-resource revenues from 5% to 3% and that for resource revenues from 50% to 40%;
- retroactive payments based on these changes for the past five years, that is, back to 2015-2016.

However, it is crucial for Québec that the enhancement of the fiscal stabilization program does not occur at the expense of other transfers to the provinces.

¹¹ Like equalization, the fiscal stabilization program is funded by the federal government from revenues collected throughout Canada.

3.3 Equalization

The provinces do not all have the same fiscal capacity, that is, they do not all have the same capacity to generate revenue.

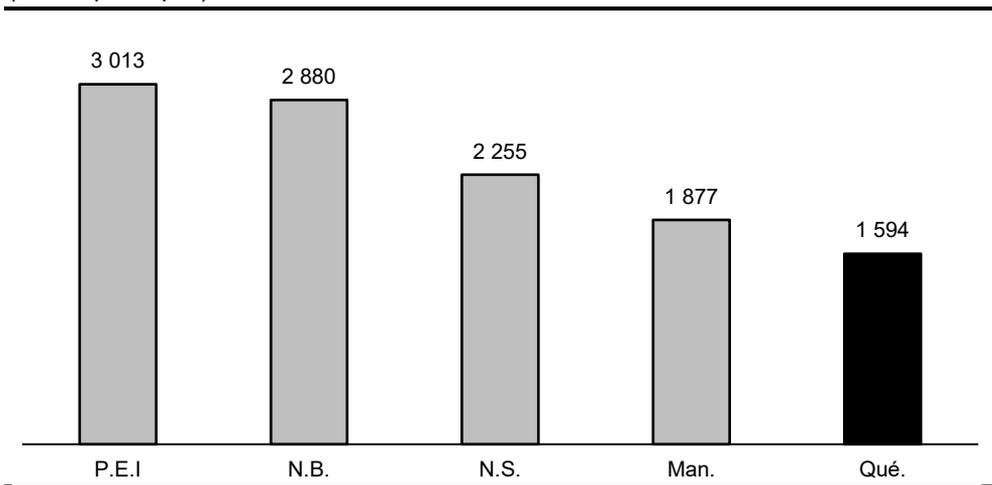
Provinces whose fiscal capacity, in dollars per capita, is below the average of the ten provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the ten provinces to provide public services.¹²

In 2020-2021, five provinces will receive equalization: Manitoba, Québec, New Brunswick, Nova Scotia and Prince Edward Island.

Québec is the recipient province that receives the least equalization per capita (\$1 594 per capita).

CHART F.9

Equalization payments to the provinces, 2020-2021
(dollars per capita)



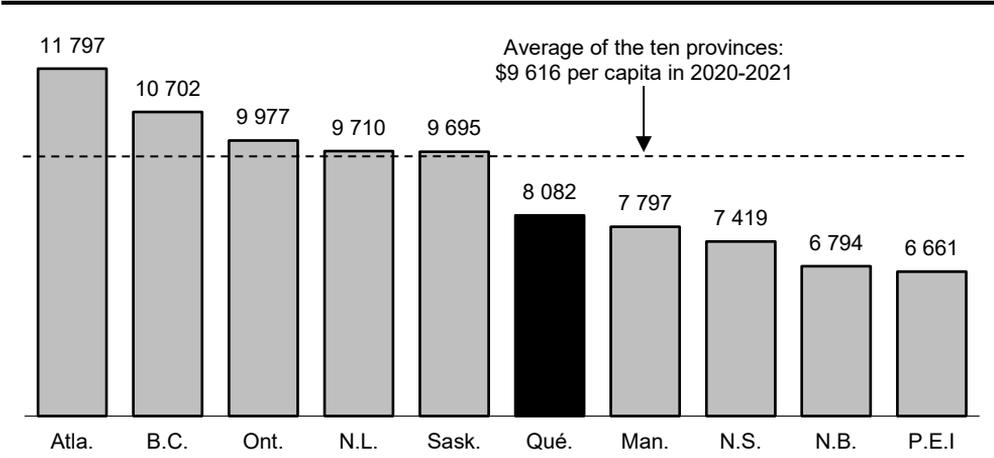
Source: Department of Finance Canada.

¹² The provinces' fiscal capacity is assessed using five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

Among the recipient provinces, Québec is the one that receives the least equalization, because it has the highest fiscal capacity per capita (\$8 082 per capita).

CHART F.10

Fiscal capacity of the provinces, 2020-2021 (dollars per capita)



Note: Equalization payments for 2020-2021 are based on data for the years 2016-2017 (25%), 2017-2018 (25%) and 2018-2019 (50%). The fiscal capacity of the provinces takes into account 50% of revenues derived from natural resources.

Source: Department of Finance Canada.

❑ A decline in Québec's share of the equalization envelope

The Québec government is determined to increase the potential of Québec's economy so that one day it will no longer receive equalization.

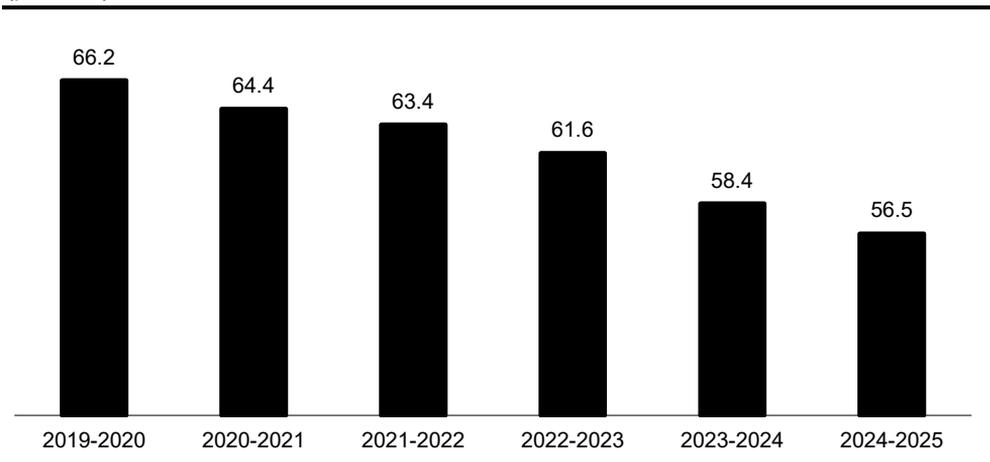
This is a key long-term objective. In fact, recent economic development initiatives taken by Québec are already bearing fruit.

Owing to the remarkable performance of Québec's economy relative to that of the rest of Canada, it is anticipated that Québec's share of the equalization envelope will decline in the coming years.

— Québec's share of the equalization envelope for Canada as a whole is expected to decrease to 56.5% in 2024-2025, compared to 66.2% in 2019-2020.

CHART F.11

Anticipated change in Québec's share of the equalization envelope⁽¹⁾ (per cent)



(1) A smoothing mechanism with lag is applied to determine equalization payments. For example, the equalization payments for the provinces for 2020-2021 are based on data for the years 2016-2017 (25%), 2017-2018 (25%) and 2018-2019 (50%).

Sources: Department of Finance Canada and Ministère des Finances du Québec.

❑ Fair treatment of Hydro-Québec dividends

In November 2008, the federal government changed the equalization program by transferring dividends paid to the Ontario government by Hydro One, a corporation that transports and distributes electricity, from the natural resource base to the corporate income tax base.

However, this decision by the federal government is unfair, because the dividends from activities in transporting and distributing electricity paid to the Québec government by Hydro-Québec (28.7% of the dividend in 2018) are still included in the natural resource base.

In 2018, the federal government renewed the equalization program until 2023-2024, without making the changes requested by Québec. Québec estimates the annual shortfall at roughly \$200 million.

APPENDIX 1: EXPENDITURE BY DEPARTMENTAL PORTFOLIO

TABLE F.24

Expenditure by portfolio, 2020-2021 (millions of dollars)

	2020-2021	Change %
Affaires municipales et Habitation	3 078	-11.5 ⁽¹⁾
Agriculture, Pêcheries et Alimentation	1 066	-14.7 ⁽²⁾
Conseil du trésor et Administration gouvernementale	2 858	14.3
Conseil exécutif	533	4.3
Culture et Communications	1 444	12.6
Économie et Innovation	2 759	-1.0 ⁽³⁾
Éducation et Enseignement supérieur	25 734	4.5
Énergie et Ressources naturelles	748	20.8
Environnement et Lutte contre les changements climatiques	1 646	28.5
Famille	6 936	7.9
Finances	3 434	21.7
Forêts, Faune et Parcs	1 074	5.8
Immigration, Francisation et Intégration	581	43.5
Justice	1 274	4.2
National Assembly	138	—
Persons Appointed by the National Assembly	110	2.8
Relations internationales et Francophonie	132	7.3
Santé et Services sociaux	47 760	5.3
Sécurité publique	2 122	-6.1 ⁽⁴⁾
Tourisme	399	5.8
Transports	5 370	-3.6 ⁽⁵⁾
Travail, Emploi et Solidarité sociale	5 304	0.4
Inter-portfolio eliminations ⁽⁶⁾	-4 200	n/a
Subtotal	110 300	5.1
Debt service	8 266	5.4
TOTAL	118 566	5.1

Note: Totals may not add due to rounding.

- (1) The negative change is explained by the 2019-2020 initiatives for Ville de Montréal (\$150 million), AccèsLogis (\$58 million) and the agreements on greenways and blueways and support for bicycle paths (\$70 million).
- (2) The negative change is explained mainly by an expenditure of \$140 million in 2019-2020 to partially reimburse the deficit of the Fonds d'assurance stabilisation des revenus agricoles assumed by La Financière Agricole du Québec.
- (3) The negative change is explained mainly by the investment of \$81 million in 2019-2020 to increase clinical research and genomics research.
- (4) The negative change is explained by the costs related to the 2019 spring flooding.
- (5) The negative change is explained mainly by the \$260 million subsidy granted in 2019-2020 under the program to compensate the holders of a taxi owner's permit.
- (6) Inter-portfolio eliminations result mainly from the elimination of reciprocal transactions between entities in different portfolios.

APPENDIX 2: ADDITIONAL INFORMATION

Digital dissemination of content reflects the department's desire to improve the messages addressed to the public through the use of electronic documents that can be consulted on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, certain additional budgetary information is presented exclusively on the department's website, including:

- *Québec's Budgetary Statistics*, which present, among other things, the government's revenue and expenditure on a historical basis;
- *Budget by the Numbers* and interactive charts;
- the financial framework according to the government's financial organization;
- additional information on own-source revenue and portfolio expenditures;
- margins of prudence, sensitivity analyses and the main risks to Québec's financial situation;
- entities included in the government's reporting entity, classified by portfolio;
- the government's net financial surpluses or requirements.

Additional information is available on the Ministère des Finances website. To consult it, visit the Budget 2020-2021 documents' page at:

www.budget.finances.gouv.qc.ca/budget/2020-2021/en/index.asp

Section G

THE QUÉBEC GOVERNMENT'S DEBT

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SUMMARY

❑ Québec's debt

As at March 31, 2020, the gross debt will stand at \$197.7 billion, or 43.0% of GDP. The objective of reducing the gross debt to 45% of GDP has thus been achieved.

— This objective has been achieved six years ahead of schedule.

The objective of reducing the debt representing accumulated deficits to 17% of GDP should be achieved as at March 31, 2023, three years ahead of schedule.

Reducing the debt has tangible benefits.

- Less interest is payable on the debt, which frees up resources for funding public services. This ensures stable funding for the government's main missions, including health and education.
- Québec can invest heavily in public infrastructure without increasing its indebtedness. The 2020-2030 Québec Infrastructure Plan (QIP) stands at \$130.5 billion.
- Québec's debt burden is lower than it was prior to the last recession, thus putting Québec in a good position to cope with a potential economic slowdown.
- In November 2019, the DBRS Morningstar credit rating agency announced an increase in Québec's credit rating, thus enabling the province to benefit from advantageous borrowing costs. Québec currently borrows at lower costs than Ontario.

❑ Debt reduction objectives

The government intends to define new policy directions on debt reduction within the context of achieving its target in 2023. A reflection process is being launched in this regard.

Indeed, it is time to reflect on:

- the need to continue debt reduction efforts;
- the determination of a new target and a new indicator, if applicable;
- the rate at which the new target should be met.

The fact that Québec is still fairly indebted compared to the Canadian provincial average will have to be considered in this reflection process, for it is important not to leave future generations with this heavy burden.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

- **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the retirement plans of government employees. The balance of the Generations Fund is subtracted from the gross debt.
- **Net debt** corresponds to the government's liabilities as a whole, less its financial assets.
- **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets.¹

TABLE G.1

Debt of the Québec government as at March 31 according to various concepts (millions of dollars)

	2019	2020	2021
GROSS DEBT⁽¹⁾	199 098	197 685	202 185
% of GDP	45.3	43.0	42.2
Less: Financial assets, net of other liabilities ⁽²⁾	-26 540	-26 027	-29 560
NET DEBT	172 558	171 658	172 625
% of GDP	39.3	37.3	36.1
Less: Non-financial assets	-72 110	-75 743	-79 439
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS	100 448	95 915	93 186
% of GDP	22.9	20.9	19.5

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) Financial assets include, in particular, participations in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

¹ As announced in the November 2019 economic and financial update, the government intends, for the purpose of monitoring this objective, to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve. To that end, amendments will have to be made to the *Act to reduce the debt and establish the Generations Fund*.

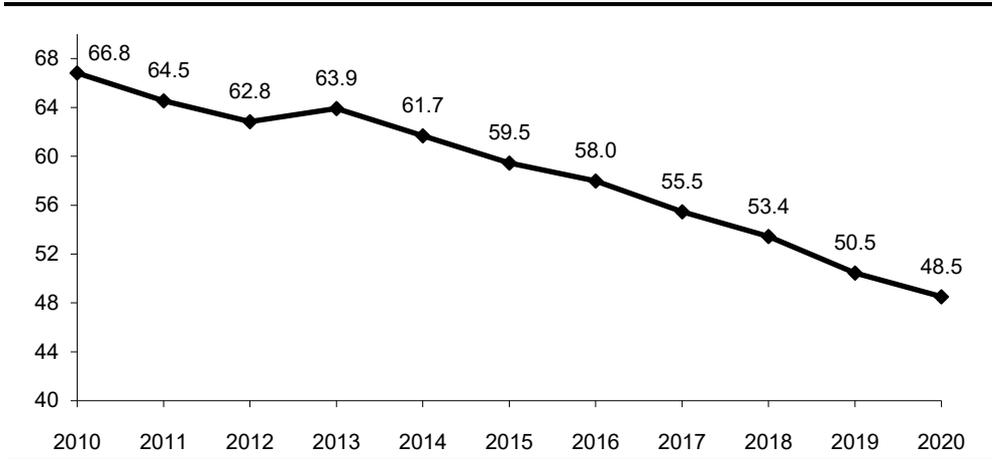
❑ Accumulated deficits account for slightly less than half of the gross debt

As at March 31, 2020, accumulated deficits will account for slightly less than half of the gross debt, that is, 48.5%. The share of accumulated deficits in the gross debt is decreasing thanks to maintenance of a balanced budget.

The gross debt is thus increasingly associated with assets, that is, public infrastructure and investments in government enterprises.

CHART G.1

Share of accumulated deficits in the gross debt as at March 31
(per cent)



1.2 Gross debt

The gross debt corresponds to the amount of debt issued on financial markets (consolidated direct debt) plus the net liability for the retirement plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2020, the gross debt will stand at \$197.7 billion, or 43.0% of GDP. The debt burden is expected to gradually and steadily decline until 2024-2025. The gross debt-to-GDP ratio should stand at 39.5% as at March 31, 2025.

Furthermore, as at March 31, 2025, the sums accumulated in the Retirement Plans Sinking Fund (RPSF) to pay the retirement benefits of government employees will exceed the government's liability in this regard.

- Thus, the government will be in a net asset position with regard to the retirement plans and other employee future benefits.
- In the coming years, the government will be able to use the assets of the RPSF to pay for the retirement benefits of its employees.

TABLE G.2

Gross debt as at March 31 (millions of dollars)

	2019	2020	2021	2022	2023	2024	2025
Consolidated direct debt	189 029	192 025	201 973	212 508	222 753	234 259	244 222
Plus: Retirement plans and other employee future benefits ⁽¹⁾	18 362	14 586	11 867	8 694	5 268	1 094	-3 487
Less: Generations Fund	-8 293	-8 926	-11 655	-14 685	-18 038	-21 714	-25 709
GROSS DEBT	199 098	197 685	202 185	206 517	209 983	213 639	215 026
% of GDP	45.3	43.0	42.2	41.7	41.1	40.5	39.5

(1) A positive entry represents a net liability while a negative entry represents a net asset.

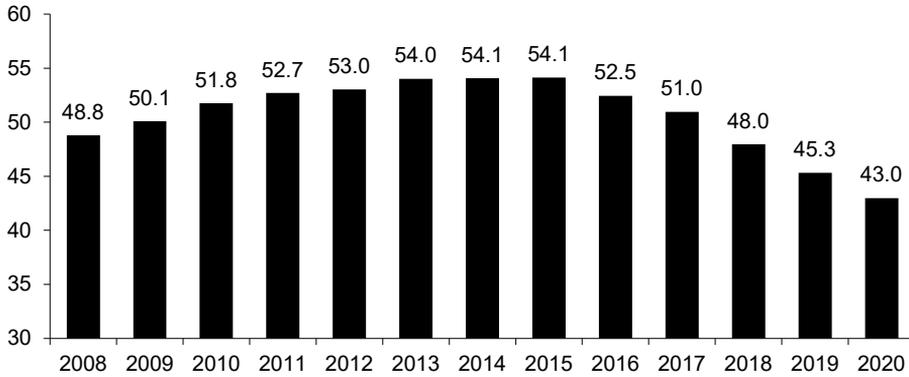
❑ The debt is lower than it was prior to the last recession

As at March 31, 2008, that is, before the 2008-2009 recession, the gross debt burden stood at 48.8% of GDP. As at March 31, 2020, it will stand at 43.0% of GDP.

This puts Québec in a good position to counter a potential economic slowdown.

CHART G.2

Change in the gross debt as at March 31 (percentage of GDP)



□ Adjustments to the gross debt compared to the March 2019 budget

The gross debt as at March 31, 2024 has been adjusted downward by \$1.9 billion relative to the March 2019 budget.

— This downward adjustment is explained by the improvement in the budgetary situation in 2018-2019 and 2019-2020.

The gross debt-to-GDP ratio as at March 31, 2024 has been adjusted downward by 1.8 percentage points owing, in particular, to higher-than-anticipated growth in nominal GDP.

TABLE G.3

Adjustments to the gross debt as at March 31 since the March 2019 budget (millions of dollars)

	2019	2020	2021	2022	2023	2024
March 2020	199 098	197 685	202 185	206 517	209 983	213 639
<i>% of GDP</i>	45.3	43.0	42.2	41.7	41.1	40.5
March 2019	200 756	204 169	207 318	211 357	214 095	215 494
<i>% of GDP</i>	46.1	45.3	44.6	44.1	43.4	42.3
Adjustments	-1 658	-6 484	-5 133	-4 840	-4 112	-1 855
<i>% of GDP</i>	-0.8	-2.3	-2.4	-2.4	-2.3	-1.8

TABLE G.4

Factors responsible for the change in the Québec government's gross debt
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments ⁽¹⁾	Other factors ⁽²⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2010-2011	163 318	3 150	2 507	4 923	298	-760	10 118	173 436	52.7
2011-2012	173 436	2 628	1 861	5 071	1 228	-840	9 948	183 384	53.0
2012-2013	183 384	3 476 ⁽³⁾	659	4 863	445	-961	8 482	191 866	54.0
2013-2014	191 866	2 824	1 349	3 977	-788	-1 421	5 941	197 807	54.1
2014-2015	197 807	1 143 ⁽⁴⁾	2 146	2 980	1 160	-1 279	6 150	203 957	54.1
2015-2016	203 957	-2 191	808	2 695	-338	-1 584	-610	203 347	52.5
2016-2017	203 347	-2 361	2 527	1 784	194	-2 001	143	203 490	51.0
2017-2018	203 490	-2 622	1 859	2 173	-1 536	-2 293	-2 419	201 071	48.0
2018-2019	201 071	-4 803	1 296	3 002	2 009	-3 477	-1 973	199 098	45.3
2019-2020	199 098	-1 900	1 841	3 633	-2 354	-2 633	-1 413	197 685	43.0
2020-2021	197 685	—	2 737	3 696	796	-2 729	4 500	202 185	42.2
2021-2022	202 185	—	2 926	4 821	-385	-3 030	4 332	206 517	41.7
2022-2023	206 517	—	1 969	4 737	113	-3 353	3 466	209 983	41.1
2023-2024	209 983	—	1 803	4 769	760	-3 676	3 656	213 639	40.5
2024-2025	213 639	—	1 808	4 873	-1 299	-3 995	1 387	215 026	39.5

(1) Investments made under public-private partnership agreements are included in net capital investments.

(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

(3) This amount includes the loss of \$1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plan.

(4) Budgetary balance excluding the impact of accounting changes. The budgetary balance including accounting changes totalling \$418 million is a deficit of \$725 million.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

- The Québec government's contribution to the projects of partners (e.g. municipalities) is not included in net capital investments, whereas it is included in the annual investments of the Québec Infrastructure Plan.

Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2020-2021 to 2024-2025, net capital investments will increase the gross debt by \$4.6 billion per year on average.

Net capital investments

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025
Gross investments ⁽¹⁾	7 836	8 070	9 374	9 560	9 830	10 177
Less: Depreciation	-4 203	-4 374	-4 553	-4 823	-5 061	-5 304
Net capital investments	3 633	3 696	4 821	4 737	4 769	4 873

(1) Gross investments include those made under public-private partnership agreements net of the value of disposals.

Investments, loans and advances

Investments, loans and advances refer to investments made by the government in enterprises, mainly government enterprises.

Such investments may be made through advances, capital outlays or by allowing government enterprises to keep part of their net earnings.

- For example, every year, Hydro-Québec pays the government a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings not paid to the government (25%) to finance its investments, in particular hydroelectric dams.
- For the government, this constitutes an investment in Hydro-Québec that creates a financial requirement and thus leads to an increase in the gross debt.

1.3 Net debt

The net debt corresponds to the government's liabilities less its financial assets.

As at March 31, 2020, it will stand at \$171.7 billion, or 37.3% of GDP.

TABLE G.5

Factors responsible for the change in the net debt (millions of dollars)

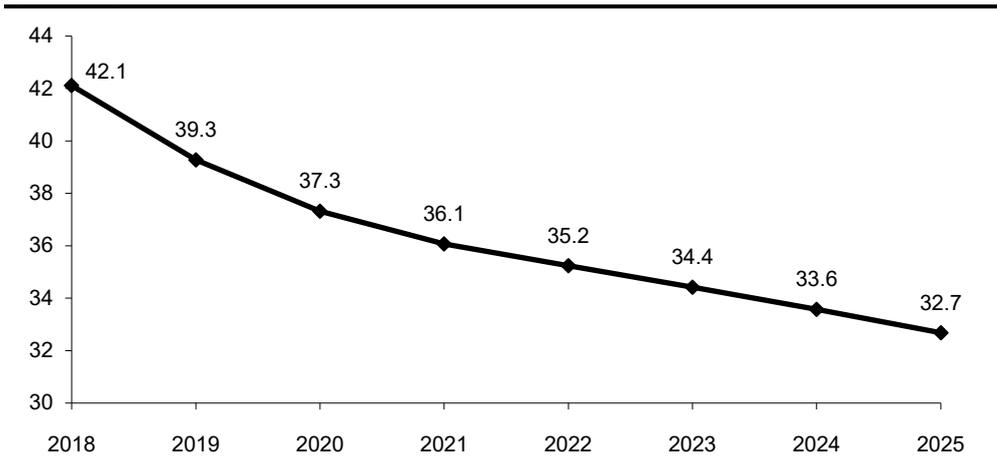
	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	176 543	-4 803	3 002	1 293 ⁽¹⁾	-3 477	-3 985	172 558	39.3
2019-2020	172 558	-1 900	3 633	—	-2 633	-900	171 658	37.3
2020-2021	171 658	—	3 696	—	-2 729	967	172 625	36.1
2021-2022	172 625	—	4 821	—	-3 030	1 791	174 416	35.2
2022-2023	174 416	—	4 737	—	-3 353	1 384	175 800	34.4
2023-2024	175 800	—	4 769	—	-3 676	1 093	176 893	33.6
2024-2025	176 893	—	4 873	—	-3 995	878	177 771	32.7

(1) The increase in the net debt is due, in particular, to the other comprehensive income of Hydro-Québec. This includes accounting entries (e.g. unrealized exchange gains and losses) that, without affecting Hydro-Québec's net earnings, have an impact on its net assets and, consequently, the value of the government's participation in Hydro-Québec.

In the coming years, the net debt-to-GDP ratio will fall, reaching 32.7% as at March 31, 2025.

CHART G.3

Net debt as at March 31 (percentage of GDP)



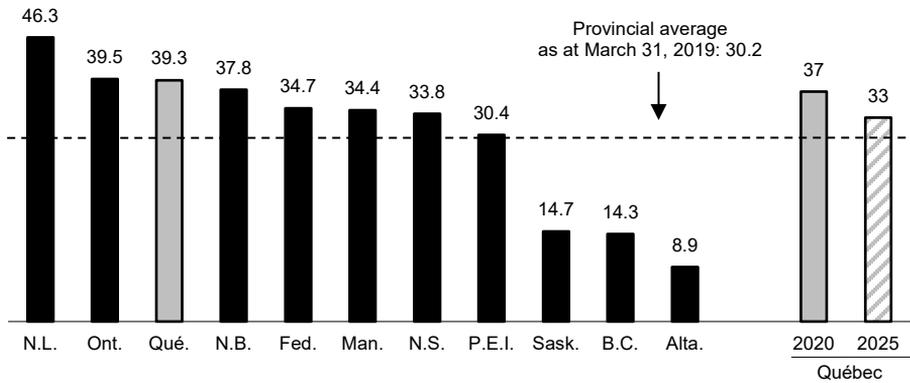
Comparison of the net debt of governments in Canada

As at March 31, 2019, Québec's net debt burden was 39.3% of GDP, compared with the provincial average of 30.2%.¹

Québec's net debt burden is expected to decrease to 37% in 2020 and to 33% in 2025.

Net debt of governments in Canada as at March 31, 2019

(percentage of GDP)



Sources: Governments' public accounts and Ministère des Finances du Québec.

¹ Weighted average as a proportion of GDP.

1.4 Debt representing accumulated deficits

The debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements.² It is the debt that does not correspond to any assets.

The debt representing accumulated deficits will stand at 20.9% of GDP as at March 31, 2020.

— It is forecast to decrease to 14.5% of GDP as at March 31, 2025.

TABLE G.6

Factors responsible for the change in the debt representing accumulated deficits within the meaning of the Public Accounts (millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	107 470	-4 803	1 258 ⁽¹⁾	-3 477	-7 022	100 448	22.9
2019-2020	100 448	-1 900	—	-2 633	-4 533	95 915	20.9
2020-2021	95 915	—	—	-2 729	-2 729	93 186	19.5
2021-2022	93 186	—	—	-3 030	-3 030	90 156	18.2
2022-2023	90 156	—	—	-3 353	-3 353	86 803	17.0
2023-2024	86 803	—	—	-3 676	-3 676	83 127	15.8
2024-2025	83 127	—	—	-3 995	-3 995	79 132	14.5

(1) The change in the debt representing accumulated deficits in 2018-2019 as a result of accounting adjustments is due, in particular, to the other comprehensive income of Hydro-Québec. This includes accounting entries (e.g. unrealized exchange gains and losses) that, without affecting Hydro-Québec's net earnings, affect its net assets and, consequently, the value of the government's participation in Hydro-Québec.

² As announced in the November 2019 economic and financial update, the government intends, for the purpose of monitoring this objective, to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve. To that end, amendments will have to be made to the *Act to reduce the debt and establish the Generations Fund*.

□ Adjustments to the debt representing accumulated deficits compared to the March 2019 budget

The debt representing accumulated deficits as at March 31, 2024 has been adjusted downward by \$3.2 billion relative to the March 2019 budget.

— This downward adjustment is explained by the improvement in the budgetary situation in 2018-2019 and 2019-2020.

The ratio of debt representing accumulated deficits to GDP has been adjusted downward by 1.2 percentage points, owing, in particular, to higher-than-anticipated growth in nominal GDP.

TABLE G.7

Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts as at March 31 since the March 2019 budget

(millions of dollars)

	2019	2020	2021	2022	2023	2024
March 2020	100 448	95 915	93 186	90 156	86 803	83 127
<i>% of GDP</i>	22.9	20.9	19.5	18.2	17.0	15.8
March 2019	101 864	99 360	96 676	93 729	90 369	86 337
<i>% of GDP</i>	23.4	22.1	20.8	19.6	18.3	17.0
Adjustments	-1 416	-3 445	-3 490	-3 573	-3 566	-3 210
<i>% of GDP</i>	-0.5	-1.2	-1.3	-1.4	-1.3	-1.2

Québec's public sector debt

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2020, Québec's public sector debt will stand at \$271.0 billion, or 58.9% of GDP. These figures must be seen in perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

Public sector debt as at March 31

(millions of dollars)

	2016	2017	2018	2019	2020
Government's gross debt	203 347	203 490	201 071	199 098	197 685
Hydro-Québec	43 843	42 882	43 160	43 054	44 875
Municipalities	23 846	24 058	24 505	25 173	26 641
Universities other than the Université du Québec and its constituents	1 608	1 656	1 321	1 458	1 458
Other government enterprises	308	258	218	210	374
PUBLIC SECTOR DEBT	272 952	272 344	270 275	268 993	271 033
% of GDP	70.4	68.2	64.5	61.2	58.9

1.5 Achievement of debt reduction targets

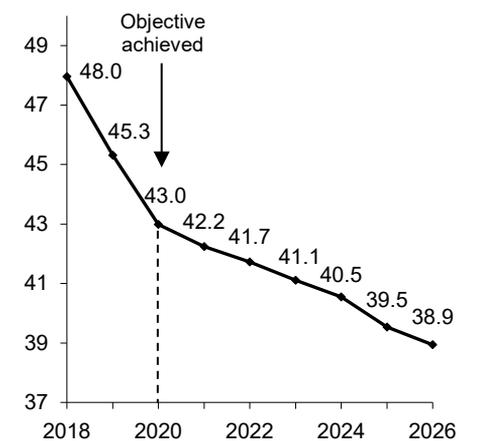
The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

- The objective of reducing the gross debt to 45% of GDP has been achieved. As at March 31, 2020, the ratio of gross debt to GDP will stand at 43.0%.
- The objective of reducing the debt representing accumulated deficits to 17% of GDP should be achieved in 2022-2023, three years ahead of schedule.

CHART G.4

Gross debt as at March 31

(percentage of GDP)

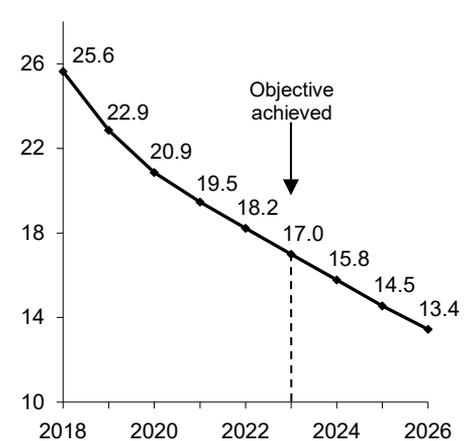


Note: Projection for 2026.

CHART G.5

Debt representing accumulated deficits

(percentage of GDP)



Note: Projection for 2026.

These targets will have been achieved thanks to:

- economic growth, which is helping to ease the debt burden;
- maintenance of a balanced budget;
- deposits in the Generations Fund.

□ Impact of the Generations Fund

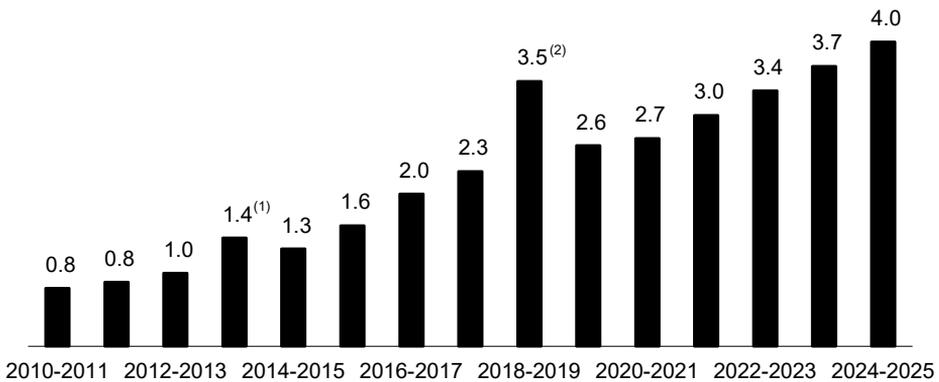
The Generations Fund, which is dedicated exclusively to debt reduction, was created in 2006.

Since 2006-2007, the government has been allocating revenues to debt reduction every year.

— In 2020-2021, revenues totalling \$2.7 billion will be dedicated to the Generations Fund.

CHART G.6

Deposits in the Generations Fund since 2010-2011 (billions of dollars)



(1) In 2013-2014, a one-off payment of \$300 million from the Territorial Information Fund was made to the Generations Fund.

(2) The larger deposits in 2018-2019 are explained by the materialization of investment gains resulting from accelerated debt repayment from the Generations Fund.

As at March 31, 2020, the gross debt burden will stand at 43.0% of GDP. It would have stood at 47.3% of GDP, or 4.3 percentage points higher, if the deposits in the Generations Fund had been excluded.

The gross debt per capita as at March 31, 2020 will stand at \$23 298, whereas it would have stood at \$25 647 excluding the deposits in the Generations Fund, a difference of \$2 349 per capita.

CHART G.7

Gross debt as at March 31 (percentage of GDP)

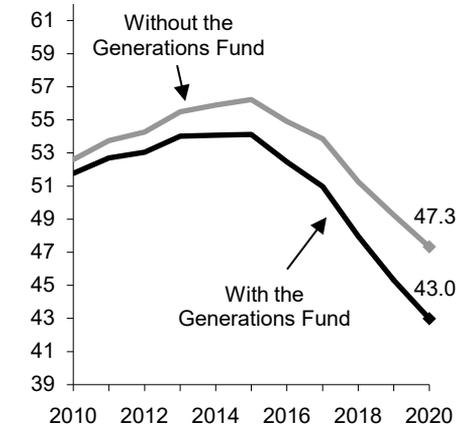
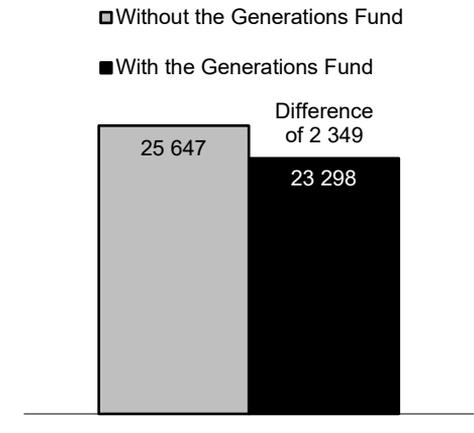


CHART G.8

Gross debt as at March 31, 2020 (dollars per capita)



The Act to reduce the debt and establish the Generations Fund

In 2006, the National Assembly passed legislation setting debt reduction targets and establishing the Generations Fund, a fund dedicated exclusively to debt reduction. This Act flowed from the *Balanced Budget Act* passed in 1996.

At the time, Québec was the most indebted province in Canada. The government set the objective of reducing Québec's debt burden to the provincial average, in particular to meet the challenge of demographic change. The objective was determined using the concept of total debt.

By tackling the debt burden, the government wished to foster intergenerational fairness, hence the fund's name, and ensure the sustainability of social programs.

In 2010, the government set new debt reduction targets for the gross debt and the debt representing accumulated deficits. This change was in keeping with the deficit situation resulting from the global financial crisis and the accounting reform leading to line-by-line consolidation of the health and social services and education networks that increased the gross debt by more than \$5 billion as at March 31, 2009.

The Act also specifies the revenue sources dedicated to the Generations Fund for repaying the debt, in particular:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- revenue stemming from the indexation of the price of heritage electricity;
- mining revenues;
- an amount from the specific tax on alcoholic beverage;
- investment income.

The sums making up the Generations Fund are deposited with the Caisse de dépôt et placement du Québec and managed in accordance with an investment policy determined by the Minister of Finance, in collaboration with representatives of the Caisse.

In 2018-2019 and 2019-2020, for the purposes of sound risk management, \$10 billion was withdrawn from the Generations Fund to reduce Québec's debt on financial markets and lower the government's interest charges.

**The Act to reduce the debt and establish
the Generations Fund (cont.)**

In 2020-2021, deposits of dedicated revenues in the Generations Fund will amount to \$2.7 billion.

The Generations Fund will stand at \$11.7 billion as at March 31, 2021.

Generations Fund

(millions of dollars)

	2019- 2020 ⁽¹⁾	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025
Book value, beginning of year	8 293	8 926	11 655	14 685	18 038	21 714
Dedicated revenues						
Water-power royalties						
Hydro-Québec	741	763	776	818	829	838
Private producers	102	103	105	106	108	111
Subtotal	843	866	881	924	937	949
Indexation of the price of heritage electricity	317	388	525	635	750	855
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	279	283	301	325	358	384
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	20	15	15	15	15	15
Investment income ⁽²⁾	459	462	593	739	901	1 077
Total dedicated revenues	2 633	2 729	3 030	3 353	3 676	3 995
Use of the Generations Fund to repay borrowings	-2 000	—	—	—	—	—
BOOK VALUE, END OF YEAR	8 926	11 655	14 685	18 038	21 714	25 709

(1) For information purposes, the market value of the Generations Fund as at December 31, 2019 was \$9.2 billion, or \$1.0 billion higher than its book value at that date.

(2) The investment income of the Generations Fund corresponds to realized investment income (interest, dividends, gains on the disposal of assets, etc.). The forecast may thus be adjusted upward or downward according to the timing of realized gains or losses. In addition to the realized gains stemming from withdrawals from the Generations Fund, an annual return of 4.8% is expected, a rate based on five historic years.

Return of the Generations Fund

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 12 years out of 13.

- From 2007 to 2019, the average return was 5.8%, compared with an average cost of 3.3% for new borrowings, which represents a difference of 2.5 percentage points.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs

(per cent, on a calendar year basis)

	Return of the Generations Fund	Cost of new borrowings ⁽¹⁾	Difference (percentage points)
2007	5.6	4.7	0.9
2008	-22.4	4.5	-26.9
2009	11.3	4.4	6.9
2010	12.3	4.1	8.2
2011	4.0	3.7	0.3
2012	8.4	3.0	5.4
2013	12.0	3.3	8.7
2014	11.7	3.2	8.5
2015	8.1	2.4	5.7
2016	7.3	2.2	5.1
2017	8.5	2.5	6.0
2018	4.4	2.9	1.5
2019	9.5	2.3	7.2

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

❑ Tangible benefits of reducing the debt burden

Several tangible benefits are associated with reducing the debt burden.

- Québec is no longer the most indebted province.
- The interest savings generated by reducing the debt help to ensure stable funding for the government's chief missions, including health and education.
 - They also contribute to the measures implemented by the government to put money back in the pockets of Quebecers and fight climate change.
- Québec can invest heavily in public infrastructure without increasing its indebtedness.
 - The 2020-2030 Québec Infrastructure Plan (QIP) stands at \$130.5 billion.
- Québec's debt burden is lower than it was prior to the last recession, thus putting Québec in a good position to cope with a potential economic slowdown.
- Québec's credit rating has been raised by two credit rating agencies in recent years.
 - In June 2017, Standard & Poor's (S&P) raised Québec's credit rating from "A+" to "AA-", a first since 1993. Québec has thus recovered the credit rating it had with S&P from 1982 to 1993.
 - In November 2019, DBRS Morningstar raised Québec's credit rating by one notch, from "A (high)" to "AA (low)". It is the first time DBRS has assigned a credit rating in the "AA" category to Québec.
- Québec benefits from advantageous borrowing costs. It currently borrows at lower costs than Ontario.

A strategy recognized by credit rating agencies and investors

Québec's debt reduction strategy is recognized by credit rating agencies and investors.

When the Generations Fund was created in 2006, several credit rating agencies said that this initiative demonstrated Québec's determination to reduce its debt.

In 2018, the National Bank of Canada published a note entitled "All hail Québec's mighty Generations Fund." In it, the Bank noted:

Since being established back in 2006, this Fund has become the very backbone of debt reduction strategy. To the extent debt containment has earned kudos from rating agencies (e.g. witness last year's upgrade to 'AA-' by closely watched S&P) and encouraged investors to scoop up Québec bonds at ever tighter spreads to provincial peers, it's hard to overplay the Generations Fund's importance to the province's overall credit story.

It is also important to mention that the strategy of reducing the debt through the Generations Fund has gained credibility over the years, given that all political parties that have governed Québec since 2006 have maintained it. In this regard, Moody's credit rating agency noted the following in 2019:

The continued adherence to the Generations Fund, despite the province undergoing multiple government changes, highlights the broad commitment for the debt reduction strategy.¹

1 Moody's, Credit Opinion, June 21, 2019.

1.6 Ongoing debt reduction: the need to initiate a reflection process

The achievement of the debt reduction targets raises the issue of setting new policy directions on debt reduction.

It is time to initiate a reflection process focusing on:

- the need to continue debt reduction efforts;
- the determination of a new target and a new indicator, if applicable;
- the rate at which the new target should be met.

Against the backdrop of intergenerational fairness

The *Act to reduce the debt and establish the Generations Fund* was born of the will to improve intergenerational fairness. Through the Generations Fund, the government dedicates revenues to reducing the debt that has served to pay current expenditures, with a view to improving fairness for future generations as well as preserving, and even enhancing the quality of public services.

- As at March 31, 2020, the debt representing accumulated deficits, that is, the debt that has served to pay current expenditures, will stand at \$95.9 billion, or 20.9% of GDP.

For the government, intergenerational fairness is an objective that should be pursued, and reducing the debt burden is an excellent way to achieve it. In fact, debt reduction is one of the keys to improving intergenerational fairness. However, it is not the only way. Indeed, the government helps to improve intergenerational fairness when it:

- takes steps to increase Québec's economic potential;
- boosts the purchasing power of Québec families;
- invests in education, childcare services and public infrastructure;
- implements measures to reduce GHG emissions.

The government will have to take into account various avenues favouring intergenerational fairness in the reflection process that has been launched.

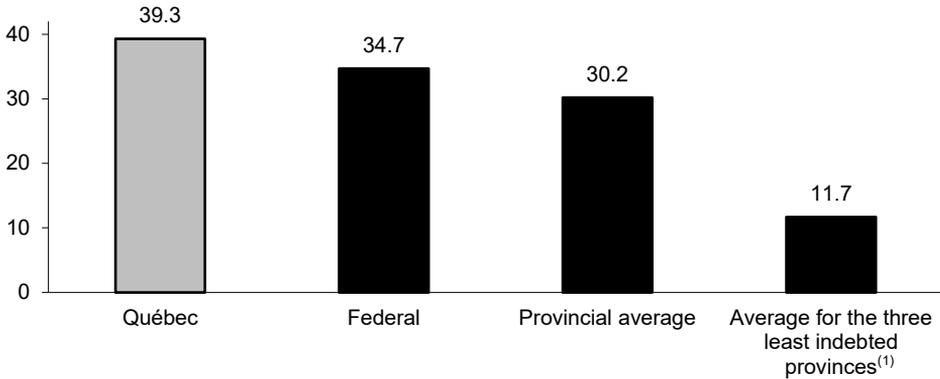
❑ Target to be achieved

Québec's debt remains high compared to that of the other provinces, even though budgetary surpluses have been posted in recent years.

— As at March 31, 2019, Québec's net debt burden stood at 39.3% of GDP, compared to 34.7% for the federal government, 30.2%³ for the provincial average and 11.7%³ for the average of the three least indebted provinces, namely, British Columbia, Alberta and Saskatchewan.

CHART G.9

Net debt burden as at March 31, 2019 (percentage of GDP)



(1) Weighted average as a proportion of GDP for British Columbia, Alberta and Saskatchewan.
Sources: Governments' public accounts.

If the government sets a new debt reduction target, it could, for example, decide to reduce Québec's net debt burden to the current provincial average of 30%.

It could also decide to eliminate the debt representing accumulated deficits, that is, the debt that does not correspond to any assets.⁴

Like the federal and Ontario governments, the Québec government could limit itself to one target in order to simplify reporting.

— The federal government reports on changes in the burden of the debt representing accumulated deficits, whereas Ontario has set an objective for the net debt burden.

³ Weighted average as a proportion of GDP.

⁴ Three provinces, namely, British Columbia, Alberta and Saskatchewan, did not have any debt representing accumulated deficits as at March 31, 2019.

❑ Indicator to be used

Québec's main concepts of debt are gross debt, net debt and debt representing accumulated deficits. Each of these concepts has its own specific characteristics.

Like Ontario and certain other provinces, Québec could focus its reporting on the net debt, which:

- takes into account government borrowings arising from substantial capital investments;
- subtracts financial assets that will ultimately be used to reduce the debt on financial markets;
- is readily comparable from one province to another.

TABLE G.8

Change factors that affect each debt concept

	Gross debt	Net debt	Debt representing accumulated deficits
The budgetary balance (including deposits in the Generations Fund) has an impact on all three concepts of debt (a surplus reduces the debt, while a deficit increases it)	✓	✓	✓
Capital investments lead to an increase in the gross debt and the net debt	✓	✓	
The government's investments, loans and advances affect only the gross debt (they have no impact on the net debt because the government owns financial assets in exchange; these assets will ultimately be used to reduce the debt on financial markets)	✓		

❑ **Target achievement rate**

Since 2006-2007, the main component of the government's debt reduction strategy has been based on depositing revenues in the Generations Fund year after year.

The larger the deposits are, the faster the debt is reduced.

— The government plans to deposit \$16.8 billion in the Generations Fund from 2020-2021 to 2024-2025, or nearly \$3.4 billion a year on average.

It is important to stress that implementing the new policy directions on debt reduction must not call into question the relevance of the Generations Fund as a tool for reducing the debt burden in a context where:

- Québec remains one of the most indebted provinces;
- future generations must not be left with the burden of repaying the debt, so as to uphold the commitment made by every government since 2006;
- the Generations Fund is an effective tool recognized by credit rating agencies and investors.

❑ The benefits of future debt reduction

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

Accordingly, it is in the best interests of Québec to continue reducing the debt burden, for this would enable it to:

- ensure stable funding for the government's main missions, including health and education;
- cope with the costs associated with an aging population;
- fund investment in public infrastructure;
- fight climate change;
- ease the tax burden on Quebecers;
- counter a potential economic slowdown;
- increase Québec's financial autonomy within the federation.

The importance of setting a long-term objective

Setting a long-term debt reduction objective is an excellent way to ensure sound management of public finances. Since it makes the government accountable to parliamentarians and citizens year after year, it makes government action more transparent and efficient.

This type of long-term policy direction reduces uncertainty and contributes to economic growth by anchoring the expectations of the public and businesses regarding the budgetary and financial policies to be issued by the government, enabling them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual infrastructure investments over a long period, that is, 10 years.

It also makes it possible to work towards the achievement of a common objective, which, in this case, is to not leave future generations with the heavy burden of repaying the debt.

Lastly, it sends a positive signal to credit rating agencies and investors.

❑ Debt service savings of \$2 billion per year

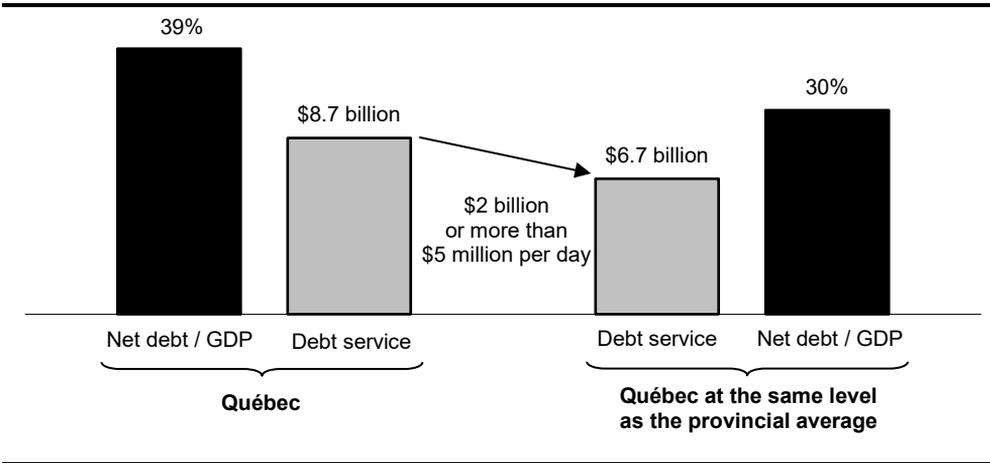
It is estimated that if Québec's net debt burden as at March 31, 2019 had been equivalent to the provincial average of 30%, debt service, or the interest paid on the debt, would have been \$2 billion less in 2018-2019.

— This would have given the government an additional amount of more than \$5 million per day for funding public services, clearly illustrating the benefits of reducing the debt.

CHART G.10

Net debt and debt service, 2018-2019

(percentage of GDP and billions of dollars)



❑ New policy directions to be defined

The achievement of the debt reduction targets makes it necessary to begin reflecting on new policy directions for reducing the debt. This reflection process should focus on the setting of a new target, the debt concept to be used and the rate at which the government would like to achieve that objective.

The fact that Québec is still fairly indebted compared to the Canadian provincial average will have to be considered in this reflection process, for it is important not to leave future generations with this heavy burden.

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings made, in particular, to repay maturing borrowings and to fund the government's capital investments.

For 2019-2020, the program amounts to \$19.2 billion, which is \$7.4 billion more than forecast in the March 2019 budget.

The main adjustments leading to this increase stem from repayments of borrowings, deposits in the Retirement Plans Sinking Fund and pre-financing.

TABLE G.9

The government's financing program, 2019-2020 (millions of dollars)

	March 2019	Adjustments	March 2020
Net financial requirements	8 118	-4 993	3 125
Repayments of borrowings	11 066	5 676	16 742
Use of Generations Fund to repay borrowings	-2 000	—	-2 000
Withdrawal from the Accumulated Sick Leave Fund	—	-100	-100
Use of pre-financing	-4 167	-1 782	-5 949
Change in cash position	-1 235	492	-743
Deposits in the Retirement Plans Sinking Fund (RPSF) ⁽¹⁾	—	1 500	1 500
Transactions under the credit policy ⁽²⁾	—	355	355
Pre-financing	—	6 299	6 299
TOTAL	11 782	7 447	19 229⁽³⁾

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(2) Under the credit policy, which is designed to limit risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.

(3) This data is based on borrowings contracted as at February 14, 2020.

Borrowings contracted in 2019-2020

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

Thus far in 2019-2020, the government has contracted 36% of its borrowings on foreign markets, compared to an average of 21% for the past 10 years. However, the government keeps no exposure of its debt to foreign currencies so as to neutralize the impact of variations in foreign exchange rates on debt service.

In 2019-2020, conventional bonds in Canadian dollars were the main debt instrument used.

To date, approximately 68% of the borrowings contracted in 2019-2020 had a maturity of 10 years or more.

As at March 31, 2020, the average maturity of the debt should be 11 years.

Summary of long-term borrowings contracted in 2019-2020

Currencies	\$million	%
CANADIAN DOLLAR		
Conventional bonds	11 163	58.1
Green Bonds	500	2.6
Immigrant investors ⁽¹⁾	371	1.9
Savings products issued by Épargne Placements Québec	295	1.5
Subtotal	12 329	64.1
OTHER CURRENCIES		
U.S. dollar	4 633	24.1
Euro	1 461	7.6
Pound sterling	407	2.1
Swedish krona	245	1.3
Australian dollar	95	0.5
New Zealand dollar	59	0.3
Subtotal	6 900	35.9
TOTAL	19 229	100.0

Note: Borrowings contracted as at February 14, 2020.

(1) These borrowings are from sums advanced by immigrant investors. These sums are lent to the government through Investissement Québec.

The financing program will amount to \$13.9 billion in 2020-2021.

For the four subsequent years, that is, from 2021-2022 to 2024-2025, it will average \$26.9 billion per year.

TABLE G.10

The government's financing program, 2020-2021 to 2024-2025
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Net financial requirements	9 843	10 377	10 238	11 382	9 632
Repayments of borrowings	10 364	16 680	14 433	16 057	18 968
Use of pre-financing	-6 299	—	—	—	—
Use of the Generations Fund to repay borrowings	—	—	—	—	—
TOTAL	13 908	27 057	24 671	27 439	28 600

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

Green Bond program

In 2017, the government introduced a Green Bond program to fund projects providing tangible benefits with regard to protecting the environment, reducing GHG emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

The program draws on the Green Bond Principles, a set of guidelines created to bring more transparency to the issuance process, disclosure and reporting.

Québec's Green Bond framework received the highest rating possible from CICERO (Center for International Climate Research).

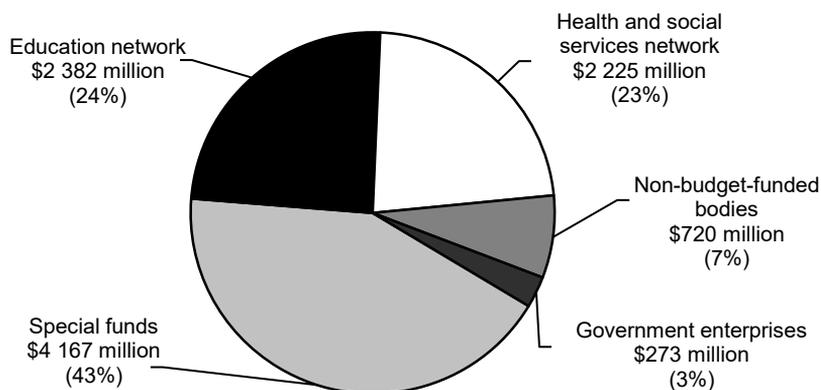
Five issues totalling \$2.8 billion have been made since the program was launched, including an issue of \$500 million in February 2020. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec will be a regular issuer of Green Bonds.

For more information, visit www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

Funding of public bodies

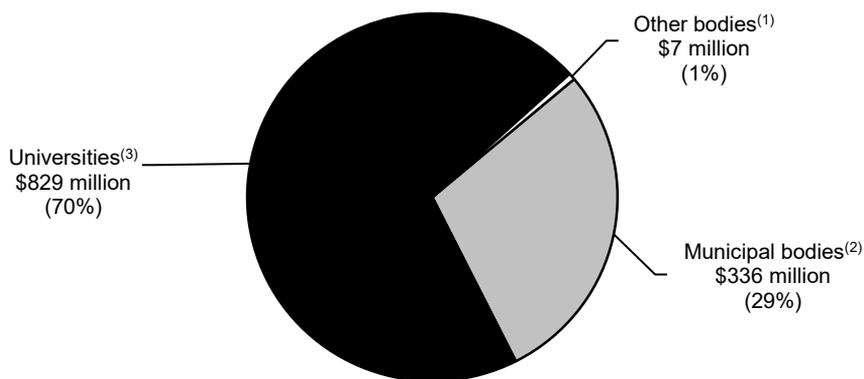
The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost. The clientele of the Financing Fund consists of the public bodies included in the government reporting entity. In fiscal 2019-2020, the long-term loan program of the Financing Fund amounts to \$9.8 billion.

Long-term loans granted by the Financing Fund, 2019-2020



Financement-Québec also offers funding to public bodies not included in the government reporting entity, in particular universities other than the Université du Québec and its constituents, as well as certain municipal bodies. In fiscal 2019-2020, the long-term loan program of Financement-Québec amounts to \$1.2 billion.

Long-term loans granted by Financement-Québec, 2019-2020



(1) Montreal Clinical Research Institute and Montreal Museum of Fine Arts.

(2) Société de transport de Montréal, Autorité régionale de transport métropolitain and Réseau de transport métropolitain.

(3) Universities other than the Université du Québec and its constituents.

2.2 Debt management strategy

The government, through its debt management strategy, aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

□ Structure of the gross debt by currency

As at March 31, 2020, before taking swaps into account, 79.3% of the gross debt is expected to be in Canadian dollars, 12.8% in U.S. dollars, 5.1% in euros, 0.9% in Australian dollars, 0.8% in pounds sterling, 0.7% in Swiss francs and 0.4% in other foreign currencies (yen, New Zealand dollars, Hong Kong dollars and Swedish krona).

After taking swaps into account, the entire gross debt is denominated in Canadian dollar.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow for neutralization of the impact of variations in foreign exchange rates on debt service.

TABLE G.11

Structure of the gross debt by currency as at March 31, 2020 (per cent)

	Before swaps	After swaps
Canadian dollar	79.3	100.0
U.S. dollar	12.8	0.0
Euro	5.1	0.0
Australian dollar	0.9	0.0
Pound sterling	0.8	0.0
Swiss franc	0.7	0.0
Other (yen, New Zealand dollar, Hong Kong dollar and Swedish krona)	0.4	0.0
TOTAL	100.0	100.0

Note: Gross debt including pre-financing.

❑ Structure of the gross debt by interest rate

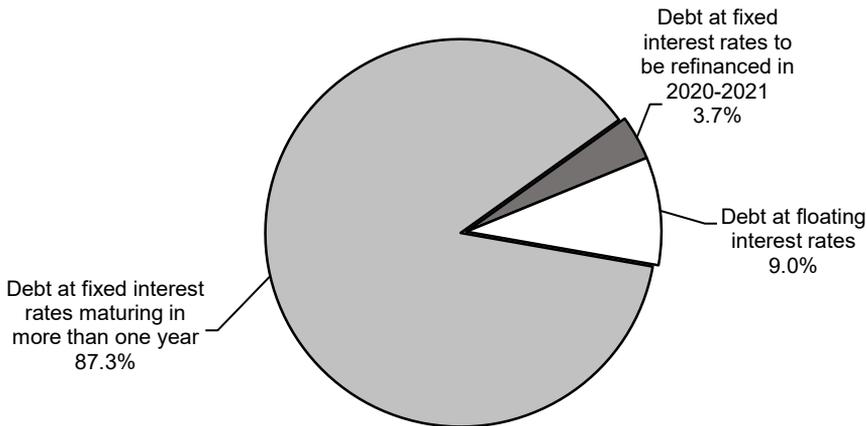
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2020, after taking swaps into account, the proportion of the gross debt at fixed interest rates is expected to be 91.0%,⁵ while the proportion at floating rates is expected to be 9.0%.

In addition, as at March 31, 2020, the share of the gross debt subject to an interest rate change in 2020-2021 is expected to be 12.7%. This share includes the debt at floating interest rates (9.0%) as well as the debt at fixed rates, which will have to be refinanced in 2020-2021 (3.7%).

CHART G.11

Structure of the gross debt by interest rate as at March 31, 2020
(per cent)



Note: Gross debt including pre-financing.

⁵ This proportion includes the debt at fixed interest rates maturing in more than one year (87.3%) as well as the debt at fixed interest rates to be refinanced in 2020-2021 (3.7%).

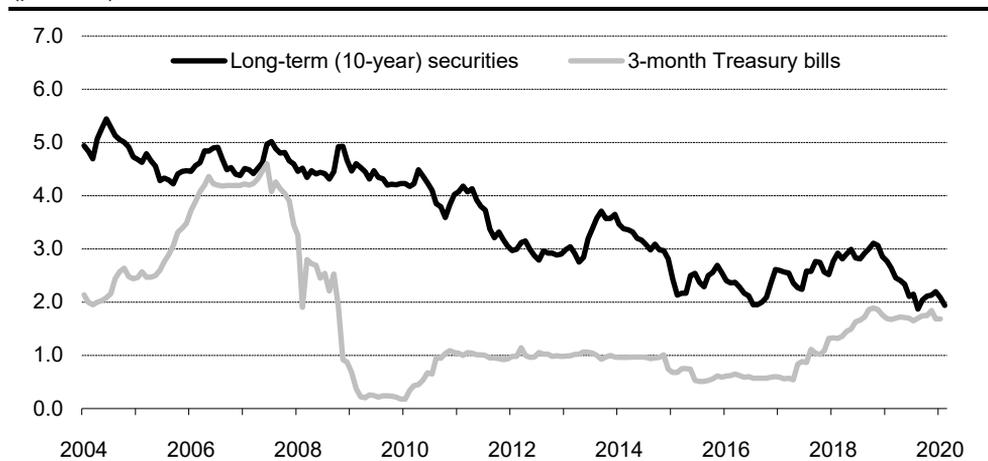
2.3 Yield on Québec's debt securities

The yield on the Québec's 10-year securities is approximately 1.9%. The yield on Treasury bills is around 1.7%.

CHART G.12

Yield on Québec's securities

(per cent)



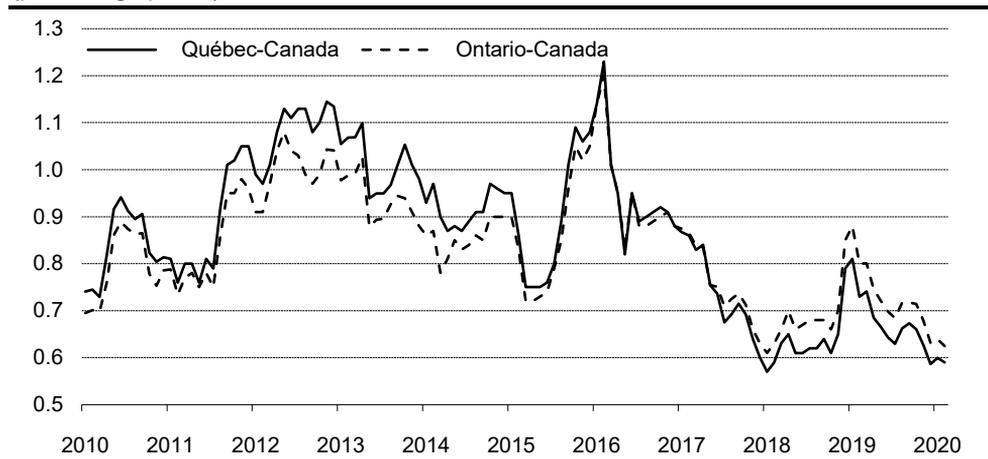
Sources: PC-Bond and Ministère des Finances du Québec.

Since June 2017, a spread in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario.

CHART G.13

Yield spread on long-term (10-year) securities

(percentage points)



Source: PC-Bond.

3. PUBLIC AND PARAPUBLIC SECTOR RETIREMENT PLANS

3.1 Net liability for the retirement plans

The Québec government covers its share of the funding of its employees' retirement plans, which are defined-benefit plans.

In its financial statements, it discloses the pension obligation, which corresponds to the present value of the retirement benefits that it will pay to its employees. This obligation is re-evaluated annually using a method that gradually factors in differences observed relative to forecasts.⁶ It thus calculates the retirement plans liability.

Sums are accumulated in the Retirement Plans Sinking Fund (RPSF) and other funds in order to pay retirement benefits. The value of these assets is subtracted from the liability to measure the government's net commitment, called the net retirement plans liability. This amount is included in the gross debt.

⁶ The value of obligations relating to accrued retirement plan benefits undergoes actuarial valuations every three years. The value is extrapolated between two valuations.

As at March 31, 2019, the net liability for the retirement plans and other employee future benefits stood at \$18.4 billion.

TABLE G.12

Net liability for the retirement plans and other employee future benefits as at March 31, 2019
(millions of dollars)

Retirement plans	
Retirement plans liability ⁽¹⁾	105 656
Less: Retirement Plans Sinking Fund (RPSF) and other funds ⁽²⁾	-87 075
Net retirement plans liability	18 581
Other employee future benefits	
Other employee future benefits liability	1 471
Less: Funds dedicated to other employee future benefits	-1 690
Net other employee future benefits liability⁽³⁾	-219
NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	18 362

(1) Mainly the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).

(2) The value of the RPSF is \$81 344 million. The other funds consist mainly of that of the Pension Plan of the Université du Québec.

(3) A negative entry means that the value of assets is higher than the value of liabilities.

□ Annual retirement plan expenses

Every year, the government records the expenses it has to cover as an employer with regard to the pension plans. These expenses include:

- the cost of accrued benefits, namely, the present value of retirement benefits that employees have accumulated for work performed during the year (\$2 492 million in 2018-2019);
- the net debt service expense, which corresponds to the interest expense on the pension obligation less the investment income of the RPSF and other funds (\$1 327 million in 2018-2019);
- the amortization of revisions to the government's actuarial obligations arising from previous updates of actuarial valuations (\$601 million in 2018-2019).

In 2018-2019, the government's expenses for the retirement plans stood at \$4 420 million.

TABLE G.13

Retirement plan expenses (millions of dollars)

	2018-2019
Cost of accrued benefits	2 492
Net debt service expense	1 327
Amortization of revisions stemming from actuarial valuations ⁽¹⁾	601
RETIREMENT PLAN EXPENSES	4 420

(1) This amount includes the cost of other items (\$72 million in 2018-2019), concerning mainly the change in valuation allowances.

Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) is an asset that was created by the Québec government in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

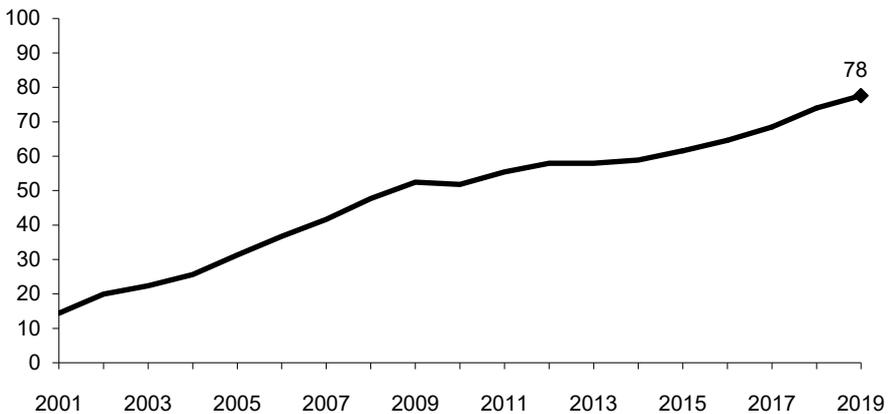
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the retirement plans of public and parapublic sector employees.

- This objective was achieved as at March 31, 2018, two years earlier than expected.
- As at March 31, 2019, the RPSF was equal to 78% of the actuarial obligations in respect of the retirement plans.

Sums will continue to be accumulated in the RPSF to ensure that the government continues reducing the gap between its actuarial obligations in respect of the retirement plans of public and parapublic sector employees and the sums it holds to meet these obligations.

Book value of the RPSF in proportion to the government's actuarial obligations in respect of the retirement plans of public and parapublic sector employees as at March 31

(per cent)



Returns on funds deposited with the Caisse de dépôt et placement du Québec

The main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (Retirement Plans Sinking Fund, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with representatives of the Caisse.

This investment policy is established taking several factors into account, including 10-year return forecasts, standard deviations and correlations for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2019, the return on funds deposited by the Ministère des Finances with the Caisse was 10.1% for the Retirement Plans Sinking Fund, 9.5% for the Generations Fund and 10.1% for the Accumulated Sick Leave Fund.

The investment policies of these funds are presented in the box on the next page.

Return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec in 2019

	Rate of return (%)	Market value as at December 31, 2019 (\$billion)
Retirement Plans Sinking Fund (RPSF)	10.1	93.0
Generations Fund	9.5	9.2
Accumulated Sick Leave Fund (ASLF)	10.1	1.4

Comparison of investment policies

Investment policies as at January 1, 2020 (per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund ⁽¹⁾	Average benchmark portfolio of depositors as a whole ⁽²⁾
Short-Term Investments	1.0	1.0	1.1
Rates ⁽³⁾	13.0	11.0	12.6
Credit ⁽⁴⁾	19.0	12.2	16.7
Long-Term Bonds	0	0	0.9
Real Return Bonds	0	0	0.4
Total – Fixed income	33.0	24.2	31.7
Infrastructure	8.0	12.1	6.5
Real Estate	12.0	17.1	12.1
Total – Real assets	20.0	29.2	18.6
Public Equity	32.5	23.3	37.2
Private Equity	14.5	23.3	12.5
Total – Equity	47.0	46.6	49.7
TOTAL	100.0	100.0	100.0

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) The investment policy of the Generations Fund has been adjusted, in cooperation with the Caisse, to take into account withdrawals from this fund for accelerating debt repayment.

(2) Data as at December 31, 2018 drawn from the 2018 Annual Report of the Caisse de dépôt et placement du Québec.

(3) This portfolio consists of government bonds.

(4) Broader range of instruments with fixed income securities characteristics.

4. CREDIT RATINGS

4.1 Québec's credit ratings

A credit rating measures the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

Québec's credit rating is evaluated by six credit rating agencies.

On November 12, 2019, DBRS Morningstar raised Québec's credit rating by one notch, from "A (high)" to "AA (low)". It is the first time DBRS has assigned a credit rating in the "AA" category to Québec.

This increase in Québec's credit rating is explained by the outstanding performance of the Québec economy, as well as sound management of public finances thanks, in particular, to a significant reduction of the debt burden.

A higher credit rating means access to a broader pool of investors and advantageous borrowing costs.

TABLE G.14

Québec's credit ratings

Credit rating agency	2018	2020
Moody's	Aa2	Aa2
Standard & Poor's (S&P)	AA-	AA-
Fitch	AA-	AA-
DBRS Morningstar (DBRS)	A (high)	AA (low)
Japan Credit Rating Agency (JCR)	AA+	AA+
China Chengxin International (CCXI) ⁽¹⁾	AAA	AAA

(1) Credit rating for bond issues on the Chinese market.

Québec's credit ratings, which are indicated in the table below, differ from one credit rating agency to another because of the methodology used to determine credit risk.

The four main credit rating agencies (Moody's, S&P, Fitch and DBRS) assign Québec a credit rating in the "AA" category.

It should be noted that the six credit rating agencies assign a stable outlook to Québec's credit rating.

TABLE G.15

Credit rating scales for long-term debt

	Moody's	S&P	Fitch	DBRS	JCR	CCXI⁽¹⁾
Highest credit quality	Aaa	AAA	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+	AA+
	Aa2	AA	AA	AA	AA	AA
	Aa3	AA-	AA-	AA (low)	AA-	AA-
	A1	A+	A+	A (high)	A+	A+
	A2	A	A	A	A	A
	A3	A-	A-	A (low)	A-	A-
	Baa1	BBB+	BBB+	BBB (high)	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB (low)	BBB-	BBB-
	Ba1	BB+	BB+	BB (high)	BB+	BB+
	Ba2	BB	BB	BB	BB	BB
	Ba3	BB-	BB-	BB (low)	BB-	BB-
	B1	B+	B+	B (high)	B+	B+
	B2	B	B	B	B	B
	B3	B-	B-	B (low)	B-	B-

(1) Credit rating for bond issues on the Chinese market.

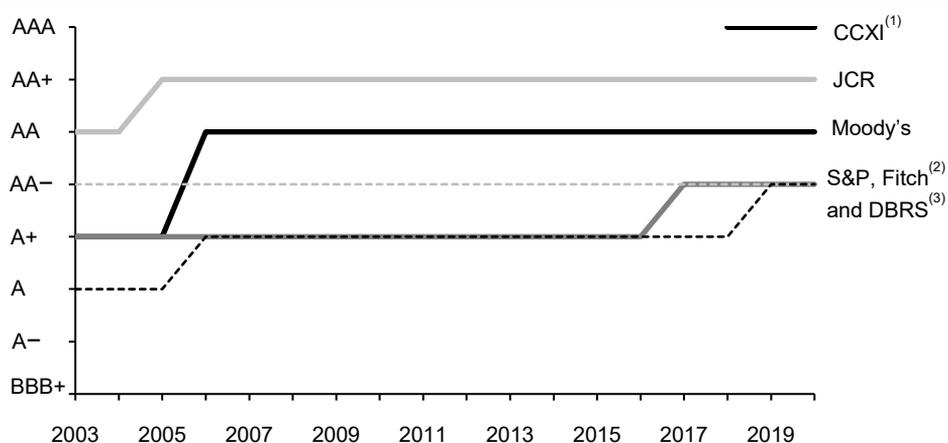
❑ Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2003.

In November 2019, DBRS raised Québec's credit rating by one notch, from "A (high)" to "AA (low)". It is the first time DBRS has assigned a credit rating in the "AA" category to Québec.

CHART G.14

Change in Québec's credit ratings



Note: The credit ratings for 2020 are those that were in effect on February 20, 2020.

(1) CCXI has assigned Québec a credit rating since 2018.

(2) Fitch's credit rating is indicated by the dotted gray line.

(3) DBRS's credit rating corresponds to the dotted black line.

4.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces assigned by Moody's and Standard & Poor's as at February 20, 2020.

CHART G.15

Credit ratings of the Canadian provinces – Moody's

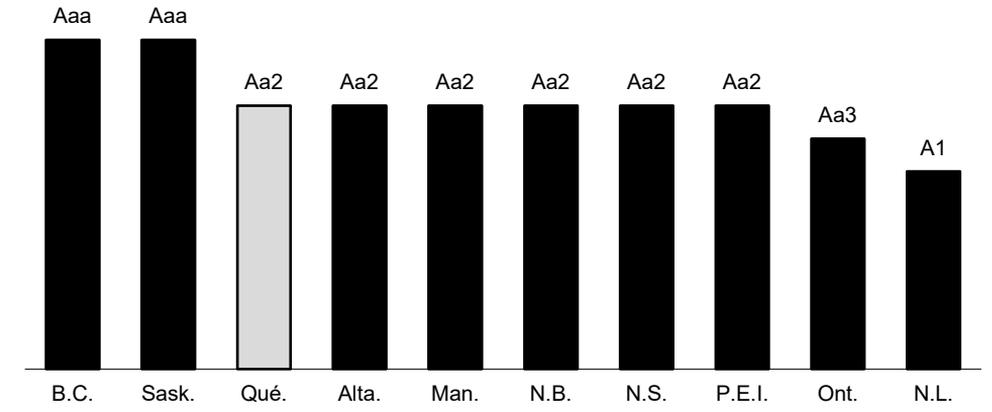
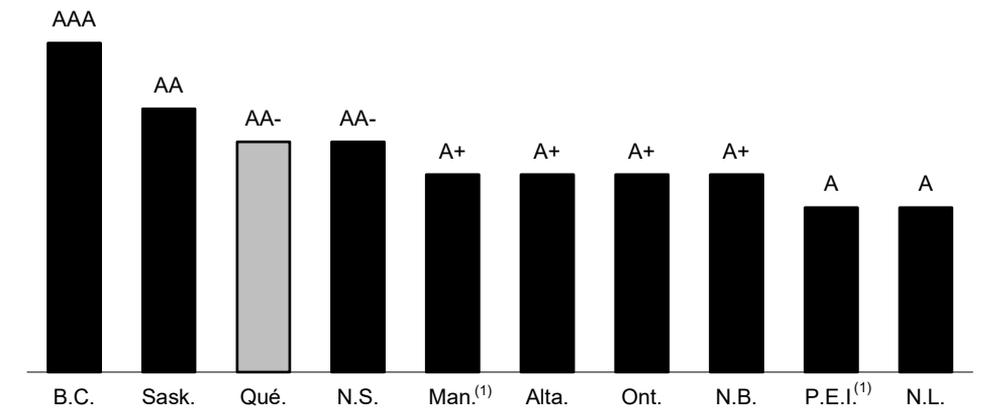


CHART G.16

Credit ratings of the Canadian provinces – Standard & Poor's



(1) Rating with a positive outlook.