

March 2021

BUDGET

2021
2022

QUÉBEC IS RESILIENT AND CONFIDENT

BUDGET

PLAN



Budget 2021-2022
Budget Plan

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BUDGET PLAN

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SUMMARY

For a year now, Québec has had to deal with unprecedented health and economic challenges, having major repercussions on its economic and financial situation.¹

Like the global economy, Québec's economic growth has been hard hit.

- In 2020, global real gross domestic product (GDP) shrank by 3.75%. In comparison, it fell by 0.1% during the financial crisis of 2009.
- Québec's real GDP contracted by 5.2% in 2020, whereas the contraction was 5.4% in Canada.

The second wave of COVID-19 created tremendous uncertainty and again called for difficult but necessary choices to protect Quebecers. The government continued its efforts to manage the public health crisis while supporting the economy.

These collective efforts are paying off.

- We should be able to ease public health restrictions as the vaccination campaign progresses. The prospect of achieving herd immunity increases the hope that all economic activities will resume.
- Although the economy slowed sharply in 2020, the economic outlooks for 2021 and 2022 point to a robust economic recovery. Economic activity is expected to rebound by 4.2% in 2021. The labour market will return to full employment in 2022.

□ A resilient and confident Québec

Although resolutely focused on fighting the pandemic, the *Québec Budget Plan – March 2021* marks the return to growth pathway that characterized Québec until early 2020. Investments of \$15.0 billion are planned by 2025-2026 to ensure a resilient and confident Québec.

In health, the government is working to overcome the public health crisis and to make lasting improvements to services. The pandemic has made it possible to make a sustainable shift in our ways of doing things, for example, making greater use of telemedicine and vaccination by pharmacists.

Unless otherwise indicated, this document is based on budgetary data available as at February 22, 2021, as well as economic data available as at March 12, 2021. The budgetary data presented for 2020-2021 are preliminary results. The data for 2021-2022 to 2025-2026 are forecasts and those for subsequent years are projections. The growth is primarily due to planned expenditures not incurred in 2020-2021 and an increase in infrastructure projects in 2021-2022.

— Investments of \$10.3 billion are planned to strengthen our health care system.

The pandemic has especially taken a heavy financial, physical, mental and social toll on Québec's youth.

— In this budget, the government is making it a priority to provide \$1.5 billion in additional support for youth by 2025-2026 to ensure that all young people can achieve their full potential, particularly with regards to educational success.

The government is maintaining its objectives of creating wealth and increasing Québec's long-term economic potential. It is focusing on spurring investment and increasing productivity in all regions of Québec in order to accelerate growth and the transition to the new economy.

— To that end, initiatives of \$4.0 billion are planned by 2025-2026.

In addition, to support Quebecers, the government is providing \$1.0 billion by 2025-2026, in particular, for social housing and assistance for vulnerable persons.

Lastly, the government intends to continue its actions to ensure the integrity and fairness of the tax system. This is a core value rooted in the fact that everyone should do their fair share and receive what is owed to them.

— In this regard, the government will ensure the QST is collected on goods from abroad supplied through fulfillment warehouses.

TABLE A.1

Financial impact of Budget 2021-2022 measures
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total	Ref. section
Strengthening our health care system	-1 706	-2 915	-1 406	-1 424	-1 431	-1 441	-10 322	B
Supporting educational success and youth	-80	-521	-392	-225	-126	-120	-1 462	C
Accelerating growth and the transition to the new economy	-980	-1 509	-701	-441	-227	-183	-4 041	D
Supporting Quebecers	-87	-329	-226	-128	-105	-103	-977	E
Ensuring fairness	—	95	148	387	699	500	1 829	F
TOTAL	-2 853	-5 179	-2 576	-1 830	-1 189	-1 346	-14 973	

Note: Totals may not add due to rounding.

❑ **Ensuring the economic recovery before restoring fiscal balance**

Given the ongoing economic uncertainty, the government wants to ensure a sustainable economic recovery before implementing a plan to restore fiscal balance.

— Consequently, offsetting measures for the budgetary deficit will be implemented once Québec returns to full employment.

A balanced budget is planned for 2027-2028. Despite the forecast deficits, the government is continuing to make its deposits in the Generations Fund to reduce the debt and ensure intergenerational fairness.

For 2020-2021, the anticipated budgetary deficit remains at \$15 billion, the same level as in November 2020. It will gradually decrease thereafter, to \$12.3 billion in 2021-2022 and \$8.5 billion in 2022-2023.

— The current crisis will leave Québec with a structural deficit of approximately \$6.5 billion.

The net debt-to-GDP ratio will rise from 39.9% as at March 31, 2020, to 45.0% as at March 31, 2021.

The economy and public finances have been hard hit by the pandemic. The arrival of vaccines, the commitment of Quebecers and the government's efforts, allow us to be confident about the future.

1. A RESILIENT AND CONFIDENT QUÉBEC

The *Québec Budget Plan – March 2021* marks a return to growth. The \$15.0-billion investments provided by 2025-2026 to ensure this growth are broken down into five main themes:

- strengthening our health care system;
- supporting educational success and youth;
- accelerating growth and the transition to the new economy;
- supporting Quebecers;
- ensuring fairness.

1.1 Strengthening our health care system

Since March 2020, concrete actions have been taken, including acquiring protective equipment, granting bonuses to health workers, screening and launching the vaccination campaign. The government also took steps that enabled the network to make significant changes for a long-lasting impact on health care and services, including greater use of telemedicine and vaccination by pharmacists.

The *Québec Budget Plan – March 2021* strengthens the government's action by confirming the extension of measures announced since March 2020 to overcome the public health crisis. It also introduces a series of initiatives aimed at enhancing health care services by:

- strengthening services for seniors;
- improving access to frontline medical services and responding to the needs of vulnerable persons;
- increasing the supply of mental health services and services for youth in difficulty.

A total of \$10.3 billion in initiatives to strengthen the Québec health care system will be implemented by 2025-2026, that is:

- \$7.0 billion to overcome the public health crisis, including \$750 million per year to make sustainable improvements to health care;
- \$2.0 billion to strengthen services for seniors;
- \$1.3 billion to enhance health care and services.

Including the initiatives presented in the November 2020 Update on Québec's Economic and Financial Situation, the amounts invested to strengthen our health care system total \$15.2 billion.

TABLE A.2

Financial impact of initiatives to strengthen our health care system (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Overcoming the public health crisis	-1 706	-2 334	-750	-750	-750	-750	-7 040
Strengthening services for seniors	—	-317	-392	-410	-417	-427	-1 961
Enhancing health care and services	—	-264	-264	-264	-264	-264	-1 321
TOTAL	-1 706	-2 915	-1 406	-1 424	-1 431	-1 441	-10 322

Note: Totals may not add due to rounding.

An amount of \$165.8 million was granted to the Ministère de la Santé et des Services sociaux in 2019-2020 to overcome the public health crisis.

1.2 Supporting educational success and youth

Young Quebecers have been especially affected by the upheavals created by the public health crisis. Students have had to adapt to new teaching methods, which in some cases, has negatively affected their motivation and academic performance.

In addition, some young people may have felt uncertain about transitioning to the labour market due to fewer job or internship opportunities. They have also had to contend with necessary but hard-to-deal-with restrictions imposed on sports and recreational activities.

In this budget, the government is therefore making young people a core priority by providing additional support throughout their academic career until their integration into the workplace.

In this regard, initiatives total \$1.5 billion by 2025-2026, including:

- \$574 million to support educational success;
- \$669 million to support perseverance and graduation in higher education;
- \$107 million to facilitate the professional and social integration of youth;
- \$113 million to promote sports and recreation.

TABLE A.3

Financial impact of initiatives to support educational success and youth (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting educational success	—	-205	-167	-67	-67	-67	-574
Supporting perseverance and graduation in higher education	-60	-278	-123	-103	-55	-50	-669
Facilitating the social and professional integration of youth	—	-16	-57	-32	-1	-0.2	-107
Promoting sports and recreation	-20	-22	-44	-23	-3	-3	-113
TOTAL	-80	-521	-392	-225	-126	-120	-1 462

Note: Totals may not add due to rounding.

1.3 Accelerating growth and the transition to the new economy

The post-pandemic recovery will create many opportunities. This is a chance for businesses to adapt their business models and innovate, and for workers to retrain so that they can meet their own goals and the needs of the new economy. It is also an opportunity for the government to continue increasing Québec's long-term economic potential.

In Budget 2021-2022, the government is providing a series of initiatives totalling \$4.0 billion by 2025-2026, including \$2.8 billion to accelerate the transition to the new economy:

- \$2.2 billion to increase productivity and spur business investment;
- \$218 million to create wealth through innovation;
- \$404 million to support the requalification of workers and their integration into the labour market;
- \$523 million to support regional economic development;
- \$137 million to build our economy in a sustainable way;
- \$392 million to promote Québec's culture, heritage and the French language;
- \$193 million to continue supporting businesses affected by the pandemic.

TABLE A.4

Financial impact of measures to accelerate growth and the transition to the new economy
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing productivity and spurring business investment	-660	-683	-239	-312	-161	-120	-2 175
Creating wealth through innovation	-136	-33	-28	-10	-7	-4	-218
Supporting the requalification of workers and their integration into the labour market	—	-140	-225	-24	-8	-8	-404
Supporting regional economic development	-92	-283	-106	-21	-10	-10	-523
Building our economy in a sustainable way	—	-58	-31	-23	-12	-12	-137
Promoting Québec's culture, heritage and the French language	-63	-148	-73	-51	-28	-28	-392
Continuing to support businesses affected by the pandemic	-29	-164	—	—	—	—	-193
TOTAL	-980	-1 509	-701	-441	-227	-183	-4 041

Note: Totals may not add due to rounding.

The measures to restart the economy announced in November 2020

The November 2020 *Update on Québec's Economic and Financial Situation* presented the initial concrete actions being taken by the government to accelerate economic recovery and improve Québec's economic outlook. These actions are aimed at:

- helping Quebecers get back into the labour market;
- spurring economic growth;
- ensuring a greener recovery;
- promoting Québec production and buying local;
- accelerating infrastructure investment:
 - Adopted last December, Bill 66, *An Act respecting the acceleration of certain infrastructure projects*, provides for the acceleration of several projects, primarily in the health and social services, education, higher education, road transportation and public transit sectors.

The financial impact of these actions total more than \$1.8 billion from 2020-2021 to 2022-2023.

Financial impact of measures to restart the economy – November 2020 (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Helping Quebecers get back into the labour market	—	-284	-175	—	-459
Spurring economic growth	—	-163	-303	-12	-477
Ensuring a greener recovery	—	—	-200	-100	-300
Promoting Québec production and buying local	—	-75	-155	-17	-247
Accelerating infrastructure investments	—	-73	-145	-145	-363
TOTAL	—	-595	-978	-274	-1 846

Note: Totals may not add due to rounding.

1.4 Supporting Quebecers

Since the public health crisis began, the government has been taking major steps to help Quebecers get through this extraordinary situation. Budget 2021-2022 provides other concrete initiatives to support families and help people with specific needs.

In addition, the government wishes to see everyone live in a fair, inclusive, prosperous and safe environment. For this reason, it will implement initiatives to take care of people in vulnerable situations, as well as measures to improve the justice system.

In Budget 2021-2022, the government therefore intends to continue meeting needs deemed a priority for Quebecers and communities. In this regard, the government is providing \$1.0 billion by 2025-2026:

- \$581 million to meet the specific needs of Quebecers through measures intended, among other things, to:
 - provide affordable housing,
 - support families by, in particular, improving childcare services and work-family balance,
 - continue and improve support to women,
 - support funding of community organizations and access to their services,
 - support the purchase of essential products for social assistance recipients;
- \$397 million to protect victims of crime, fight against sexual exploitation of minors and improve the justice system, in particular, by ensuring that legal and police practices change to reflect today's reality.

TABLE A.5

Financial impact of the measures to support Quebecers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Meeting the specific needs of Quebecers	-86	-211	-138	-48	-45	-53	-581
Protecting victims and improving the justice system	-1	-118	-88	-80	-60	-50	-397
TOTAL	-87	-329	-226	-128	-105	-103	-977

Note: Totals may not add due to rounding.

1.5 Ensuring fairness

Fairness is a core value that is of great concern to Quebecers. Everyone must do their fair share and receive what is owed to them. For this reason, the government intends to:

- continue its actions to ensure the integrity and fairness of the tax system. The government will ensure the QST is collected on goods from abroad supplied through fulfillment warehouses;
- maintain the compensation tax for financial institutions;
- facilitate the return of unclaimed financial assets to right-holders.

Thus, the government expects these actions to translate into approximately \$500 million of additional revenues per year, when fully implemented.

TABLE A.6

Financial impact of measures to ensure fairness (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Ensuring tax fairness	—	83	129	150	172	199	733
Maintaining the compensation tax for financial institutions	—	—	—	—	270	277	546
Facilitating the return of unclaimed financial assets to right-holders	—	12	19	237	257	25	550
TOTAL	—	95	148	387	699	500	1 829

Note: Totals may not add due to rounding.

1.6 Increasing and accelerating public infrastructure investments

Investment in public infrastructure is necessary to restart the economy. Consequently, the investments in the Québec Infrastructure Plan (QIP) are increased by \$4.5 billion to \$135.0 billion.

These major investments will help increase the economy's potential and create long-term wealth in addition to filling the space left in the construction market by private projects abandoned because of the pandemic.

In order to help restart the economy, implementation of the QIP is accelerated.

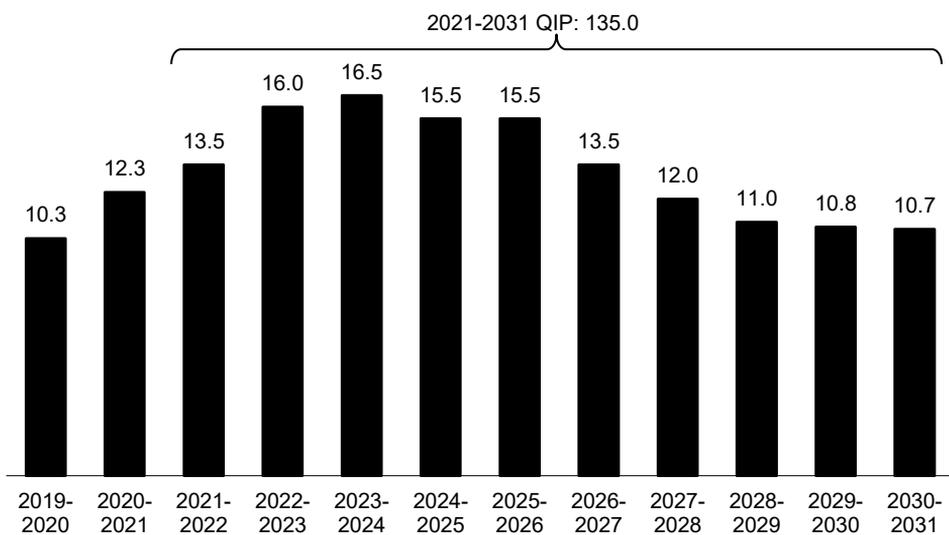
— Almost 60% of the investments in the 10-year plan will take place over the next five years.

Furthermore, Bill 66, *An Act respecting the acceleration of certain infrastructure projects*, was adopted last December.

— Under this legislation, procedures will be streamlined without reducing or modifying existing standards to accelerate the start-up of work on major infrastructure projects, in particular, schools, seniors' homes, hospitals, as well as road and public transit infrastructure.

CHART A.1

Annual investments in the 2021-2031 Québec Infrastructure Plan (billions of dollars)



Source: Secrétariat du Conseil du trésor.

2. THE ECONOMIC SITUATION IN QUÉBEC Québec's economic recovery has begun

Following an unprecedented 5.2% decline in real GDP in 2020 caused by public health measures, the economic recovery in Québec has begun. Economic activity is expected to grow by 4.2% in 2021 and 4.0% in 2022, respectively.

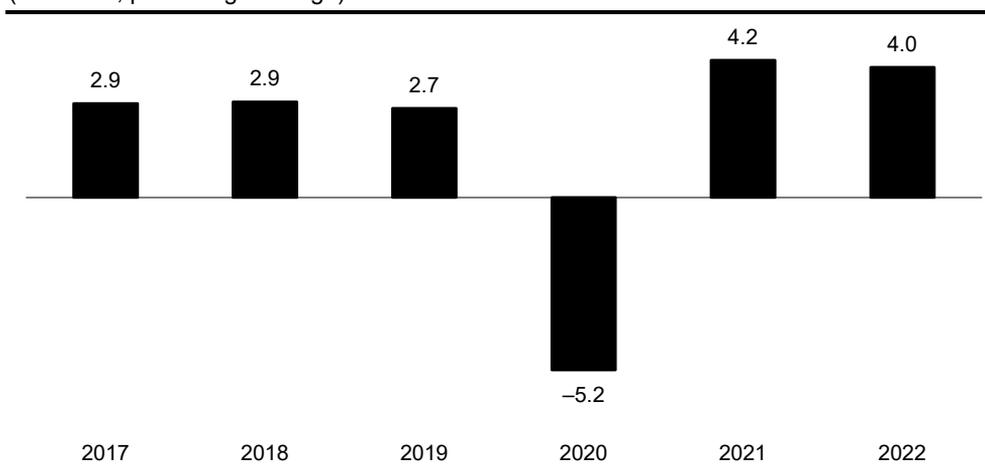
Despite the restart of the economy since last May, the effects of the crisis remain.

- The increase in the number of COVID-19 cases and the application of stricter public health measures at the end of 2020 and early 2021 will temporarily slow the recovery in the first quarter.
- In subsequent quarters, economic growth will accelerate as restrictions are eased. Real GDP growth will also be supported by the stimulus plans announced.
- In addition, vaccination of the population should make it possible to continue easing public health measures.
- The upcoming immunity of a large part of the population bodes well for a full economic recovery.

However, the forecasts reflect a very high level of uncertainty. Economic growth will depend on the epidemiological situation, the progress of the vaccination campaign as well as the support and recovery measures implemented.

CHART A.2

Economic growth in Québec (real GDP, percentage change)



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

❑ The impact of the second wave of COVID-19 on the Québec economy will be less severe

In March 2020, the pandemic brought all non-essential activities to a stop. Production stop abruptly in several sectors, including construction, manufacturing, educational services, accommodation, food services and retail. The suspension of activities caused real GDP to fall by 9.4% in March and 14.6% in April.

— Despite a strong return to growth in May (+11.8%), real GDP fell 11.9% in the second quarter of 2020, the biggest quarterly downturn recorded since compilation of these statistics began in 1981.

While the second wave of COVID-19 forced some businesses to scale back or cease their activities, it is expected to result in a more moderate decline at the end of 2020 and early 2021 than the first wave.

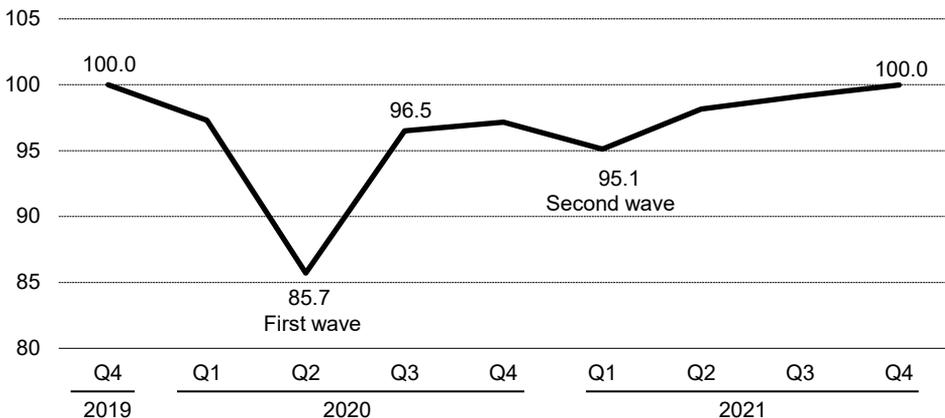
— The fact is that fewer industries were targeted by the closures and those most affected by the measures were already operating at lower capacity than before the pandemic.

— In addition, businesses have adapted to the health situation by, for example, resorting to teleworking and e-commerce.

Growth will therefore accelerate in the second quarter of 2021, depending on the epidemiological situation. Real GDP is expected to return to its pre-pandemic level at the end of the fourth quarter of 2021.

CHART A.3

Change in Québec's economic activity (real GDP, index, 4th quarter of 2019 = 100)



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

2.2 Households, businesses and governments will support the economic recovery

All components of real GDP will pick up in 2021 and 2022. Households, businesses and governments are central to the recovery.

- Household consumption and residential investment will increase, supported by the recovery of the labour market, credit conditions that will continue to be accommodative and savings accumulated over recent quarters.
- Non-residential business investment is expected to pick up. The reduction in uncertainty and the increase in demand for goods and services will encourage businesses to implement their investment plans.
- The recovery plans will support the growth in public spending. In addition, the different levels of government will continue to support households and businesses through transfer payments.

For its part, the external sector will slow the economy's growth over the next few years. Exports will pick up, but at a slower pace than imports.

- In 2020, the decline in imports (−13.7%) was greater than that of exports (−10.5%). Consequently, a larger rebound is expected for imports in 2021. Exports will be supported by the recovery in global economic activity while imports will be spurred by robust domestic demand.

TABLE A.7

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

	Change			Contribution		
	2020	2021	2022	2020	2021	2022
Domestic demand	−3.9	5.0	4.0	−4.1	5.2	4.2
– Household consumption	−5.4	5.0	4.3	−3.2	3.0	2.6
– Residential investment	1.0	5.5	0.9	0.1	0.4	0.1
– Non-residential business investment	−9.7	6.3	5.3	−0.8	0.5	0.4
– Government spending and investment	−0.4	4.7	3.8	−0.1	1.3	1.0
External sector	—	—	—	2.1	−2.3	−1.1
– Exports	−10.5	3.1	4.5	−4.8	1.4	1.9
– Imports	−13.7	7.9	6.2	6.9	−3.6	−3.0
Stocks	—	—	—	−3.1	1.2	0.8
REAL GDP	−5.2	4.2	4.0	−5.2	4.2	4.0

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 The labour market will return to full employment in 2022

In spring 2020, the COVID-19 pandemic and public health measures greatly disrupted the labour market.

- Between the peak and trough of the economic cycle, that is, between the fourth quarter of 2019 and the second quarter of 2020, employment fell by 12.8%.
- As a result, the unemployment rate rose from a monthly low of 4.5% in February 2020 to 17.6% in April 2020. In February 2021, the unemployment rate stood at 6.4%.

While the recovery is already underway on the labour market, the return of employment and the unemployment rate to pre-pandemic levels will take a long time.

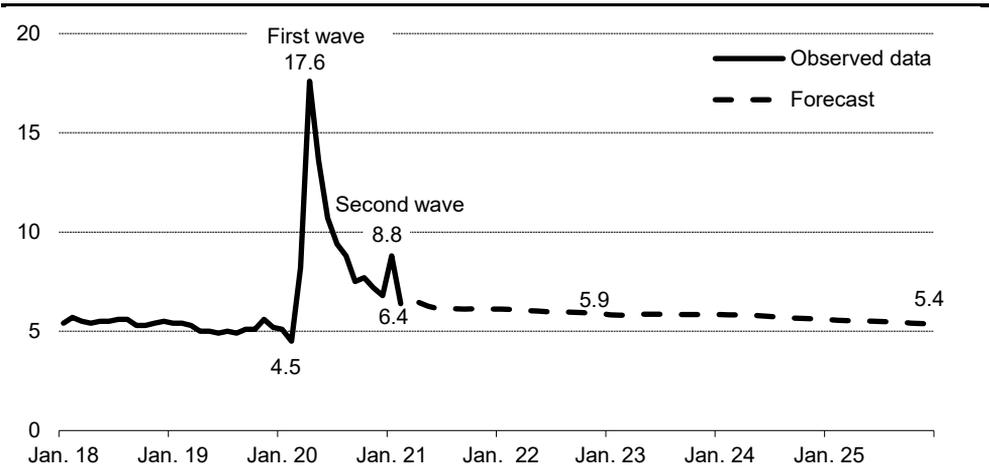
- According to the forecast, employment is expected to return to its fourth quarter 2019 level in the second quarter of 2022.
- The unemployment rate is expected to be below 6% at the end of 2022, a level consistent with an economy running at full capacity.

The return of employment to its pre-pandemic level will provide a solid foundation for the Québec economy to reach its growth potential.

- In the medium term, the increase in employment means that workers affected by the pandemic will have re-entered the labour market. In the longer term, employment growth will stem from the alignment of labour market needs and skills.

CHART A.4

Change in Québec's unemployment rate (per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ An output gap that must be closed quickly

Despite the recovery, the fallout of the public health crisis on the economy will continue for some time.

- It will take longer for labour-intensive sectors such as accommodation and food services to recover. The need to maintain distancing measures will prevent these industries from operating at their full potential.
- Supply chain disruptions will prevent production lines around the world from running at full capacity.
- The downturn in non-residential investment during the crisis could slow productivity growth in the short run.
- These difficulties could cause businesses to close, leading to a permanent drop in output and employment.

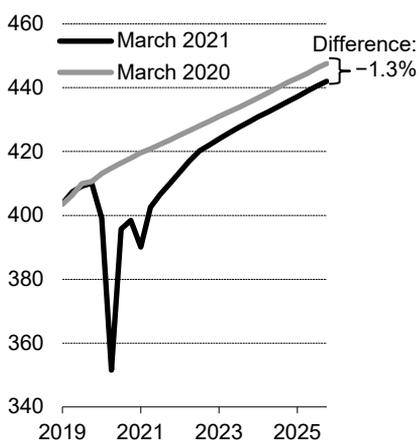
Consequently, the shock triggered by the pandemic could lead to changes in the economy and cause an output gap that would be difficult to close.

- In 2025, Québec's real GDP will be 1.3% below the level forecast for the same period in Budget 2020-2021. For nominal GDP growth, the gap will be 2.2%.

Over the next few years, efforts will be required to close this gap. The government's commitment to achieve growth higher than 2% in 2023-2024 and 2024-2025 is consistent with this objective.

CHART A.5

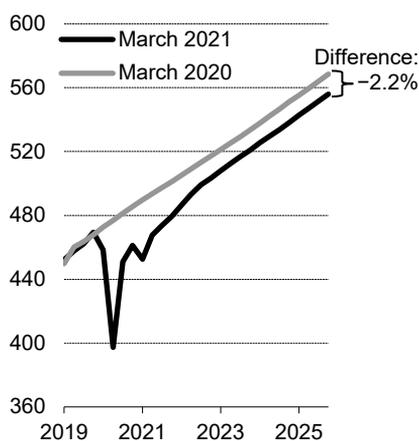
Real GDP forecast for Québec (billions of chained 2012 dollars)



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

CHART A.6

Nominal GDP forecast for Québec (billions of dollars)



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

❑ Increasing Québec's economic potential

Major economic shocks, like the COVID-19 pandemic, disrupt growth in the short term but also risk having long-term effects on the economic outlook and on Quebecers' standard of living.

To ensure a sustained recovery, Québec must count on full labour force participation.

- In 2019, the employment rate had reached a high of 61.5%. Then, the public health crisis caused this rate to fall to a low of 50.1% in April 2020. Despite an upturn, the employment rate was 59.5% in February 2021.
- The recovery of jobs lost in 2020 is expected to lead to a significant increase in the employment rate from 2021 to 2023 (+2.1% on average annually).

The economic recovery and increase in Québec's potential will also depend on productivity gains. Due to the public health crisis, productivity declined by 0.4% in 2020. The restart of the economy will result in a rebound in productivity. It is expected to grow, on average, by 1.3% each year from 2021 to 2023.

- In the medium term, from 2024 to 2025, improved productivity will be the main driver of real GDP growth and an improvement in the standard of living of all Quebecers.

TABLE A.8

Contribution of economic growth factors

(average annual percentage change and contribution in percentage points)

	2009-2018	2019	2020	2021-2023	2024-2025
Real GDP	1.5	2.7	-5.2	3.4	1.5
Growth factors (contribution)					
Potential labour pool ⁽¹⁾	0.2	0.4	-0.1	-0.1	-0.1
Employment rate ⁽²⁾	0.7	1.6	-4.8	2.1	0.4
Productivity ⁽³⁾	0.7	0.6	-0.4	1.3	1.1
STANDARD OF LIVING⁽⁴⁾	0.7	1.5	-6.0	2.8	0.9

Note: Totals may not add due to rounding.

(1) Population aged 15-64.

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

(3) Real GDP per job.

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

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

3. QUÉBEC'S FINANCIAL SITUATION

3.1 An economic recovery impacting public finances

The Québec economy's resilience during the public health crisis and government support measures will allow economic activity to rapidly recover as of 2021-2022.

— As such, Québec's real GDP is expected to grow by 4.2% in 2021 and 4.0% in 2022.

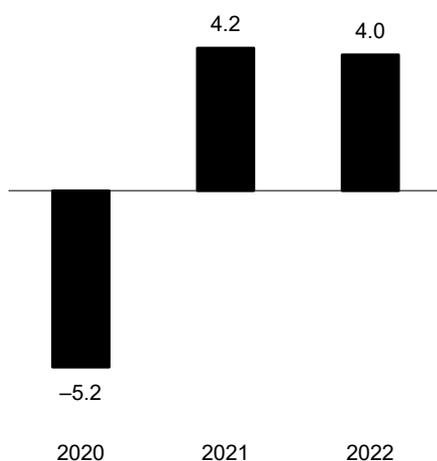
The rebound will have a positive impact on the government's financial situation, particularly on the growth of own-source revenue.

— After a decline of 1.5% in 2020-2021, sustained growth of 5.8% is forecast for own-source revenue in 2021-2022. This growth is partially explained by increased revenue from consumption taxes, personal income tax and contributions for health services.

— Growth in own-source revenue will be 4.3% in 2022-2023, similar to the change in Québec's economic activity.

CHART A.7

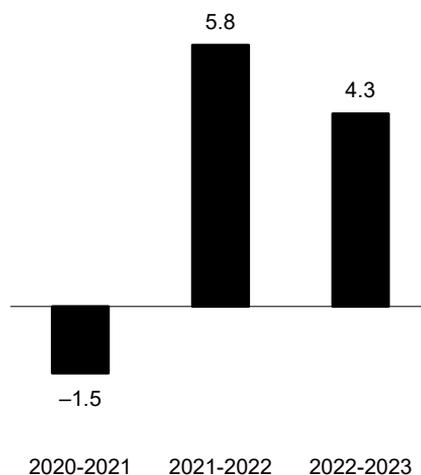
Real GDP Forecast – 2020 to 2022 (percentage change)



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

CHART A.8

Own-source revenue – 2020-2021 to 2022-2023 (percentage change)



Note: Own-source revenue excluding government enterprises.

3.2 Ensuring the economic recovery before restoring fiscal balance

Despite encouraging signs, the Québec economy remains uncertain due to the ongoing pandemic. The priority remains managing the public health crisis and restarting the economy.

The government wants to ensure a sustainable economic recovery before implementing a plan to restore fiscal balance.

— Thus, offsetting measures for the budgetary deficit will be implemented once Québec returns to full employment.

Hence, a suspension of the impact of the *Balanced Budget Act* will be proposed for the next two years to allow the government to gradually reduce the deficit without hindering sustainable economic growth.

— Fiscal balance is expected to be restored five years later, in 2027-2028. Despite the expected deficits, the government will continue to make its deposits in the Generations Fund to reduce the debt.

Given the substantial increase in debt in 2020-2021, the targets set by the *Act to reduce the debt and establish the Generations Fund* are not expected to be met.

Québec's economic situation remains uncertain due to the current pandemic. Over the coming months, the government will continue to monitor developments in the economy and public finances. On the basis of this information, it will amend the aforementioned legislation, particularly with regard to the achievement of the targets set for 2025-2026.

❑ A structural deficit of \$6.5 billion left by the crisis

The current crisis will leave Québec with a structural deficit of approximately \$6.5 billion per year.

— Despite recent encouraging signs of an economic recovery, the budgetary imbalance created between revenue and expenditure over the past year will continue, even after key economic indicators return to their pre-crisis level.

The financial framework of Budget 2021-2022 therefore provides the path to follow to gradually eliminate this structural deficit.

3.3 Return to fiscal balance

The plan to return to fiscal balance will be based on the following principles:

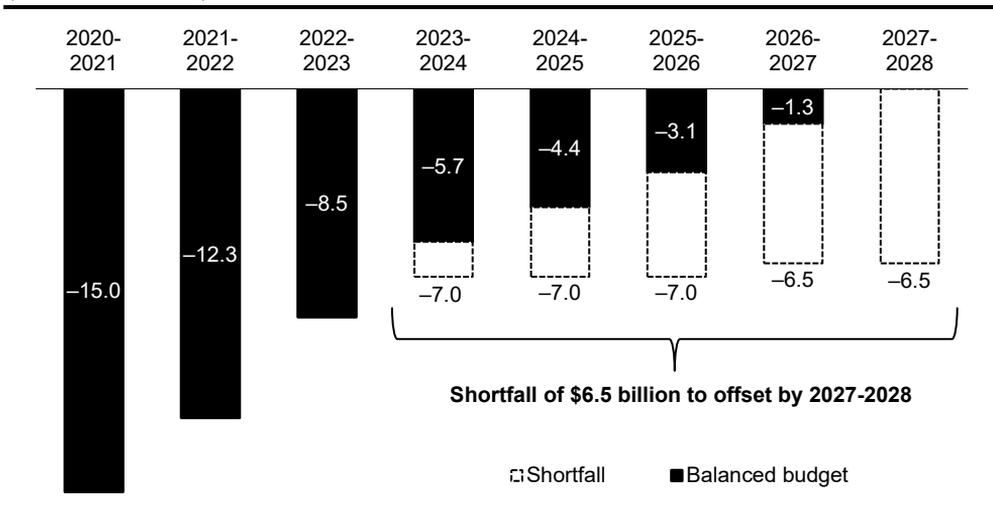
- the government's commitment not to increase the tax burden;
- spending growth tied to revenue growth;
- acceleration of economic growth;
- an increase in federal contributions for health care spending.

The financial framework provides for a shortfall to be offset, illustrating the gains needed to restore fiscal balance in 2027-2028.

- A balanced budget, within the meaning of public accounts, excluding deposits in the Generations Fund and before taking into account the provision for risks, is expected in 2024-2025.
- A shortfall to be offset that will increase by \$1.3 billion per year for five years as of 2023-2024 is therefore planned to offset the structural shortfall between revenue and expenditure stemming from the current crisis.
- This shortfall represents an average annual difference of less than 1% of revenue or expenditure as of 2023-2024.

CHART A.9

Change in budgetary balance – Returning to a balanced budget (millions of dollars)



3.4 Financial framework

Revenue amounts to \$122.6 billion in 2021-2022, with growth of 1.9%. By 2025-2026, growth is expected to average 2.8% per year.

Portfolio expenditures stand at \$116.9 billion in 2021-2022, with growth of 5.4%.

— By 2025-2026, growth is expected to average 3.5% per year.

Debt service amounts to \$8.6 billion in 2021-2022, an increase of 12.4%.

COVID-19 support and recovery measures total \$4.3 billion in 2021-2022 and \$1.2 billion in 2022-2023.

The change in application of the accounting standard respecting transfer payments entails an additional cost of approximately \$0.6 billion per year on average.

A provision for economic risks and other support and recovery measures is provided in the financial framework. It stands at \$1 250 million in 2021-2022.

— Total provisions of nearly \$6 billion are built into the financial framework by 2025-2026.

A shortfall remains to be offset as of 2023-2024. It stands at \$1.3 billion in 2023-2024, \$2.6 billion in 2024-2025 and \$3.9 billion in 2025-2026.

For 2020-2021, the anticipated budgetary deficit remains at \$15 billion, the same level as in November 2020. It will gradually decrease thereafter, to \$12.3 billion in 2021-2022 and \$8.5 billion in 2022-2023.

TABLE A.9

Financial framework
(billions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	AAGR ⁽¹⁾
Revenue	120.3	122.6	126.4	130.8	134.3	138.1	
% change	2.8	1.9	3.2	3.5	2.6	2.9	2.8
Portfolio expenditures	-110.8	-116.9	-119.6	-123.8	-126.6	-130.5	
% change	4.1	5.4	2.3	3.5	2.3	3.1	3.5
Debt service	-7.7	-8.6	-9.0	-9.0	-9.4	-9.3	
% change	-0.1	12.4	4.5	-0.1	4.8	-1.3	3.2
Total expenditure	-118.5	-125.5	-128.6	-132.7	-136.0	-139.8	
% change	3.9	5.9	2.5	3.3	2.5	2.8	3.4
COVID-19 support and recovery measures	-11.9	-4.3	-1.2	-0.1	—	—	
Change in application of the accounting standard respecting transfer payments	-0.6	-0.7	-0.7	-0.5	-0.6	-0.6	
Provision for economic risks and other support and recovery measures	-1.3	-1.3	-1.3	-0.8	-0.5	-0.5	
Shortfall to be offset	—	—	—	1.3	2.6	3.9	
SURPLUS (DEFICIT)	-12.0	-9.2	-5.3	-1.9	-0.3	1.1	
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-3.0	-3.1	-3.2	-3.8	-4.1	-4.2	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE							
	-15.0	-12.3	-8.5	-5.7	-4.4	-3.1	
Use of the stabilization reserve	8.8	—	—	—	—	—	
BUDGETARY BALANCE⁽²⁾	-6.2	-12.3	-8.5	-5.7	-4.4	-3.1	

Note: Totals may not add due to rounding.

(1) Average annual growth, or geometric mean, from 2020-2021 to 2025-2026.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

❑ **Stable predictable funding for Quebecers' top priorities**

Portfolio expenditures total \$116.9 billion in 2021-2022 and \$119.6 billion in 2022-2023. In particular:

- health and social services expenditures excluding COVID-19 support and recovery measures represent 43% of portfolio expenditures. They amount to \$49.9 billion in 2021-2022, with growth of 5.8%. It is expected to average 5.2% by 2022-2023;
- education expenditures represent 15% of portfolio expenditures. They amount to \$18.1 billion in 2021-2022, with growth of 4.6%. It is expected to average 5.0% per year by 2022-2023;
- expenditures in higher education represent 8% of portfolio expenditures. They amount to \$9.3 billion in 2021-2022, with growth of 8.2%.² It is expected to average 4.7% per year by 2022-2023;
- other portfolio expenditures amount to \$39.6 billion in 2021-2022, with growth of 4.7%. It is expected to average 1.9% per year by 2022-2023.

The growth is primarily due to planned expenditures not incurred in 2020-2021 and an increase in infrastructure projects in 2021-2022.

TABLE A.10

Change in expenditure by departmental portfolio
(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Santé et Services sociaux	47 202	49 947	51 938	
% change	5.7	5.8	4.0	5.2
Éducation	17 284	18 077	18 611	
% change	7.5	4.6	3.0	5.0
Enseignement supérieur	8 556	9 261	9 536	
% change	2.9	8.2	3.0	4.7
Other portfolios ⁽²⁾	37 779	39 573	39 475	
% change	1.2	4.7	-0.2	1.9
Subtotal – Before COVID-19 support and recovery measures	110 821	116 858	119 560	
% change	4.1	5.4	2.3	4.0
COVID-19 support and recovery measures	11 920	4 284	1 179	
Change in application of the accounting standard respecting transfer payments	632	732	749	
TOTAL	123 373	121 874	121 488	
% change	15.1	-1.2	-0.3	4.3

Note: Totals may not add due to rounding.

(1) Average annual growth, or geometric mean, from 2020-2021 to 2022-2023.

(2) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios. In 2022-2023, the 0.2% decrease is essentially explained by the non-recurrence of investments of \$595 million in 2021-2022 to connect all Quebecers to high-speed Internet.

3.5 Debt reduction efforts

The COVID-19 pandemic stopped the reduction in the debt burden that had prevailed in recent years.

- The gross-debt-to-GDP ratio will increase from 43.2% as at March 31, 2020 to 49.5% as at March 31, 2021, due to the measures implemented to overcome the public health crisis and a decline in nominal GDP.
- The debt burden as at March 31, 2021, will nonetheless remain below the levels reached following the last economic crisis and the level that still prevailed in 2017, which was 51.0% of GDP.

The debt burden stabilizes over the next few years and decreases as of 2024-2025 with a gradual return to a balanced budget and continued deposits in the Generations Fund.

- The gross debt burden is expected to stand at 44.4% of GDP as at March 31, 2028.
- For the debt burden to start decreasing as of 2024-2025, action will be required to restore fiscal balance.

As well, a decrease in the debt ratio representing accumulated deficits to GDP is expected as of 2022-2023.

Deposits in the Generations Fund help to reduce the debt and thus to improve intergenerational fairness. That is why the government has chosen to maintain its deposits in the Generations Fund despite the expected deficits.

CHART A.10

Gross debt as at March 31 before and after actions to return to a balanced budget

(percentage of GDP)

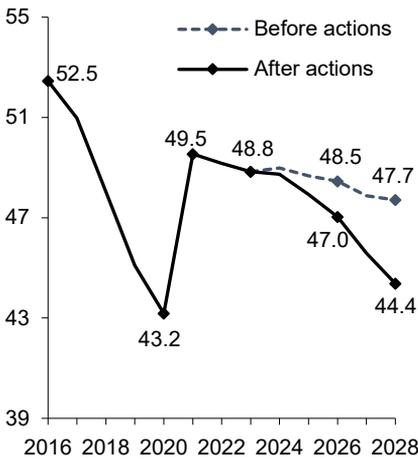
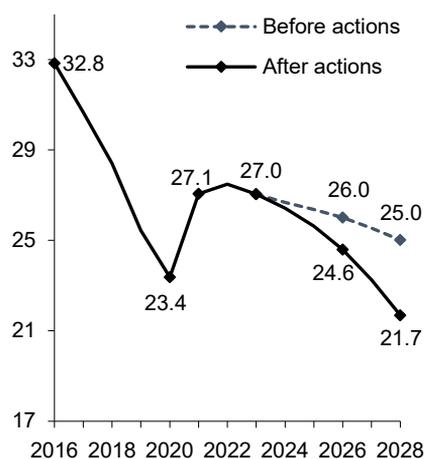


CHART A.11

Debt representing accumulated deficits as at March 31 before and after actions to return to a balanced budget

(percentage of GDP)



Debt-reducing efforts

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

It is therefore in Québec's interest to continue reducing the debt burden, which would allow it to:

- contribute to intergenerational fairness;
- ensure stable funding for the government's chief missions, such as health and education;
- cope with the costs associated with an aging population;
- fund investment in public infrastructure;
- ease the tax burden on Quebecers;
- counter a potential future economic slowdown;
- increase its financial autonomy within the federation;
- fight climate change.

Setting a long-term debt reduction objective is an excellent way to ensure sound management of public finances. Since the government is accountable for reporting to parliamentarians and the public 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. Individuals and businesses can better anticipate the government's budgetary and financial policies, enabling them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual public infrastructure investments over a long period of 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 investors and credit rating agencies.

Reducing the debt burden is also important because Québec is one of the most indebted Canadian provinces and it is not immune to an increase in interest rates or another recession.

A large debt leads to higher borrowing costs. A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by some \$540 million the first year and nearly \$1.9 billion in the fifth year.

APPENDIX: ECONOMIC OUTLOOK

TABLE A.11

Québec's economic outlook – 2019 to 2025 (percentage change, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025
Output							
Real GDP	2.7	-5.2	4.2	4.0	2.0	1.5	1.5
Nominal GDP	4.3	-4.0	6.0	5.8	3.8	3.3	3.3
Nominal GDP (billions of dollars)	460.4	442.0	468.4	495.7	514.6	531.8	549.5
Components of GDP (in real terms)							
Final domestic demand	2.3	-3.9	5.0	4.0	2.0	1.3	1.1
– Household consumption	2.1	-5.4	5.0	4.3	2.0	1.4	1.4
– Government spending and investment	1.7	-0.4	4.7	3.8	1.6	0.8	0.3
– Residential investments	3.7	1.0	5.5	0.9	1.7	0.5	0.4
– Non-residential business investment	4.8	-9.7	6.3	5.3	3.7	2.8	2.6
Exports	1.7	-10.5	3.1	4.5	3.1	3.2	2.9
Imports	1.9	-13.7	7.9	6.2	3.0	2.5	1.9
Labour market							
Population (thousands)	8 502	8 575	8 593	8 660	8 727	8 791	8 841
Population aged 15 and over (thousands)	7 001	7 054	7 087	7 135	7 197	7 259	7 310
Jobs (thousands)	4 308	4 100	4 248	4 324	4 352	4 370	4 386
Job creation (thousands)	86.4	-208.5	148.9	75.5	28.4	17.2	16.8
Unemployment rate (per cent)	5.1	8.9	6.4	6.0	5.8	5.7	5.5
Other economic indicators (in nominal terms)							
Household consumption	3.7	-4.3	7.0	6.2	3.8	3.1	3.0
– Excluding food expenditures and shelter	3.2	-8.6	8.3	7.4	3.9	3.0	2.9
Housing starts (thousands of units)	48.0	54.1	50.4	48.8	48.5	46.9	45.4
Residential investment	7.1	7.8	10.6	3.2	3.9	2.7	2.6
Non-residential business investment	7.5	-8.8	7.4	6.3	4.7	4.1	4.2
Wages and salaries	6.3	0.3	6.0	3.5	3.2	3.1	3.1
Household income	5.5	6.2	1.6	2.7	3.5	3.3	3.4
Net operating surplus of corporations	-0.2	-5.3	2.2	-3.8	4.6	3.9	3.7
Consumer price index	2.1	0.8	1.9	2.2	2.0	2.0	2.0
– Excluding food and energy	2.5	1.3	1.4	2.1	1.9	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

STRENGTHENING OUR HEALTH CARE SYSTEM

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SUMMARY

Québec, as the rest of the world, has been dealing with an unprecedented human and public health crisis for over a year. Health and social services network teams must find solutions to the numerous issues confronting them. The government has made—and is still making—significant efforts to support the network during each wave of the pandemic.

Since March 2020, concrete actions have been taken, including the acquisition of protective equipment and the granting of bonuses to health workers. The government also took steps that enabled the network to make significant changes for a long-lasting impact on the supply of health care and social services. These include greater use of telemedicine and vaccination by pharmacists.

Budget 2021-2022 strengthens the government's action by confirming the extension of the measures announced since March 2020 to overcome the public health crisis. It also sets up a series of initiatives aimed at enhancing health care and services by:

- strengthening services for seniors;
- improving access to frontline medical services and responding to the needs of vulnerable persons;
- increasing the supply of mental health services as well as services to youth in difficulty.

The initiatives aimed at strengthening the Québec health care system will total nearly \$15.2 billion by 2025-2026,¹ including more than \$2.9 billion in 2021-2022, with investments of:

- \$2.3 billion to overcome the public health crisis;
- \$316.5 million to strengthen services for seniors;
- \$264.2 million to enhance health care and services.

¹ This amount includes costs of \$4 861 million, already presented in the November 2020 *Update on Québec's Economic and Financial Situation*.

TABLE B.1

Financial impact of the measures to strengthen our health care system
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Overcoming the public health crisis	-6 567.0	-2 334.0	-750.0	-750.0	-750.0	-750.0	-11 901.0
Strengthening services for seniors	—	-316.5	-391.6	-409.5	-416.7	-426.7	-1 961.0
Enhancing health care and services	—	-264.2	-264.2	-264.2	-264.2	-264.2	-1 321.0
TOTAL	-6 567.0	-2 914.7	-1 405.8	-1 423.7	-1 430.9	-1 440.9	-15 183.0

Notes: Totals may not add due to rounding.

An amount of \$165.8 million was granted to the Ministère de la Santé et des Services sociaux in 2019-2020 to manage the public health crisis. The total financial impact of \$15 183 million includes costs of \$4 861 million for 2020-2021, already presented in the November 2020 *Update on Québec's Economic and Financial Situation*.

Strengthening our health care system

The public health crisis turned the health care system and the lives of Quebecers upside down. To address the challenges imposed by COVID-19, the health and social services network had to quickly adapt to the new normal and find innovative, effective solutions to numerous, unprecedented issues.

Many of the advances made and solutions found will have major repercussions on health care and service delivery as well as the health care system's work organization for years to come, for the benefit of Quebecers.

Making access to certain health care services more efficient

Digital technologies, such as telemedicine, made it possible to continue delivering health care and services without compromising safety.

- Between March 16 and October 31, 2020, more than 9.2 million services were delivered by general practitioners and health specialists thanks to telemedicine, either through telephone appointment or videoconference. These services represent approximately 167 000 hours of consultation.¹
- For example, physicians were able to continue with patient consultations without jeopardizing their health or that of their patients.

The pandemic also gave us an opportunity to organize work differently. In numerous cases, professional practice was decompartmentalized to increase professionals' autonomy and safely broaden their field of practice. For example, members of several professional orders were approached to help support the health care system with COVID-19 testing and the massive public vaccination campaign.

Improving the quality of care

Pandemic management brought to light the extent of the health care system's needs, especially in terms of labour, to ensure access to health care and services. The government acted quickly and permanently by adding:

- new patient-care attendants to support current employees and to stabilize and strengthen teams in residential and long-term care centres (CHSLDs);
- responsible managers in each CHSLD to allow for more agile management, to apply preventive and infection control measures, to improve communications and to ensure local management for the benefit of users, their families and the teams in place;
- human and material resources to protect the population by limiting the effects of the pandemic on their health over the coming years and by introducing preventive and health promotion services to all Quebecers.

The government will continue to innovate to address the challenges raised by the COVID-19 pandemic, especially by responding to the population's needs. This budget is a first step in that direction.

¹ Data from the Régie de l'assurance maladie du Québec.

Changes in public health crisis indicators

Main indicators

As at March 15, 2021, 298 186 Quebecers had contracted the COVID-19 virus. Of this amount:

- 280 755 persons had recovered;
- 10 558 persons had died.

Since September 2020, nearly 28 000 screening tests on average have been performed daily.

Since mid-January 2021:

- the number of persons hospitalized has dropped by more than half, from 1 523 on January 13, 2021 to 553 on March 15, 2021;
- the number of new daily cases has been under the 1 000 mark since February 13, 2021; as at March 15, 2021, cases were at 594;
- the number of daily deaths has been declining, from 60 as at January 13, 2021 to 3 as at March 15, 2021; a total of 1 396 deaths has been reported since mid-January;
- the arrival of new variants will be watched closely; as at March 15, 2021, these new variants represent 16% of reported cases in the Greater Montréal area and 18% in the rest of Québec.

Vaccination campaign

The arrival of the first vaccines in Québec helped launch the COVID-19 vaccination campaign on December 9, 2020 with the Pfizer/BioNTech vaccine, followed by the Moderna vaccine on December 23, 2020.

The first doses were administered to the most vulnerable people and persons at high risk, namely:

- seniors in CHSLDs and in intermediate or family-type resources;
- health and social services network staff in contact with vulnerable people or persons at risk;
- autonomous persons or those gradually losing their autonomy living in seniors' residences;
- people 70 years of age and over.

The next doses will be administered to the rest of the population.

As at March 12, 2021, Québec had received 948 565 vaccine doses and administered 744 108 vaccines, with 8.8% of the population now vaccinated.

By April 4, 2021, Québec will have received 1 251 705 doses of the Pfizer/BioNTech vaccine, 423 300 doses of the Moderna vaccine and 113 000 doses of the AstraZeneca vaccine.

- The vaccination rate could accelerate, as other vaccines become licensed by Health Canada, as those from AstraZeneca and Johnson & Johnson were recently.

Source: Ministère de la Santé et des Services sociaux.

1. OVERCOMING THE PUBLIC HEALTH CRISIS

The arrival of the pandemic in Québec has made it necessary to implement exceptional measures to strengthen our health care system and thus to overcome the public health crisis. The measures announced over the past year and the initiatives presented in Budget 2021-2022 will total \$16.0 billion by 2025-2026, with:

- \$2.8 billion to acknowledge the extra efforts of health workers;
- \$2.8 billion to purchase the supplies and personal protective equipment (PPE) needed to tackle the crisis;
- \$6.5 billion to enhance services to the population and health workers, in particular through increased daily screening capacity, vaccination and an improved supply of mental health services;
- \$3.9 billion to improve health care in a long-lasting manner.

Given the continued increase in hospitalizations due to COVID-19 and the health care system's lack of staff, some activities had to be postponed so that health workers could be mobilized and the protective equipment and beds could be made available for COVID-19 patient care.

Despite the postponement of certain activities, urgent medical procedures and surgeries went on. With the upcoming decrease in hospitalizations and cases of infection thanks to the current vaccination effort, postponed activities will resume.

The slowdown in activities generated a decrease in spending totalling \$4.1 billion. Therefore, the financial impact of the actions to overcome the public health crisis since March 2020 is \$11.9 billion.

TABLE B.2

Financial impact of the measures to overcome the public health crisis since March 2020

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Acknowledging the extra efforts of health workers ⁽¹⁾	-2 184.1	-634.7	—	—	—	—	-2 818.8
Ensuring the necessary supply of equipment to tackle the crisis ⁽²⁾	-2 151.9	-634.7	—	—	—	—	-2 786.6
Enhancing the services offered to the population and health workers ⁽³⁾	-5 102.0	-1 385.5	—	—	—	—	-6 487.5
Improving health care in a long-lasting manner	-195.0	-750.0	-750.0	-750.0	-750.0	-750.0	-3 945.0
Subtotal	-9 633.0	-3 404.9	-750.0	-750.0	-750.0	-750.0	-16 037.9
Slowdown in activity	3 066.0	1 070.9	—	—	—	—	4 136.9
TOTAL	-6 567.0	-2 334.0	-750.0	-750.0	-750.0	-750.0	-11 901.0

Note: Totals may not add due to rounding.

- (1) These amounts include the continuation of bonuses and the extension of financial support to private seniors' residences and private unfunded CHSLDs until August 31, 2021.
- (2) These amounts include the personal protective equipment needed until March 31, 2021, estimated on the basis of projected annual consumption. The government's goal is to have 25% of PPE made in Québec.
- (3) These amounts include the cost of COVID-19 testing and laboratory analysis, vaccination, support for community organizations and exceptional expenditures by health and social services institutions.

1.1 Acknowledging the extra efforts of health workers

The government acknowledges the challenges faced by the health and social services sector, particularly in recruiting and retaining labour.

Since the start of the pandemic, temporary wage increases have been granted and will be maintained throughout the public health emergency period.

- Among other things, lump sums were granted to encourage clinical staff in the health care network (nurses, clinical nurses, nursing assistants and patient-care attendants) to work full-time throughout Québec.
- These lump sums can range from \$400 per month for employees working in zones without patients with COVID-19, to over \$3 000 per month for employees of the health care system who are transferred to regions considered red zones.²

The government also renewed its commitment to train and hire 10 000 new patient-care attendants to support employees in health institutions.

- In December 2020, a second cohort of students were trained to become patient-care attendants. Close to 8 000 of them now hold a position in the public health network. A third cohort is currently undergoing accelerated training.

In total, since March 2020, more than \$2.8 billion has been allocated to acknowledge the extra efforts of health workers, including:

- \$532.5 million for a wage increase for attendants working in private facilities;
- \$867.2 million for an 8% bonus for employees in the health and social services network who are in permanent contact with COVID-19 patients and a 4% bonus for all other employees;
- \$734.9 million for temporary lump sum payments to encourage full-time work;
- \$546.4 million for the training and remuneration of new patient-care attendants during the pandemic.

² A bonus of \$1 000 per month is offered to caregiving staff working full-time in red zones in the Greater Montréal area, in addition to a second bonus of \$2 000 per month for staff from other regions who volunteer to transfer to red zones in the Greater Montréal area.

TABLE B.3

**Financial impact of the measures to acknowledge the extra efforts
of health workers since March 2020**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Enhancing bonuses for patient-care attendants working in private and other facilities	-372.0	-160.5	—	—	—	—	-532.5
8% bonus for staff who are in permanent contact with COVID-19 patients and 4% bonus for all other employees ⁽¹⁾	-625.4	-241.8	—	—	—	—	-867.2
Temporary lump sum payments to encourage full-time work	-511.2	-223.7	—	—	—	—	-734.9
Training and remuneration of new patient-care attendants during the pandemic	-545.2	-1.2	—	—	—	—	-546.4
Other tailored support measures ⁽²⁾	-130.3	-7.5	—	—	—	—	-137.8
TOTAL	-2 184.1	-634.7	—	—	—	—	-2 818.8

Notes: Totals may not add due to rounding.

These amounts include the continuation of bonuses and the extension of specific support until August 31, 2021.

(1) These bonuses are for employees in the health and social services network.

(2) This measure includes bonuses for attendants of home support social economy enterprises. It also includes financial assistance for overtime, the addition of resources and procurement of protective and sanitizing equipment for private unfunded seniors' residences and CHSLDs, intermediate resources and family-type resources, as well as other targeted private living environments.

1.2 Ensuring the necessary supply of equipment to tackle the crisis

Major investments have been made for the purchase of equipment, notably to protect frontline health and social services sector workers in the fight against COVID-19.

Also, the government made sure to have the necessary protective equipment in the event current precautionary measures had to be maintained until the end of the COVID-19 vaccination period.

Almost \$2.8 billion was allocated to the health care sector and the various education and public transit networks so they could acquire protective equipment to tackle the public health crisis, namely:

- N95 masks, medical masks, gowns, gloves, visors and other types of personal protective equipment and sanitizers, for a total of nearly \$2.5 billion;
- equipment and other protective and safety devices to make the working environments of health care staff safer, such as safety enclosures to prevent the dispersion of aerosols, decontamination and cleaning of rooms, as well as certain adjustments to staff working conditions for a total of \$325.0 million.

Policy on purchase by mutual agreement

On March 3, 2021, the government announced stricter rules regarding contracts by mutual agreement concluded by health and social services institutions, especially for the purchase of supplies, equipment, medications or for construction work.

From now on, contracts will have to be limited to:

- responding to pressing needs;
- being short-term;
- not including an option for renewal or additional quantities.

Contracts must also specify the number of items purchased.

For construction work, contracts must specify the related monetary value.

TABLE B.4

Financial impact of the measures to ensure the necessary equipment to tackle the crisis since March 2020

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Equipment supplies (gowns, masks, etc.)	-1 885.9	-569.8	—	—	—	—	-2 455.7
Protective and safety measures for health workers	-260.0	-65.0	—	—	—	—	-325.0
Equipment for the Greater Montréal public transit network	-6.0	—	—	—	—	—	-6.0
TOTAL	-2 151.9	-634.7	—	—	—	—	-2 786.6

Notes: Totals may not add due to rounding.

The amounts cover consumption of equipment supplies as well as additional protective and safety measures for health workers until August 31, 2021.

1.3 Enhancing the services offered to the population and health workers

The COVID-19 pandemic resulted in some pressing needs for the population and health care staff, whether it be to increase the daily processing capacity for laboratory screening tests, to purchase medications aimed at relieving hospitalized patients, to vaccinate the public or to provide mental health support. These needs meant overtime for health and social services staff.

Also, given the significant needs in terms of labour, the health and social services network counted on retired health care staff to ensure continued services.

Thus, since March 2020, additional expenditures of nearly \$6.5 billion have been made, including:

- \$2.7 billion for medical and clinical professionals compensated by the Régie de l'assurance maladie du Québec and for the purchase of medications to fight COVID-19;
- \$2.4 billion for health and social services institutions to ensure continued services;
- \$516.0 million to increase processing capacity for laboratory screening tests, including an additional \$50.0 million for 2021-2022;
 - Between June and August 2020, nearly 13 000 screening tests on average were conducted each day in Québec. Since September 2020, nearly 28 000 screening tests on average have been performed daily.
- \$400.0 million to vaccinate the public against COVID-19;
- \$152.4 million for addiction treatment facilities, community and youth organizations;
- \$43.9 million to enhance psychosocial services.

TABLE B.5

Financial impact of the measures to increase services for the population and health care staff since March 2020

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Cost of medical compensation and Prescription Drug Insurance Fund ⁽¹⁾	-1 914.0	-798.0	—	—	—	—	-2 712.0
Salary costs and operating expenditures	-2 232.0	-118.5	—	—	—	—	-2 350.5
Increase in the daily processing capacity for laboratory screening tests ⁽²⁾	-466.0	-50.0	—	—	—	—	-516.0
Vaccination	-50.0	-350.0	—	—	—	—	-400.0
Support for addiction treatment facilities as well as community and youth organizations	-107.6	-44.8	—	—	—	—	-152.4
Greater mental health support	-31.0	-12.9	—	—	—	—	-43.9
Addition of beds for alternative care services	-27.0	-11.3	—	—	—	—	-38.3
Employee Assistance Program	-14.0	—	—	—	—	—	-14.0
Other measures	-260.4	—	—	—	—	—	-260.4
TOTAL	-5 102.0	-1 385.5	—	—	—	—	-6 487.5

Notes: Totals may not add due to rounding.

Measures with an impact in 2021-2022 will end on August 31, 2021.

- (1) The additional costs are for medical and clinical professionals compensated by the Régie de l'assurance maladie du Québec and for the purchase of medications to fight COVID-19.
- (2) The government is forecasting screening care system costs of \$1.3 billion in 2020-2021, including \$466 million to increase the daily processing capacity for screening tests. The balance of \$831 million is essentially due to salary costs and additional operating expenditures. This system includes the identification of target populations to be tested, the promotion of tests, screening clinics, laboratory analyses, information processing and contact with users and the population.

1.4 Improving health care in a long-lasting manner

Pandemic management brought in permanent improvements to the Québec health care system. It also brought to light the extent of the labour force's needs and the vulnerability of health institutions, especially residential and long-term care centres (CHSLDs) in terms of service delivery.

The government's goal as of last summer was to stabilize teams in CHSLDs, reinforce their staff and appoint an accountable manager in each institution to increase their capacity for intervention with seniors.

To do so, the government announced initiatives whose cost is estimated at more than \$3.9 billion by 2025-2026. The following initiatives were implemented in the last few months:

- \$1.8 billion to ensure the remuneration of 10 000 new patient-care attendants;
- \$1.2 billion to convert to full-time the positions of patient-care attendants who currently work part-time;
- \$534.0 million to hire a manager per CHSLD;
- \$418.0 million for additional resources to protect the population by limiting the effects of the pandemic on their health over the coming years and by introducing preventive and health promotion services to Quebecers.

TABLE B.6

Financial impact of the measures to improve health care in a long-lasting manner (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Remuneration of 10 000 additional patient-care attendants	—	-361.0	-361.0	-361.0	-361.0	-361.0	-1 805.0
Enhancement for current patient-care attendants	-108.0	-216.0	-216.0	-216.0	-216.0	-216.0	-1 188.0
CHSLD managers	-49.0	-97.0	-97.0	-97.0	-97.0	-97.0	-534.0
Additional resources	-38.0	-76.0	-76.0	-76.0	-76.0	-76.0	-418.0
TOTAL	-195.0	-750.0	-750.0	-750.0	-750.0	-750.0	-3 945.0

Catching up on activities to be carried out will generate additional costs

Québec had difficult decisions to make to tackle the pandemic, including postponing non-urgent activities. Given the continued increase in hospitalizations due to COVID-19 and the health care system's lack of staff, some activities were postponed so that workers, protective equipment and beds could be dedicated to patients with COVID-19.

- For example, specialized professionals as well as nurses assigned to the operation area and the performance of endoscopies had to be transferred to other departments to care for patients infected with COVID-19. However, urgent and semi-urgent cases were treated and cancer surgeries were maintained.

The financial impact of the slowdown in activity amounts to \$4.1 billion.

- For 2020-2021, \$3.1 billion in activities had to be postponed, \$2.2 billion of which from the Régie de l'assurance maladie du Québec (RAMQ) and the Prescription Drug Insurance Fund and \$892.0 million from the health and social services network.
 - Public health measures implemented over the last few weeks are starting to bear fruit. Hospitals across the province are gradually postponing less surgical activities given the ongoing decrease in hospitalizations due to COVID-19. This increase in capacity will continue across Québec over the next few weeks.
 - Furthermore, on their own, the agreements concluded with private clinics, have improved the current surgical capacity by approximately 12%.
- For 2021-2022, the slowdown in activity is estimated at close to \$1.1 billion. A catch-up exercise will begin so that waiting lists, which got longer this past year for several specializations, in particular for colonoscopies and colon cancer screening, can be shortened. Reconfiguring operating area schedules and maintaining hospitalizations due to COVID-19 at floor levels will help limit the slowdown in activity over the next year so we can start catching up.

The Minister of Health and Social Services will present a catch-up plan, particularly for surgeries, in the next few months. This action plan will eliminate delays in terms of surgeries and diagnostic tests due to the pandemic over a period of 18 to 24 months.

Financial impact of the slowdown in activity

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Medical compensation and Prescription Drug Insurance Fund ⁽¹⁾	2 174.0	798.0	—	—	—	—	2 972.0
Health and social services institution activities	892.0	272.9	—	—	—	—	1 164.9
TOTAL	3 066.0	1 070.9	—	—	—	—	4 136.9

(1) Conversely, the cost of medical compensation related to priority interventions due to COVID-19 is \$1.9 billion for 2020-2021 and \$798.0 million for 2021-2022.

2. STRENGTHENING SERVICES FOR SENIORS

In Québec, the number of persons aged 65 and over is continually increasing. It will increase from 1.7 million in 2021 to nearly 2.3 million in 2030, representing 25% of the population. Population aging in Québec will increase needs in health and social services.

The government recognizes that seniors want to stay in their living environment for as long as possible and that they must have access to home care services that meet their needs.

Also, the government pays special attention to persons with significantly diminished autonomy by strengthening health care and services in residential and long-term care centres and by improving the quality of life of their informal caregivers.

Enhancement of the supply and the quality of services for seniors will play an important role to this end. Thus, the government is taking action and will be:

- improving home care and services through measures aimed at:
 - increasing public home support services,
 - ensuring sustainable services in private seniors' residences (PSRs),
 - enhancing the refundable tax credit for home-support services for seniors, which will help seniors stay at home longer and at a lower cost;
- strengthening health care and services in senior housing;
- improving the quality of life of informal caregivers.

To achieve these goals, Budget 2021-2022 provides for initiatives of close to \$2.0 billion by 2025-2026.

TABLE B.7

Financial impact of the measures to strengthen services for seniors
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Improving home care and services							
Increasing the supply of public home support services	—	-150.0	-150.0	-150.0	-150.0	-150.0	-750.0
Ensuring the sustainability of services available in PSRs	—	-70.2	-110.5	-89.9	-69.1	-48.1	-387.8
Enhancing the refundable tax credit for home-support services for seniors	—	-10.5	-45.3	-83.8	-111.8	-142.8	-394.2
Subtotal – Improving home care services	—	-230.7	-305.8	-323.7	-330.9	-340.9	-1 532.0
Strengthening health care and services in senior housing	—	-66.8	-66.8	-66.8	-66.8	-66.8	-334.0
Improving the quality of life of informal caregivers	—	-19.0	-19.0	-19.0	-19.0	-19.0	-95.0
TOTAL	—	-316.5	-391.6	-409.5	-416.7	-426.7	-1 961.0

Comité de travail interministériel sur l'aide au maintien à domicile des aînés

In the December 2018 *Update on Québec's Economic and Financial Situation*, the Ministère des Finances committed to reviewing Québec's tax assistance for seniors.

Since then, the government has announced a refundable tax credit for caregivers as well as an amount to support seniors.

To further the government's commitment to responding to the needs of seniors and informal caregivers, a committee was created. This committee, which is made up of representatives from numerous departments and bodies¹, was mandated to:

- examine the effectiveness of the measures implemented by the Québec government with respect to home-support services for seniors so they can stay in their home for as long as possible, if they so desire;
- make recommendations aimed at improving home-support services for seniors and responding to certain issues raised.

Issues identified by the working committee

The committee's work first served to address the various issues related to home-support services for seniors, in particular:

- the level of autonomy and level of income in the service offer and the financial assistance offered to seniors;
- the shortage and retention of labour as well as the closing down of private seniors' residences (PSRs);
- the need to simplify things and make the refundable tax credit for home-support services for seniors more accessible as well as to facilitate access to home-support services, particularly for seniors who do not live in a PSR.

Inspired by the committee's work, the measures announced in Budget 2021-2022 to strengthen services for seniors are one more step toward meeting their needs.

¹ The comité interministériel sur l'aide au maintien à domicile des aînés is made up of representatives from the Ministère des Finances, Revenu Québec, Ministère de la Santé et des Services sociaux, Secrétariat du Conseil du trésor, Ministère des Affaires municipales et de l'Habitation and Tribunal administratif du logement.

2.1 Increasing the supply of public home support services

The government wishes for seniors and people with disabilities to preserve their autonomy and stay as long as possible in their homes.

Since March 2019, approximately \$2.0 billion have been allocated to enhance home-support services so that seniors with diminishing autonomy or persons with disabilities may benefit from services tailored to their living conditions.

In Budget 2021-2022, the government continues its efforts. Other substantial amounts are earmarked to ensure that seniors and people with disabilities have a better quality of life. Hiring resources will increase the number of hours for home-support services.

— In 2019-2020, some 370 000 users benefited from 22.7 million hours of home-support services.

As the pandemic has encouraged seniors to stay home as long as possible, an additional \$750 million is earmarked to increase public home-support services³ by 2025-2026.

³ Public home-support services are offered to anyone in need of such services, including seniors, whether they live in a PSR or at home.

Home-support services

In Québec, seniors and people with disabilities can count on home-support services from the health and social services network.

These home-support services are divided into four groups, namely:

- home-support services (including personal assistance and household chores);
- professional care and services;
- services for informal caregivers;
- technical support.

In 2019-2020, some 370 000 users benefited from 22.7 million hours of home-support services. Compared to last year, this represents an increase of 3.2 million hours of home-support services (16%), for the benefit of some 10 000 additional users (3%), and a rise in home-support for users already receiving support.

- From that amount, 83 201 individuals benefited from these services in seniors' residences and more than 28 000 from intermediate resources and family-type resources (IRs-FTRs).

More specifically, as part of the support program for the autonomy of seniors (SAPA), 186 165 individuals benefited from home-support services, representing 61% of hours available.

Distribution of users and hours of home-support services – Various living environments

(data for 2019-2020: April 1, 2019 to March 31, 2020)

	Number of users	Number of hours
All clientele, including SAPA's		
All locations	369 524	22 668 416
PSRs	83 201	5 495 815
IRs-FTRs	28 064	421 280
SAPA (seniors)		
All locations	186 165	13 820 672
PSRs	66 564	4 846 170
IRs-FTRs	20 532	339 637

Note: SAPA: support program for the autonomy of seniors, PSRs: private seniors' residences, IRs-FTRs: intermediate resources and family-type resources.

Source: Ministère de la Santé et des Services sociaux.

2.2 Ensuring the sustainability of services available in PSRs

Private senior's residences (PSRs) are safe living environments that offer numerous services tailored to residents' needs. They also enable seniors to maintain an active social life, which helps break up their isolation.

In the context of an aging population, PSRs play a key role in helping Québec seniors remain in their home, as they complement the services offered by the public health care system.

However, from a financial perspective, the future has become grimmer for a number of PSRs due to the COVID-19 pandemic. In the next few years, they will face significantly higher costs for insurance and a considerable increase in spending related to the health services offered.

- These effects are already being felt, as several PSRs have closed down in the last few years, displacing numerous residents.
- Even more worrisome, more seniors may be forced to move away from their current communities, which would contribute to their isolation.

As many non-autonomous seniors live in PSRs, a higher number of closures could also weaken the home support ecosystem and put more pressure on the health care services offered by the public health care system.

The government would like to ensure an orderly transition between the current public health crisis and the coming years. To that end, Budget 2021-2022 includes a program aimed at reducing the impact of insurance premium increases, as well as a \$387.8-million investment to ensure the sustainability of home support services for seniors in PSRs, which includes:

- \$52.0 million over five years for certain PSRs to provide a safe environment for residents and improve the insurability of residences;
- \$335.8 million over five years for the gradual withdrawal of subsidies offered to PSRs for their caregiving staff.

TABLE B.8

Financial impact of the measures to ensure the sustainability of services offered in PSRs (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Assistance program for bringing certain PSRs up to standard	—	-5.6	-11.6	-11.6	-11.6	-11.6	-52.0
Gradual withdrawal of subsidies granted to PSRs for their caregiving staff	—	-64.6	-98.9	-78.3	-57.5	-36.5	-335.8
TOTAL	—	-70.2	-110.5	-89.9	-69.1	-48.1	-387.8

Snapshot of private seniors' residences in Québec

Private senior's residences (PSRs) are homes that allow their residents to maintain an active lifestyle in a safe environment and benefit from quality services based on their needs.

In order to operate, PSRs must obtain government certification attesting to their compliance with regulatory requirements, particularly with regard to the quality of the services offered, the safety of residents and the necessary staff skills.

As at March 1, 2021, Québec had 1 701 PSRs, each tailored to seniors' needs. Of those residences, 174 serve autonomous seniors, 1 111 serve semi-autonomous or non-autonomous seniors, and 416 have dual vocation. Nearly 50% of their clientele is 85 and over.

These PSRs play a key role in the seniors' service ecosystem, as they are home to more than 130 000 seniors. Furthermore, nearly 30% of Quebecers aged 85 and over live in them.

PSRs offer various services. For example, all offer basic services, such as meal services. A majority also offer medication administration services while others offer nursing care services.

Nearly 60% of PSRs have fewer than 50 units

The PSR building inventory is primarily comprised of small residences. In fact, nearly 60% of PSRs have fewer than 50 units. These small residences represent a significant portion of available housing, particularly outside major urban centres.

However, the number of small residences has fallen considerably in the last five years. A little over 440 PSRs closed down between 2016 and 2021. The vast majority of PSRs had less than 50 unit.

Snapshot of the number of PSRs in Québec by size – March 2021

Residence size	Residence		Units offered	
	Number	(%)	Number	(%)
Fewer than 50 units	993	58.4	18 173	13.2
50 to 99 units	269	15.8	19 434	14.1
100 to 149 units	136	8.0	16 901	12.3
150 to 249 units	164	9.6	32 301	23.5
250 units or more	139	8.2	50 693	36.9
TOTAL	1 701	100.0	137 502	100.0

Sources: Ministère de la Santé et des Services sociaux and Canada Mortgage and Housing Corporation.

❑ Temporary financial assistance for private seniors' residences to minimize the impact of insurance premium increases

The COVID-19 pandemic and the issue of availability of commercial insurance in recent years have led to significantly higher costs related to insurance premiums for many PSRs and other related private entities offering health services.⁴

These increases are affecting rents for seniors, and could even jeopardize the financial viability of these entities.

To minimize the impact of these insurance premium increases, the government will put in place a temporary financial assistance measure for a two-year period starting on April 1, 2021.

This assistance, which will be adapted to the size of the entities concerned, will cover a portion of the insurance premium increase for the current year, up to a maximum of two renewals. The measure will end on March 31, 2023.

The insurance premiums covered by the measure are related to property insurance, general civil or professional liability insurance, and directors' and officers' liability insurance for performing their duties.

The government is currently exploring various avenues to find a long-term solution to the issue of availability of insurance for PSRs and the other related entities concerned.

The Ministère de la Santé et des Services sociaux will be responsible for managing this new program.

❑ Assistance program for bringing certain PSRs up to standard

To improve the longer-term insurability of PSRs, the government is implementing an assistance program for carrying out work to bring certain PSRs up to standard. Under the program, financial assistance will be offered based on residence size.

Eligible expenses per residence will be based on the number of units: \$32 000 for residences with 10 units or less, \$3 200 per unit for residences with 11 to 49 units, and \$160 000 for residences with 50 to 249 units.

For each PSR, the amount of assistance will decrease according to number of units, going from 80% for eligible expenses for smaller residences to 20% for residences with 200 to 249 units.

⁴ In addition to private seniors' residences, other entities concerned include private funded and unfunded residential and long-term care centres (CHSLDs), home support social economy enterprises, intermediate resources (IRs), family-type resources (FTRs), alternative resources and private rehabilitation centres.

TABLE B.9

Main parameters of the assistance program for bringing PSRs up to standard

Maximum amount for eligible expenses	– \$32 000 for residences with 10 units or less
	– \$3 200 per unit for residences with 11 to 49 units
	– \$160 000 for residences with 50 to 249 units
Reimbursement rates for eligible expenses	– 80% of eligible expenses for residences with 1 to 99 units
	– 60% of eligible expenses for residences with 100 to 149 units
	– 40% of eligible expenses for residences with 150 to 199 units
	– 20% of eligible expenses for residences with 200 to 249 units
Maximum financial assistance	– \$25 600 to \$125 440 for residences with 1 to 49 units
	– \$128 000 for residences with 50 to 99 units
	– \$96 000 for residences with 100 to 149 units
	– \$64 000 for residences with 150 to 199 units
	– \$32 000 for residences with 200 to 249 units

Eligible expenses for the assistance program for bringing the smaller PSRs up to standard consist of capital expenditures for work aimed at meeting Building Code requirements and for renovations deemed essential by insurers in order to offer sufficient insurance coverage, such as installing kitchen exhaust hoods.

In addition, to benefit from the assistance, PSR owners must have their work certified as meeting established standards. They must also provide an assessment by an insurer demonstrating the need for the work and a certificate attesting to the work's completion.

In order to benefit from this financial assistance, a PSR must commit to maintaining its certification for at least five years after the work is completed. In the event that the PSR closes down during that period, the government will be entitled to demand a full or partial reimbursement of the financial assistance from the beneficiary.

■ **\$52 million in financial assistance for work to ensure resident safety**

Budget 2021-2022 provides \$52.0 million in funding by 2025-2026 to implement a temporary financial assistance program for bringing small PSRs up to standard.

The program will take effect on January 1, 2022 and end on December 31, 2026. Participants will have until December 31, 2025 to submit their financial assistance requests for eligible work.

This program will be overseen by the Ministère de la Santé et des Services sociaux and managed by the Société d'habitation du Québec.

■ **Illustration of assistance offered for renovations in PSRs**

For example, a PSR with 30 units could obtain financial assistance for eligible work with a maximum value of \$96 000, the equivalent of \$3 200 for each unit.

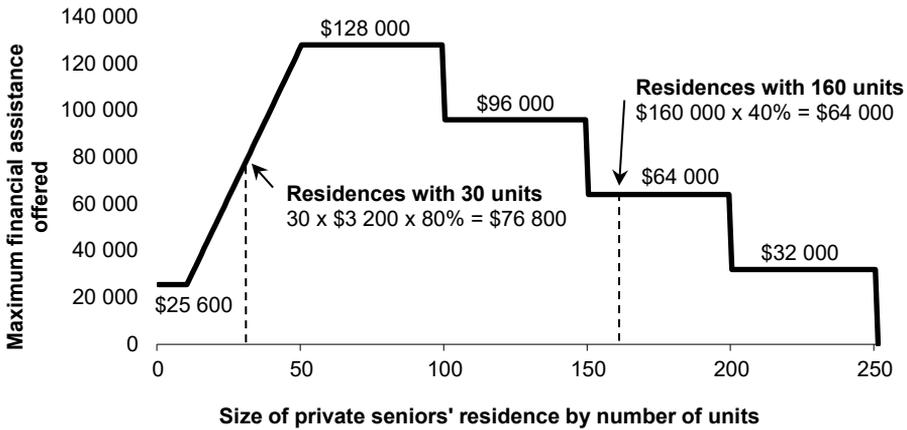
— Given that this PSR has 1 to 99 housing units, the maximum amount of financial assistance will be 80% of the total amount of eligible expenses, or \$76 800.

For a larger PSR, such as one with 160 units that has work done, maximum eligible expenses will be \$160 000.

— For this PSR, the maximum amount of financial assistance will be 40% of eligible expenses (applicable rate for residences with 150 to 199 units), or \$64 000.

CHART B.1

Maximum amount offered under the program for bringing PSRs up to standard (dollars)



❑ Gradual withdrawal of subsidies granted to PSRs for caregiving staff

Over the course of the public health crisis, the government implemented the following bonuses to recognize the essential contribution of caregiving staff in PSRs:

- a bonus of \$4 an hour for each patient-care attendant;
- an 8% hourly wage increase for nursing staff.

These bonuses will be discontinued when the public health emergency ends.

To mitigate the impact of the price of services paid by senior clients and to maintain the care available to them, the government is announcing that the subsidy granted to PSRs for their caregiving staff will be gradually withdrawn.

This transition measure will take effect when the public health emergency status is lifted. In the first year, for PSRs with 149 units or less, this subsidy will represent 80% of the subsidies related to bonus payments for their caregiving staff. During each of the subsequent years, the subsidies will be gradually reduced to zero.

The withdrawal will be more gradual for smaller PSRs, which are generally located outside large urban centres and are more financially vulnerable.

TABLE B.10

Gradual withdrawal of subsidies granted to PSRs for their caregiving staff (per cent)

	Public health emergency	After the public health emergency				
		1st year	2nd year	3rd year	4th year	5th year
Residences with 149 units or less	100	80	65	50	35	20
Residences with 150 to 199 units	100	40	32.5	25	17.5	10
Residences with 200 to 249 units	100	20	16.5	12.5	8.5	5

In Budget 2021-2022, the government provides additional funding of \$335.8 million by 2025-2026 for the payment of subsidies granted to PSRs for their caregiving staff. As a result, the impact on the price of services paid by senior clients will be mitigated, and the care available to them will be maintained.

This measure will be administered by the Ministère de la Santé et des Services sociaux.

Review of the method for setting rents and controlling increases in the price of services offered in PSRs

In Budget 2021-2022, the government introduces various temporary measures to ensure a smooth transition from the exceptional conditions of the public health crisis to a return to normal.

To ensure seniors are able to stay at home, it is necessary to protect them from excessive increases in service costs, while PSRs must be given the means necessary to grow their revenues at a pace consistent with their expenses.

Recap of the current mechanism for setting rents

In Québec, the schedule for setting rents is only applied when the Tribunal administratif du logement (TAL) is presented with a rent setting request. This generally occurs when a resident refuses an increase proposed by a PSR.¹

It is therefore acknowledged that the vast majority of tenants accept the rent increases proposed by their landlords. In addition, according to a report by the Québec Ombudsman,² seniors are even less inclined to dispute rent increases given their vulnerable situations.

Main issues raised

The method for setting rents is not adapted to the operating cost structure of PSRs, particularly with regard to the remuneration of employees providing services.

As a result, PSRs may have to assume a heavier financial burden than the legally set rent increase, which hinders their profitability. This could cause some to close down or offer fewer services.

However, seniors should be better protected against price increases, as they are less inclined to dispute rent increases.

Review of the method for setting rents

The government will review the method for setting rents in PSRs.

As part of the review, it will assess the opportunity to implement a mechanism for controlling increases in the price of services in PSRs that is different from that currently used, which is based on building-related expenses, in order to:

- assure seniors that the increases in price for services included in rent or billed “à la carte” are reasonable;
- better recognize growth in PSR operating costs by including the services offered to residents.

The Ministère des Affaires municipales et de l'Habitation, the Ministère de la Santé et des Services sociaux and the Ministère des Finances du Québec will conduct this review in the coming months.

1 According to the Tribunal administratif du logement for 2019-2020, some 6 000 out of 1.3-million rental housing units have been the subject of an annual rent setting request, representing less than 1% of rental housing.

2 Special report by the Québec Ombudsman, “Private seniors’ residences: more than just rental businesses – The rights and obligations of the tenants and owners of private seniors’ residences,” Québec City, June 16, 2016, 48 pages.

2.3 Enhancing the refundable tax credit for home-support services for seniors

The refundable tax credit for home-support services for seniors is granted to individuals aged 70 and over who receive home support services, such as nursing care or meal preparation.

Seniors who live in a PSR, an apartment building, a condominium or a single-family home that they own can benefit from this tax credit for eligible expenses that are included in their rent (or condominium fees) and those that are billed per use. In all cases, the value of the financial assistance paid is determined based on the expense incurred and, generally, the level of service obtained.

To take into account the financial burden that home support services can represent for seniors, Budget 2021-2022 includes an investment of \$394.2 million to enhance the refundable tax credit for home-support services for seniors, which includes:

- \$268.5 million over five years to increase the tax credit rate from 35% to 40%;
- \$125.7 million to enhance financial assistance for seniors living in apartment buildings.

TABLE B.11

Financial impact of the measures to enhance the refundable tax credit for home-support services for seniors (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Tax credit rate increase from 35% to 40%	—	-10.4	-21.7	-50.4	-77.8	-108.2	-268.5
Enhanced financial assistance for seniors living in apartment buildings	—	-0.1	-23.6	-33.4	-34.0	-34.6	-125.7
TOTAL	—	-10.5	-45.3	-83.8	-111.8	-142.8	-394.2

Refundable tax credit for home-support services for seniors

Introduced on January 1, 2000, the refundable tax credit for home-support services for seniors aims to provide financial support to seniors aged 70 and over who receive home support services, regardless of their place of residence.

This tax credit currently grants tax assistance equal to 35% of eligible expenses. These expenses cannot exceed \$19 500 per year per autonomous senior and \$25 500 per non-autonomous senior.

For autonomous seniors with higher incomes, tax assistance is reduced at a rate of 3% for household incomes exceeding \$60 135 in 2021. However, it is not reduced for non-autonomous seniors.

A portion of home support services can be billed as part of the rent or condominium fees paid by seniors. To account for these services, there is a formula for determining eligible expenses for the tax credit.

It is also important to point out that the tax credit can be granted in advance for seniors living in a PSR, an apartment building, a condominium or a private home for all types of services, including occasional services.

Seniors living in a PSR

For seniors living in a PSR, a significant portion of their eligible expenses are included in their monthly rent (and incorporated in the schedule to their lease). However, the number of eligible services can vary from one person to another.

To take this variation into account, there is a table for setting eligible expenses by type of service that is included in the monthly rent. In addition, for a single person, the portion of rent that qualifies as eligible expenses for the tax credit must not exceed 65% of the rent (or 75% in the case of a non-autonomous person).

Seniors living in an apartment building

For seniors living in an apartment building, a few eligible expenses are generally included in their rent, such as snow removal and lawn mowing.

In such cases, there is a simplified formula for taking into account the volume of services provided for the tax credit, which is generally consistent from one building to another.

Seniors living in a condominium

For seniors who live in a housing unit that they own in a divided condominium, eligible expenses are generally included in their condominium fees.

These services are solely related to housekeeping (e.g. cleaning common areas) and exterior maintenance (e.g. snow removal and gutter cleaning).

Seniors living in a single-family home they own

Seniors living in a single-family home they own must calculate all their expenses based on bills paid for eligible pay-per-use services, such as snow removal and lawn mowing.

❑ Tax credit rate increase from 35% to 40%

The government recognizes that low-income non-autonomous seniors require more home support services and that the assistance offered should be focused on those that need them the most.

Budget 2021-2022 includes a gradual increase in the refundable tax credit for home-support services for seniors by one percentage point per year until 2026. The tax credit rate will go up incrementally from 35% in 2021 to 40% in 2026, which will be more beneficial for low-income seniors and those with more diminished autonomy.

This represents an increase of \$268.5 million for seniors by 2025-2026 so that a significant majority of beneficiaries of the refundable tax credit for home-support services for seniors can receive home support services at a lower cost.

■ Non-autonomous seniors: An increase to recognize the importance of necessary services

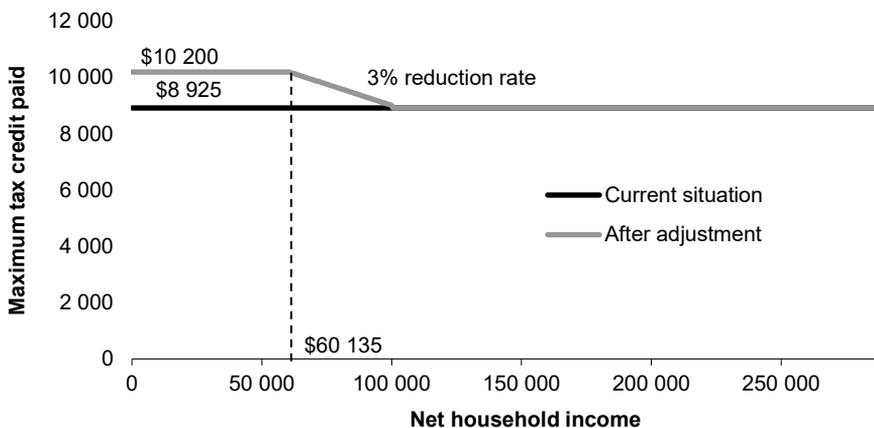
To support non-autonomous seniors who have fewer means to pay for services, the government is announcing an increase to the refundable tax credit for home-support services for seniors, which primarily targets seniors with a household income of less than \$60 135. For taxpayers with household incomes above this amount, the increase will be reduced by 3% for each dollar of household income exceeding this threshold as of January 1, 2022.

The government recognizes that non-autonomous seniors require more home support services. Therefore, this reduction in the tax credit will only apply to the increased portion.

This way, regardless of their income, non-autonomous seniors will continue to benefit from tax assistance equal to at least 35% of their eligible expenses, which corresponds to the maximum refundable tax credit for home-support services for seniors currently offered in 2021.

CHART B.2

Tax credit increase for a non-autonomous senior requesting the maximum eligible expenses – When fully implemented (dollars)



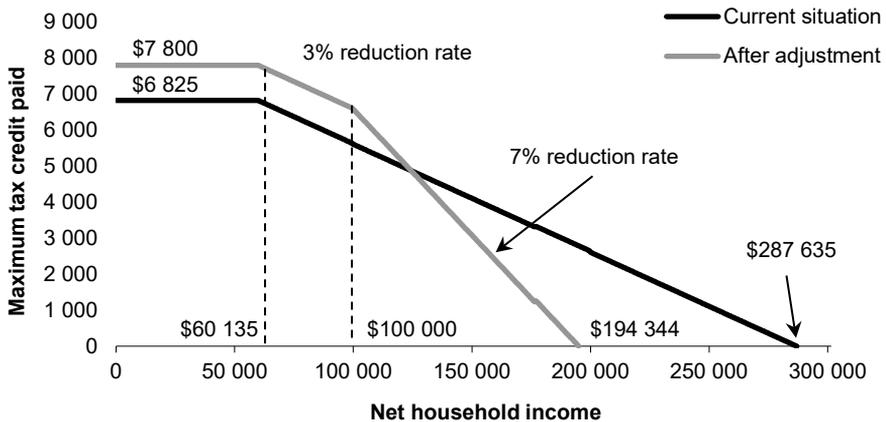
■ **Autonomous seniors: A better distribution of assistance to benefit low-income seniors**

To ensure that the additional assistance benefits more seniors with fewer means to obtain services, the government is announcing that the amount granted under the refundable tax credit for home-support services for seniors will be reduced based on household income in two phases:

- first, at a rate of 3% for every dollar of household income exceeding \$60 135,⁵ up to an income of \$100 000;
- subsequently, at a rate of 7% for each dollar of household income exceeding \$100 000.⁶

CHART B.3

Enhanced tax credit for an autonomous senior requesting the maximum eligible expenses – When fully implemented
(dollars)



⁵ This is the applicable reduction threshold for the 2021 taxation year. This amount will be indexed in 2022.

⁶ The amount of \$100 000 will be indexed as of 2023.

Illustration of the enhanced refundable tax credit for home-support services for seniors in 2026

Illustration of a senior who owns a single-family home

Pauline is an 80-year-old autonomous senior. She has owned and lived in a single-family home for several decades, and her annual income is \$30 000. Pauline pays \$1 500 per year for various tasks that she cannot perform herself, such as shovelling her walkway and roof, mowing her lawn and performing housekeeping.

In 2020, through the refundable tax credit for home-support services for seniors, she received \$525 in tax assistance to help her pay for these services. When fully implemented, the enhanced tax credit will enable Pauline to benefit from an additional \$75 per year, bringing her total tax assistance to \$600.

Illustrations of seniors living in PSRs

Non-autonomous seniors living alone

Marie is a 75-year-old non-autonomous senior with an annual income of \$30 000. She lives in a private seniors' residence (PSR), where she receives a number of services that are essential to her, including dressing assistance, nursing services and meal assistance services. Her expenses for these services amount to \$20 000 per year.

When fully implemented, the enhanced tax credit will enable Marie to receive tax assistance equivalent to 40% of her eligible expenses, or \$8 000. This represents \$1 000 in additional assistance per year for Marie.

Autonomous seniors living as a couple

Gilles and Francine are autonomous seniors aged 73 and 74, respectively. Their annual household income is \$55 000. As they wanted to live in a safer environment that was more tailored to their situation, they moved into a PSR a few years ago. Gilles and Francine incur \$11 000 in annual eligible expenses for the refundable tax credit for home-support services for seniors for basic services (e.g. meals, security and domestic help).

When fully implemented, the enhanced tax credit will enable them to receive \$4 400 in tax assistance, which is \$550 more than they currently receive.

- **An annual increase of \$755 for non-autonomous seniors living in a PSR with eligible expenses for the refundable tax credit for home-support services for seniors of more than \$15 000 per year**

When fully implemented in 2026, the five-point tax credit rate increase will raise the maximum amount of assistance granted to a senior who lives alone by:

- \$470 per year for an autonomous senior with \$9 400 in annual eligible expenses for the refundable tax credit for home-support services for seniors, the average for an autonomous senior living alone in a PSR;
- \$755 per year for a non-autonomous senior with \$15 100 in annual eligible expenses for the refundable tax credit for home-support services for seniors, the average for a non-autonomous senior living alone in a PSR.

TABLE B.12

Illustration of the enhanced tax credit for a senior living alone by level of autonomy – When fully implemented
(dollars)

Income	Autonomous seniors living alone ⁽¹⁾			Non-autonomous seniors living alone ⁽²⁾		
	Before	After	Difference	Before	After	Difference
18 414 ⁽³⁾	3 290	3 760	470	5 285	6 040	755
30 000	3 290	3 760	470	5 285	6 040	755
50 000	3 290	3 760	470	5 285	6 040	755
70 000	2 994	3 464	470	5 285	5 744	459
90 000	2 394	2 864	470	5 285	5 285	—
120 000	1 494	1 164	-330	5 285	5 285	—
150 000	594	—	-594	5 285	5 285	—

- (1) For annual expenses of \$9 400, the average for an autonomous person living alone in a PSR.
- (2) For annual expenses of \$15 100, the average for a non-autonomous senior living alone in a PSR.
- (3) The income level equivalent to the maximum Old Age Security pension and the Guaranteed Income Supplement based on the amounts paid from January to March 2021.

Financial assistance offered through the refundable tax credit for home-support services for seniors

In 2021, the refundable tax credit for home-support services for seniors grants tax assistance equivalent to 35% of their annual expenses, for which the eligible maximum is \$19 500 for an autonomous senior and \$25 500 for a non-autonomous senior.

As such, fewer than 5% of seniors will reach the maximum amount of eligible expenses under the tax credit. Therefore, an increase in service costs generally results in an increase in the amount of financial assistance paid.

This is true for seniors receiving pay-per-use services and those whose services are included in their rent, which is often the case for seniors living in PSRs.

In addition, as eligible expenses for a senior living in a PSR are calculated based on a rate applicable to their monthly rent, an increase can also lead to an increase in the tax credit paid.

For example, a \$100 increase in the monthly rent for a PSR can result in a \$65 increase in eligible expenses for the refundable tax credit for home-support services for seniors. The increase in eligible expense represents an additional payment of \$22.75 per month in tax assistance.

However, a tenant who has reached the maximum amount of eligible expenses for services included in their rent for a PSR will not necessarily benefit from an increase in their financial assistance following a rent increase.

❑ Enhanced financial assistance for seniors living in an apartment building

Beneficiaries of the tax credit who live in an apartment building unit⁷ are eligible for tax assistance equal to 5% of their rent for eligible expenses that are included in it.⁸

However, the maximum eligible amount for this financial assistance is \$600 and has not been indexed since it was introduced in 2008.

Furthermore, a number of seniors who are eligible for this tax assistance do not apply for it and therefore fail to benefit from it.

As a result, this budget is announcing that as of January 1, 2022:

- the maximum amount of rent used to calculate eligible expenses for the refundable tax credit for home-support services for seniors will be raised from \$600 to \$1 200 a month to take into account housing price increases since 2008;
- a minimum eligible expense corresponding to rent of \$600 per month will be granted through the refundable tax credit for home-support services for seniors to all clients living in an apartment building;
- this eligible expense could lead to an automatic tax assistance payment of up to \$144 to eligible seniors who live in an apartment building but haven't applied for the tax credit.

■ Increase in financial assistance of up to \$162 per year

For seniors who live in an apartment building, the increase in the maximum rent from \$600 to \$1 200 per month for calculating eligible expenses for the refundable tax credit for home-support services for seniors represents an increase in tax assistance of up to \$162 per year.

TABLE B.13

Illustration of the increase in the maximum eligible rent for the tax credit for seniors living in an apartment building – When fully implemented (dollars and percentage)

	Before	After	Difference
Maximum eligible monthly rent	\$600	\$1 200	\$600
Rate of eligible expenses included in rent	5%	5%	—
Tax credit rate	35%	40%	5%
Maximum tax assistance per year	\$126	\$288	\$162

⁷ An apartment building other than a private seniors' residence.

⁸ These expenses mainly take into account maintenance services, such as minor exterior work (e.g. lawn mowing, raking, chimney cleaning, tree pruning, snow removal, and window and gutter cleaning).

■ Automatic payment of financial assistance

To facilitate access to tax assistance for seniors aged 70 and over who live in an apartment building, and with a view to simplifying administration for Quebecers, Budget 2021-2022 provides for financial assistance to be paid automatically, once Revenu Québec has the taxation data needed to make the payment.

If a senior is eligible for the refundable tax credit for home-support services for seniors when producing their tax return but does not apply for it, Revenu Québec may grant them tax assistance based on eligible minimum rent of \$600 per month.

— The tax credit amount that eligible seniors could automatically receive without having to apply for it could therefore reach \$144 per year when the credit rate for the refundable tax credit for home-support services for seniors is increased to 40%.⁹

Nevertheless, seniors aged 70 and over will be encouraged to apply for the tax credit in order to fully benefit from the tax assistance offered. In fact, they could qualify for a higher amount of financial assistance if their rent exceeds \$600 per month or they have eligible expenses for the refundable tax credit for home-support services for seniors that are not included in their rent.

This measure will benefit just over 160 000 senior households that have not yet applied for this tax credit despite having eligible expenses included in their rent.

■ A \$125.7-million investment over five years

The increase to financial assistance for seniors living in an apartment building represents an investment of \$125.7 million over five years.

This measure will benefit approximately 290 000 senior beneficiaries of the refundable tax credit for home-support services for seniors who live in an apartment building.

⁹ To identify seniors aged 70 and over who are eligible for the refundable tax credit for home-support services for seniors, Revenu Québec will use the *RL-31 Slip: Information About a Leased Dwelling*. This slip must be produced and provided to Revenu Québec by landlords for a dwelling whose rent was paid over the course of the year.

2.4 Strengthening health care and services in senior housing

Seniors with diminishing autonomy require more and more care. Many are waiting for senior housing where they can receive care and services tailored to their needs.

Therefore, the government is announcing the addition of 500 residential beds and spaces to increase and improve the care seniors receive while waiting for seniors' homes to open.

— This additional amount makes it possible to offer 2 500 residential beds and spaces more than three years ago.

In addition, a policy and an action plan on health care and services in residential and long-term care centres will be announced in the coming year.

In Budget 2021-2022, the government provides additional funding of \$334.0 million by 2025-2026 to strengthen health care and services in residential and long-term care centres for seniors with diminishing autonomy.

Housing policy: Enhancing residential care and services for seniors

The COVID-19 pandemic brought to light issues that must be addressed quickly, particularly the importance of having an overall vision on housing that will serve as the basis for an upcoming policy on housing and long-term care and services and its related action plan. The action plan will propose measures that will significantly improve the quality of life of all residents.

Work is also underway to harmonize public and private CHSLDs. The goal is to respond to users' needs with the same quality of care and services and with the same working conditions for staff working across Québec.

Moreover, the number of users waiting in a hospital centre for alternative care is on the rise. This increase is associated in particular with the aging of the population and the rise in chronic illnesses. Hospitals' short-term beds used by individuals who no longer require the level of service offered constitute a less-than-optimal option, especially for users requiring rehabilitation, long-term care, convalescent care or mental health care. The government plans to add more than 500 spaces to meet these users' needs.

Seniors' homes

In November 2019, the government presented its plan for transforming more than 2 500 spaces in CHSLDs into seniors' homes by 2022.

Seniors' homes are aimed at providing living environments that are better adapted to seniors' needs. They will house seniors with moderately diminishing autonomy, who will be supported until they experience a major loss of autonomy.

The homes will have the following features:

- housing units bringing together 12 residents with similar characteristics;
- larger individual bedrooms with private bathrooms and adapted showers to facilitate personal hygiene based on needs;
- common areas to take part in stimulating activities to encourage involvement by residents and their loved ones;
- a dedicated space for informal caregivers to encourage their visits and offer them respite around the clock;
- a design that avoids any resemblance to an institutional setting to the extent possible, including by concealing nurses' stations;
- outdoor spaces that are accessible, safe and open to the community;
- prevention and infection control infrastructure.

Since December 2019, numerous seniors' homes and forms of alternative housing have been announced across Québec.

Investments totalling \$2.6 billion are planned for this purpose between now and 2022-2023.

2.5 Improving the quality of life of informal caregivers

There are approximately 1.6 million informal caregivers that serve seniors in Québec. The government has undertaken to improve the living conditions of informal caregivers, who have seen their assistance conditions deteriorate over the years.

It wishes to support them in the critical role they play in Québec society. To improve the quality of life of informal caregivers, the government is announcing increased investment in respite services, support services and training aimed at better assisting care recipients.

In the coming year, the government will announce a Québec-wide policy for informal caregivers and an action plan to develop a new continuum of services to support them.

- The action plan will introduce a wide range of concrete measures to meet the needs of informal caregivers, regardless of their age or the type of disability of the individuals they support.

In Budget 2021-2022, the government provides additional funding of \$95.0 million by 2025-2026 to improve the quality of life of informal caregivers.

Informal caregivers

Informal caregivers play a key role for people with disabilities.

In the last two years, a number of measures have been implemented to assist them. To increase support for informal caregivers, the government has announced investments of \$705.2 million over six years, namely:

- \$532.2 million to establish the refundable tax credit for caregivers;
- \$173.0 million to continue to improve the quality of life of informal caregivers.

In particular, the tax credit aims to provide significant tax assistance to 82 000 beneficiaries. It also targets caregivers of spouses under 70 years old and caregivers having no family relationship with the care recipient.

Thanks to the investments made, respite homes and services have been made available to informal caregivers.

- There are currently eight Maison Gilles-Carle respite homes, including one in Montréal, one in Boucherville, one in the Beauce region and one in Chicoutimi. These homes temporarily welcome persons with diminishing autonomy. Informal caregivers are then able to rest.

3. STRENGTHENING HEALTH CARE AND SERVICES

In addition to initiatives aimed at responding to the pandemic, the government is committed to improving health care and services today to ensure access to quality care and services for Quebecers in the coming years.

In Budget 2021-2022, in addition to managing the crisis and improving services for seniors, the government will invest more than \$1.3 billion by 2025-2026 in the following four priority areas:

- \$526.5 million to improve access to frontline services;
- \$287.5 million to increase mental health services;
- \$255.0 million to meet the needs of vulnerable persons;
- \$252.0 million to strengthen services for youth in difficulty.

TABLE B.14

Financial impact of the measures to enhance health care and services (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Improving access to frontline care	—	-105.3	-105.3	-105.3	-105.3	-105.3	-526.5
Increasing mental health services	—	-57.5	-57.5	-57.5	-57.5	-57.5	-287.5
Meeting the needs of vulnerable persons	—	-51.0	-51.0	-51.0	-51.0	-51.0	-255.0
Strengthening services for youth in difficulty	—	-50.4	-50.4	-50.4	-50.4	-50.4	-252.0
TOTAL	—	-264.2	-264.2	-264.2	-264.2	-264.2	-1 321.0

3.1 Improving access to frontline care

The government has pledged to ensure that Quebecers have ready access to quality health care and services. Several measures have been taken in the last few years, including accelerating access to a family doctor.

In Budget 2021-2022, the government is continuing its efforts and introducing measures totalling \$526.5 million by 2025-2026. These measures are aimed at:

- facilitating access to frontline medical services;
- improving access to certain specialized medical services;
- enhancing the support program for community organizations;
- accelerating the digital shift in health and social services.

TABLE B.15

Financial impact of the measures to improve access to frontline services (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Facilitating access to frontline medical services	—	-60.1	-60.1	-60.1	-60.1	-60.1	-300.5
Improving access to certain specialized medical services	—	-12.7	-12.7	-12.7	-12.7	-12.7	-63.5
Enhancing the support program for community organizations	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Accelerating the digital shift in health and social services	—	-22.5	-22.5	-22.5	-22.5	-22.5	-112.5
TOTAL	—	-105.3	-105.3	-105.3	-105.3	-105.3	-526.5

□ Facilitating access to frontline medical services

In Québec, approximately 650 000 people are on a waiting list for a family doctor. The average wait time is one and a half years.

The government would like to facilitate access to frontline medical services and reduce wait times so that people receive prompt care, in keeping with its commitment that every Quebecer should have access to a health care professional within 36 hours.

To that end, access points for frontline care will be created for people who are still on waiting lists for a family doctor. Additional resources will also be hired to support access points for people on waiting lists.

In Budget 2021-2022, the government provides \$300.5 million in funding by 2025-2026 to facilitate access to frontline medical service.

❑ Improving access to certain specialized services

To provide users with access to specialized services within a timeframe appropriate for their clinical condition, the government has implemented a host of strategies and mechanisms in the network.

Prioritized access to specialized services has been introduced in Québec for 26 specialized services, including cardiology, hematology, geriatrics and internal medicine.

To increase the number of eligible specialized services, in Budget 2021-2022, the government provides \$63.5 million in funding by 2025-2026.

❑ Enhancing the support program for community organizations

Community organizations work with society's most vulnerable people in matters concerning their health and wellness.

Some 3 050 community organizations in the health and social services sector receive funding under the support program for community organizations to help them fulfil their overall mission.

The government recognizes the vital contribution community organizations make to maintaining and improving the health and wellness of the population and would like to offer them more support.

— Since March 2019, a total of \$150.0 million has been allocated to the support program for community organizations.

In Budget 2021-2022, the government is continuing its efforts by providing additional funding of \$50.0 million by 2025-2026 to support community organizations.

Support program for community organizations

The support program for community organizations aims to meet the financial needs of community organizations that primarily work in health and social services.

Subsidized community organizations are recognized by the Ministère de la Santé et des Services sociaux and institutions as full-fledged independent partners of the health and social services network. They focus in particular on:

- offering preventive, assistance and support services, including temporary housing services;
- promoting social development, improving living conditions and the health of Quebecers;
- responding to new needs by using innovative approaches or by targeting specific groups of people.

In 2020-2021, nearly \$731 million in subsidies were paid to various eligible organizations, such as:

- independent community action organizations;
- organization working primarily in health and social services.

❑ Accelerating the digital shift in health and social services

The government would like to pursue the digital shift in health and social services institutions, including a transition to cloud computing. This shift is aimed at improving the performance and efficiency of health and social services institutions.

In addition, the government will implement systems, making it easier to book appointments and giving the public online access to available frontline appointments.

To carry out this digital shift, the government will allocate additional IT resources.

In Budget 2021-2022, the government provides additional funding of \$112.5 million by 2025-2026 to hire additional IT resources.

3.2 Increasing mental health services

The onset of the pandemic exacerbated psychological distress among the public and difficulties experienced by people with mental health disorders.

In Budget 2021-2022, the government invests:

- \$262.5 million to improve the population's mental health by way of enhanced services;
- \$25.0 million for suicide prevention.

TABLE B.16

Financial impact of the measures to improve mental health services (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Improving mental health services	—	-52.5	-52.5	-52.5	-52.5	-52.5	-262.5
Preventing suicide	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
TOTAL	—	-57.5	-57.5	-57.5	-57.5	-57.5	-287.5

Improving mental health services

In Québec, 12% of the population suffers from mental health problems, which equates to more than 1 million people.

- In September 2020, more than 37% of Quebecers aged 18 to 24 reported having experienced symptoms of anxiety and depression during the pandemic.¹⁰

Since March 2019, a total of \$361.4 million has been allocated to providing mental health services, including:

- \$261.4 million to increase local services that are tailored to multiple clientele and to enhance specialized services for young people experiencing their first psychotic episode;
- \$100.0 million to help young people cope with mental disorders, addiction or social adaptation problem by opening ten additional Aire ouverte service points.

To ensure their access to specialized services, such as psychosocial consultations by phone, the government is announcing the hiring of additional resources.

- Funding of \$15.8 million for 2020-2021 and \$84.2 million for 2021-2022 has already been provided to the Ministère de la Santé et des Services sociaux to respond to increased needs as a result of the pandemic.

¹⁰ UNIVERSITÉ DE SHERBROOKE, *L'anxiété et la dépression : une deuxième catastrophe au Québec*, September 29 2020, [\[https://www.usherbrooke.ca/actualites/nouvelles/nouvelles-details/article/43540\]](https://www.usherbrooke.ca/actualites/nouvelles/nouvelles-details/article/43540).

In addition, over the course of the next year, the government will announce a new interdepartmental action plan on mental health.

Budget 2021-2022 provides additional funding of \$262.5 million by 2025-2026 to implement the interdepartmental mental health action plan.

☐ Preventing suicide

In 2017, Québec recorded 1 045 deaths due to suicide, representing a rate of 12.4 out of every 100 000 people.

On October 29, 2019, at the Forum Adultes et santé mentale, the government announced its plan to develop a Québec-wide strategy for suicide prevention, which will be unveiled next year.

The pandemic has further highlighted the importance of being proactive and implementing initiatives aimed at suicide prevention.

Budget 2021-2022 provides additional funding of \$25.0 million by 2025-2026 for suicide prevention.

3.3 Meeting the needs of vulnerable persons

In Budget 2021-2022, the government would also like to implement measures aimed at meeting the special needs of certain persons.

To that end, \$255.0 million in funding is provided over five years to implement measures aimed at enhancing support for people with special needs and vulnerable persons. This amount includes:

- \$102.0 million to strengthen activities and services for the mother-child pathway, and to provide Quebecers with access to the resources they need to conceive a child, among other things;
- \$65.0 million to implement the next interdepartmental action plan on homelessness;
- \$50.0 million for the program to support families of persons with a disability or an autism spectrum disorder;
- \$22.5 million to bolster resources for women who are victims of domestic violence.

TABLE B.17

Financial impact of the measures to meet the needs of vulnerable persons (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Strengthening activities and services for the mother-child pathway	—	-20.4	-20.4	-20.4	-20.4	-20.4	-102.0
Improving the service offer and preventing homelessness	—	-13.0	-13.0	-13.0	-13.0	-13.0	-65.0
Improving the program to support families of persons with a disability or an autism spectrum disorder	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Enhancing services for women who are victims of domestic violence	—	-4.5	-4.5	-4.5	-4.5	-4.5	-22.5
Other initiatives ⁽¹⁾	—	-3.1	-3.1	-3.1	-3.1	-3.1	-15.5
TOTAL	—	-51.0	-51.0	-51.0	-51.0	-51.0	-255.0

(1) Funding of \$2.0 million per year is being allocated for additional resources to implement the Institut de la pertinence des actes médicaux, and \$1.1 million per year is being allocated to Régie de l'assurance maladie du Québec to increase assessments of the business practices of wholesalers and pharmaceutical companies.

☐ Strengthening activities and services for the mother-child pathway

The government wants to ensure that parents wishing to conceive a child have access to the resources they need to make their dream come true.

To that end, funding of \$102.0 million by 2025-2026 is provided in Budget 2021-2022¹¹ to bolster activities and services for the mother-child pathway.

In particular, this amount will:

- help roll out the medically assisted reproduction program;
- add resources to ensure access to obstetric services in certain regions;
- maintain a prevention program for obstetric risks;
- better direct teenage mothers and their children.

☐ Improving the service offer and preventing homelessness

The government would like to implement concrete actions in an effort to reduce and prevent homelessness.

Budget 2021-2022 therefore provides \$65.0 million over five years to implement the next interdepartmental action plan on homelessness. Among other things, this amount will:

- encourage social cohabitation, through the creation of mixed teams together with police forces;
- strengthen multidisciplinary teams focused on homelessness;
- ensure the continuity of services for persons experiencing homelessness or at risk of becoming homeless.

¹¹ These activities and services are related to childbirth. They can benefit both mothers and newborns.

❑ Improving the program to support families of persons with a disability or an autism spectrum disorder

The program to support families of persons with a disability or an autism spectrum disorder includes several measures, including direct allowances for access to respite services, babysitting, emergency assistance and support for parents in carrying out day-to-day tasks. While the program helped close to 25 000 people in 2019-2020, many families are still waiting for assistance.

Therefore, in Budget 2021-2022, the government provides \$50.0 million in funding by 2025-2026 to reduce waiting lists and increase the hours of service these families can benefit from.

❑ Enhancing services for women who are victims of domestic violence

Over the past year, the government has strengthened its support to women who are victims of domestic violence, particularly through its specific action plan to prevent situations of domestic violence with a high risk of danger. For the purpose of this plan, more than \$180 million will be invested over five years to strengthen efforts to prevent domestic violence.¹²

In the context of the pandemic, a number of shelters for female victims of domestic violence had to significantly reduce the number of available beds to prevent the spread of COVID-19. This constraint exacerbated the lack of space.¹³

Due to a lack of funding, shelters have also had difficulties continuing their additional activities, including youth intervention, hotlines, and prevention and awareness activities.

To improve the services offered by these shelters, in Budget 2021-2022, the government provides \$22.5 million in funding by 2025-2026. This will help a greater number of victims of domestic violence access emergency shelter resources and strengthen external consultation services.

¹² Section E, “Supporting Quebecers” contains further details about initiatives aimed at fighting domestic violence.

¹³ To that end, the government announced, in March 2020, an investment of \$2.5 million to meet the increased needs of shelters and organizations supporting women who are victims of domestic violence.

3.4 Strengthening services for youth in difficulty

The government recognizes the importance of taking action to ensure the safety and well-being of young Quebecers.

In Budget 2021-2022, the government will therefore strengthen psychosocial services and hotlines for young people, including:

- \$150.0 million to enhance local services for youth in difficulty;
- \$94.5 million to ensure a safe living environment for children;
- \$7.5 million to support Tel-jeunes.

In this regard, the government is providing funding of \$252.0 million by 2025-2026.

TABLE B.18

Financial impact of the measures to strengthen services for youth in difficulty (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Enhancing local services for youth in difficulty	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Ensuring a safe living environment for children	—	-18.9	-18.9	-18.9	-18.9	-18.9	-94.5
Supporting Tel-jeunes		-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
TOTAL	—	-50.4	-50.4	-50.4	-50.4	-50.4	-252.0

❑ Enhancing local services for youth in difficulty

To promote the safety and development of youth in difficulty, it is important to provide effective local psychosocial services. This includes ensuring that the first service contact¹⁴ for psychosocial support is available within 30 days of the request in order to effectively intervene.

To improve wait times to access local services and increase the rate of cases handled, in Budget 2021-2022, the government provides funding of \$150.0 million by 2025-2026 to enhance the services provided as part of the Jeunes en difficulté service program.¹⁵

Also, in terms of youth protection, a three-year mediation pilot project will be set up to manage the parent-child clientele upon assessment and report taking, and make sure a youth services worker from the Direction de la protection de la jeunesse gets involved.

❑ Ensuring a safe living environment for children

The pandemic has put significant pressure on youth protection services, particularly due to the increased isolation and financial insecurity experienced by families.

Having seen a major increase in the number of situations reported in the last few years, branches of the Direction de la protection de la jeunesse in some regions need more resources to ensure the safety of the children it monitors.

From 2016-2017 to 2019-2020, the number of children taken in by youth protection services and entrusted to a foster family increased 25.9%. As a result, institutions have observed a growing need among those responsible for foster families for better clinical support and, in particular, increased training.

The government intends to provide children with a safe living environment where they will receive the appropriate services. To do so, several resources will be added, particularly regarding clinical support for foster families, the regional offer of service and the implementation of actions in keeping with the policy directions of the Special Commission on the Rights of the Child and Youth Protection.

The government therefore provides \$94.5 million by 2025-2026 as part of Budget 2021-2022 to ensure a safe living environment for children.

¹⁴ A first service contact is the first psychosocial intervention in a patient's episode of services, before they receive any service.

¹⁵ The Jeunes en difficulté service program brings together services for young people, from early childhood to adulthood, who experience developmental or behavioural problems or have social adaptation difficulties. The program addresses a range of topics, including delinquency, violence and suicide.

❑ **Supporting Tel-jeunes**

Since 1991, Tel-jeunes has helped 1.8 million young people across Québec. Tel-jeunes representatives are available to listen to young people by phone, by text, online or by email 24 hours a day, 365 days a year.

However, Tel-jeunes is experiencing an increase in requests for help. Young people address topics such as managing emotions, stress, anxiety, suicidal thoughts and concerns about a mental health assessment.

To enable Tel-jeunes to handle the growing demand for its services, especially due to the pandemic, the government is announcing it will increase its funding by \$7.5 million by 2025-2026. This measure will come under the 2021-2024 youth action plan.

Initiatives in line with the recommendations and policy directions sent by the Special Commission on the Rights of the Child and Youth Protection (Laurent Commission)

Providing an initial response to the mid-mandate recommendations

The government has already taken initiatives totalling \$740 million from 2020-2021 to 2024-2025 to provide an initial response to the mid-mandate recommendations made by the Special Commission on the Rights of the Child and Youth Protection, which were submitted in 2019.

Of this total amount, the government has earmarked:

- \$450.0 million to increase services for youth in difficulty and their families;¹
- \$200.0 million dollars to continue to implement the Agir tôt program;¹
- \$90.0 million to further support family community organizations and community drop-in childcare centres.²

Additional initiatives taken in Budget 2021-2022

In addition to these initiatives, in Budget 2021-2022, the government provides \$252 million over five years to strengthen services for youth in difficulty, in line with the policy directions submitted by the Commission in 2020.

Initiatives totalling nearly \$1 billion

Thus, even before the final report is issued, the government has committed to invest nearly \$1 billion in total to respond to the initial recommendations and policy directions by the Special Commission on the Rights of the Child and Youth Protection.

1 For more information, see Table D.5 on page D.11 of Québec's *Budget Plan – March 2020*.

2 For more information, see Table D.21 on page D.46 of Québec's *Budget Plan – March 2020*.

4. TOWARDS INCREASED FEDERAL HEALTH FUNDING

Since the beginning of the pandemic, major efforts have been made by the Québec government to support the health care system. Concrete actions were taken such as the training and hiring of patient-care attendants working in CHSLDs. These efforts, together with the aging population, increase pressure on long-term health care costs.

In September 2020 and again recently, the provincial and territorial Premiers called on the federal government to act on their number one priority, health care funding.

— In this regard, the federal government was asked to increase the Canada Health Transfer (CHT) to 35% of provincial and territorial health expenditures starting in 2021-2022.

Québec is asking the federal government to act as a true financial partner for the health sector in a context of growing cost pressures on health care systems.

The current projected increases of the CHT, which is tied to the growth of Canadian nominal GDP, is insufficient. This is due in part to the long-term impact of the COVID-19 pandemic, population aging and the costs of the improvement of services related to the arrival of new drugs and access to new cutting-edge equipment, among other things.

❑ A federal contribution that will continue to decrease if no changes are made

Since 2017-2018, the CHT has been growing at the rate of Canadian nominal gross domestic product (GDP),¹⁶ whereas it was previously increased by 6% per year.

— From 2017-2018 to 2020-2021, the average annual increase was 3.8%, well below the previous 6% rate and the average annual growth in provincial and territorial health expenditures of 7.3% over this period.

— The federal government decided unilaterally to reduce the annual increase in the CHT.

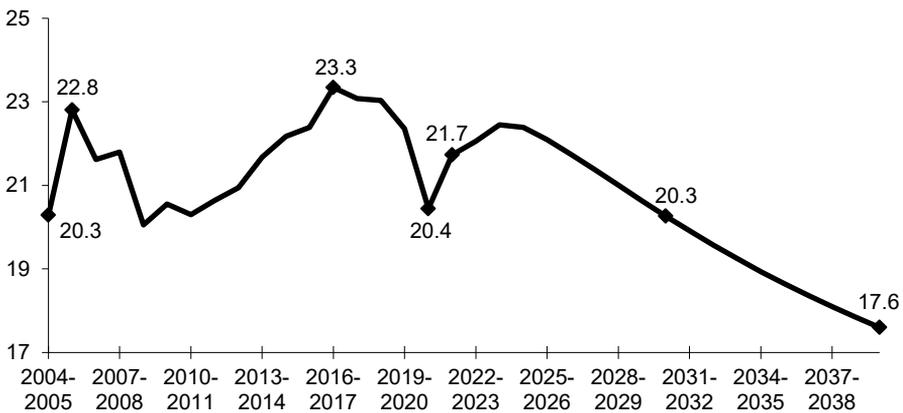
¹⁶ Indexation is subject to a minimum of 3% per year.

On account of this lower indexation, the federal contribution to provincial and territorial health expenditures is declining and if no changes are made this trend will continue.

- The federal government will only contribute 21.7% to provincial and territorial health care expenditures in 2021-2022.¹⁷
- Without an increase in the CHT, the federal share of provincial and territorial health expenditures could be as low as 20.3% in 2030-2031 and less than 18% by 2039-2040.
- That is why we are calling on increased federal funding.

CHART B.4

Share of federal funding of provincial and territorial expenditures without CHT increase – 2004-2005 to 2039-2040
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada and Department of Finance Canada.

¹⁷ By including targeted funds aimed at mental health and home care (\$1.5 billion on a Canadian scale in 2021-2022), the federal contribution to provincial and territorial health care spending will be 22.5% in 2021-2022.

❑ Increasing the Canada Health Transfer to 35% of health care spending by provinces and territories

Québec, along with all other provinces and territories, is calling for an immediate increase in the CHT to 35% of provincial and territorial health expenditures from 2021-2022.

- Compared to the CHT level currently projected by the federal government in 2021-2022 (\$43.1 billion), this would represent an increase of \$26.3 billion.
- Each province or territory would receive the same amount per capita. For Québec, this increase would represent about \$6 billion per year.
- This 35% share would subsequently be maintained. The CHT would thus increase at the same pace as provincial and territorial health expenditures.

This 35% contribution to provincial and territorial health care spending would not be a first in history.

❑ Increasing the CHT must be prioritized

The provinces and territories play a leading role in terms of health care and are therefore in the best position to determine the needs of their population. However, they will not be able to address these needs without a renewed and sustainable partnership with the federal government.

Québec is asking the federal government to act as a true financial partner for the health sector in a context of growing cost pressures on health systems.

This partnership must be based on increased and recurrent funding, as well as full respect for the jurisdiction of the provinces.

In terms of health care, Québec is demanding that the federal government give priority to increasing the CHT rather than implementing new health initiatives.

This CHT increase will be used to support the funding of initiatives already implemented in Québec, such as training and hiring patient-care attendants working in CHSLDs. It will also be used to hire nurses, improve home care, improve access to mental health services, fund living environments better adapted to the needs of the elderly (such as seniors' homes), promote access to new therapies and new classes of drugs, increase the number of interventions to reduce delays, and catch up on the backlog caused by offloading during the pandemic.

This funding will also allow the government to innovate to improve the performance of Québec's health and social services system, in particular through the use of advanced technologies.

Furthermore, if the federal government decides to introduce a nationwide public prescription drug insurance plan, Québec would ask for the right to withdraw with full financial compensation given that a plan of this type has already been in place in Québec since 1997.

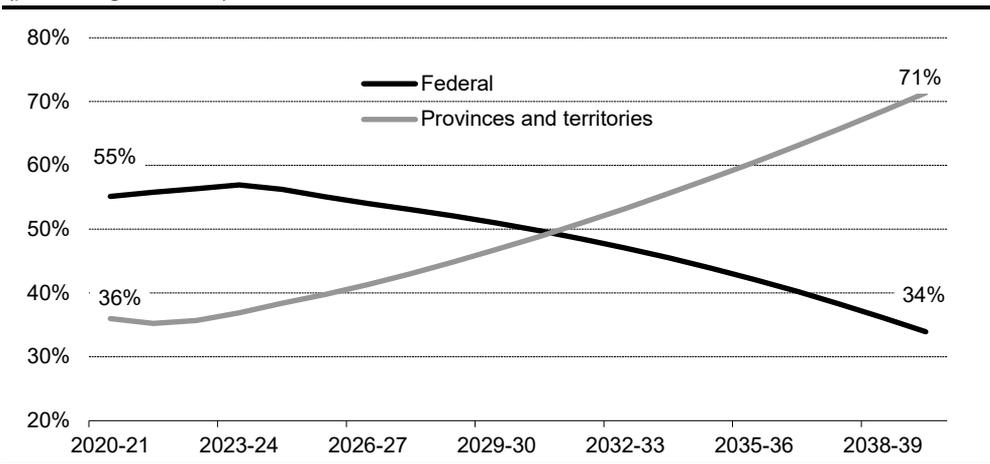
❑ A significant imbalance in public finances to be expected between the two orders of government

If the federal government does not respond positively to the provinces' and territories' request to increase the CHT to a level equal to 35% of their health expenditures starting in 2021-2022, the imbalance in public finances between the two orders of government will increase.

The Conference Board of Canada's projections show that, without a CHT increase, the federal government's net debt as a proportion of GDP will decline by 21 percentage points (from 55% in 2020-2021 to 34% in 2039-2040), while the provinces' and territories' net debt as a proportion of GDP is projected to increase by 35 percentage points (from 36% in 2020-2021 to 71% in 2039-2040).¹⁸

CHART B.5

Projected net debt of the federal government and provincial and territorial governments (percentage of GDP)



Source: Conference Board of Canada.

¹⁸ For additional information, see the budget paper entitled *Towards increased federal health funding: Increasing the Canada Health Transfer* under Budget 2021-2022.

5. IMPROVING HEALTH AND SOCIAL SERVICES INFRASTRUCTURE

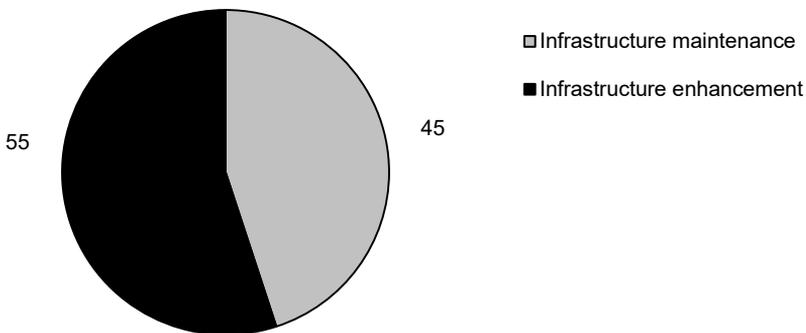
In order to offer Quebecers access to quality health care institutions, the 2021-2031 Québec Infrastructure Plan (QIP) provides for investments of \$21 billion in the health and social services sector.

- Investments to maintain current infrastructure in good condition represent 45% of total investments.
- Investments earmarked for new infrastructure in support of development represent 55%.

These investments will allow, in particular, the construction, expansion and redevelopment of hospital centres and CHSLDs, as well as the gradual construction of seniors' homes.

CHART B.6

2021-2031 Québec Infrastructure Plan in terms of health and social services, by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

FINANCIAL IMPACT

TABLE B.19

Financial impact of the measures to strengthen our health care system (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Overcoming the public health crisis							
Acknowledging the extra efforts of health workers							
– Enhancing bonuses for patient-care attendants working in private and other facilities	–372.0	–160.5	—	—	—	—	–532.5
– 8% bonus for staff who are in permanent contact with COVID-19 patients and 4% bonus for all other employees	–625.4	–241.8	—	—	—	—	–867.2
– Temporary lump sum payments to encourage full-time work	–511.2	–223.7	—	—	—	—	–734.9
– Training and remuneration of new patient-care attendants during the pandemic	–545.2	–1.2	—	—	—	—	–546.4
– Other tailored support measures	–130.3	–7.5	—	—	—	—	–137.8
Subtotal	–2 184.1	–634.7	—	—	—	—	–2 818.8
Ensuring the necessary supply of equipment to tackle the crisis							
– Equipment supplies (gowns, masks, etc.)	–1 885.9	–569.8	—	—	—	—	–2 455.7
– Protective and safety measures for health workers	–260.0	–65.0	—	—	—	—	–325.0
– Equipment for the Greater Montréal public transit network	–6.0	—	—	—	—	—	–6.0
Subtotal	–2 151.9	–634.7	—	—	—	—	–2 786.6

TABLE B.19

Financial impact of the measures to strengthen our health care system (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Enhancing the services offered to the population and health workers							
- Cost of medical compensation and Prescription Drug Insurance Fund	-1 914.0	-798.0	—	—	—	—	-2 712.0
- Salary costs and operating expenditures	-2 232.0	-118.5	—	—	—	—	-2 350.5
- Increase in the daily processing capacity for laboratory screening tests	-466.0	-50.0	—	—	—	—	-516.0
- Vaccination	-50.0	-350.0	—	—	—	—	-400.0
- Support for addiction treatment facilities as well as community and youth organizations	-107.6	-44.8	—	—	—	—	-152.4
- Greater mental health support	-31.0	-12.9	—	—	—	—	-43.9
- Addition of beds for alternative care services	-27.0	-11.3	—	—	—	—	-38.3
- Employee Assistance Program	-14.0	—	—	—	—	—	-14.0
- Other measures	-260.4	—	—	—	—	—	-260.4
Subtotal	-5 102.0	-1 385.5	—	—	—	—	-6 487.5
Improving health care in a long-lasting manner							
- Remuneration of 10 000 additional patient-care attendants	—	-361.0	-361.0	-361.0	-361.0	-361.0	-1 805.0
- Enhancement for current patient-care attendants	-108.0	-216.0	-216.0	-216.0	-216.0	-216.0	-1 188.0
- CHSLD managers	-49.0	-97.0	-97.0	-97.0	-97.0	-97.0	-534.0
- Additional resources	-38.0	-76.0	-76.0	-76.0	-76.0	-76.0	-418.0
Subtotal	-195.0	-750.0	-750.0	-750.0	-750.0	-750.0	-3 945.0

TABLE B.19

**Financial impact of the measures to strengthen
our health care system (cont.)**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Slowdown in activity							
– Medical compensation and Prescription Drug Insurance Fund	2 174.0	798.0	—	—	—	—	2 972.0
– Health and social services institution activities	892.0	272.9	—	—	—	—	1 164.9
Subtotal	3 066.0	1 070.9	—	—	—	—	4 136.9
SUBTOTAL	-6 567.0	-2 334.0	-750.0	-750.0	-750.0	-750.0	-11 901.0
Strengthening services for seniors							
Improving home care and services							
– Increasing public home care services	—	-150.0	-150.0	-150.0	-150.0	-150.0	-750.0
Ensuring the sustainability of services available in PSRs							
– Assistance program for bringing certain PSRs up to standard	—	-5.6	-11.6	-11.6	-11.6	-11.6	-52.0
– Gradual withdrawal of subsidies granted to PSRs for their caregiving staff	—	-64.6	-98.9	-78.3	-57.5	-36.5	-335.8
Subtotal	—	-70.2	-110.5	-89.9	-69.1	-48.1	-387.8

TABLE B.19

**Financial impact of the measures to strengthen
our health care system (cont.)**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Enhancing the refundable tax credit for home-support services for seniors							
– Credit rate increase from 35% to 40%	—	-10.4	-21.7	-50.4	-77.8	-108.2	-268.5
– Enhanced financial assistance for seniors living in apartment buildings	—	-0.1	-23.6	-33.4	-34.0	-34.6	-125.7
Subtotal	—	-10.5	-45.3	-83.8	-111.8	-142.8	-394.2
SUBTOTAL	—	-230.7	-305.8	-323.7	-330.9	-340.9	-1 532.0
– Strengthening health care and services in senior housing	—	-66.8	-66.8	-66.8	-66.8	-66.8	-334.0
– Improving the quality of life of informal caregivers	—	-19.0	-19.0	-19.0	-19.0	-19.0	-95.0
SUBTOTAL	—	-316.5	-391.6	-409.5	-416.7	-426.7	-1 961.0
Enhancing health care and services							
Improving access to frontline care							
– Facilitating access to frontline medical services	—	-60.1	-60.1	-60.1	-60.1	-60.1	-300.5
– Improving access to certain specialized medical services	—	-12.7	-12.7	-12.7	-12.7	-12.7	-63.5
– Enhancing the support program for community organizations	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Accelerating the digital shift in health and social services	—	-22.5	-22.5	-22.5	-22.5	-22.5	-112.5
Subtotal	—	-105.3	-105.3	-105.3	-105.3	-105.3	-526.5
Increasing mental health services							
– Improving mental health services	—	-52.5	-52.5	-52.5	-52.5	-52.5	-262.5
– Preventing suicide	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Subtotal	—	-57.5	-57.5	-57.5	-57.5	-57.5	-287.5

TABLE B.19

**Financial impact of the measures to strengthen
our health care system (cont.)**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Meeting the needs of vulnerable persons							
– Strengthening activities and services for the mother-child pathway	—	-20.4	-20.4	-20.4	-20.4	-20.4	-102.0
– Improving the service offer and preventing homelessness	—	-13.0	-13.0	-13.0	-13.0	-13.0	-65.0
– Improving the program to support families of persons with a disability or an autism spectrum disorder	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Enhancing services for women who are victims of domestic violence	—	-4.5	-4.5	-4.5	-4.5	-4.5	-22.5
– Other initiatives	—	-3.1	-3.1	-3.1	-3.1	-3.1	-15.5
Subtotal	—	-51.0	-51.0	-51.0	-51.0	-51.0	-255.0
Strengthening services for youth in difficulty							
– Enhancing local services for youth in difficulty	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
– Ensuring a safe living environment for children	—	-18.9	-18.9	-18.9	-18.9	-18.9	-94.5
– Supporting Tel-jeunes	—	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
Subtotal	—	-50.4	-50.4	-50.4	-50.4	-50.4	-252.0
SUBTOTAL	—	-264.2	-264.2	-264.2	-264.2	-264.2	-1 321.0
Total	-6 567.0	-2 914.7	-1 405.8	-1 423.7	-1 430.9	-1 440.9	-15 183.0
Less:							
Initiatives from the November 2020 Update on Québec's Economic and Financial Situation	-4 861	—	—	—	—	—	-4 861
TOTAL	-1 706.0	-2 914.7	-1 405.8	-1 423.7	-1 430.9	-1 440.9	-10 322.0

Note: Totals may not add due to rounding.

Section C

SUPPORTING EDUCATIONAL SUCCESS AND YOUNG PEOPLE

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SUMMARY

Young Quebecers have been particularly affected by the COVID-19 pandemic, which has impacted several important aspects of their lives. The government is therefore placing young people at the heart of its priorities in this budget so that each of them can develop their full potential throughout their life.

To this end, additional initiatives totalling close to \$1.5 billion are planned between now and 2025-2026.

The education sector has undergone major upheavals due to the closure of schools and distance education. It is therefore essential to provide students, staff and the network with conditions conducive to catching up and educational success.

Higher education is also facing significant challenges. Thus, initiatives are needed to improve accessibility to higher education, to better equip students to pursue their studies and graduate, and to continue to support them financially considering the difficult conditions of recent months.

After completing their studies, young people may also face difficulties due to fewer opportunities for jobs, internships or social integration projects. Funding is therefore planned to facilitate their transition to the labour market and to address other current concerns of young people.

Furthermore, another important aspect for physical and mental development, particularly for young people, is the practice of sports and recreational activities, which has decreased significantly due to the public health crisis. The government is therefore planning investments to encourage a more active lifestyle, particularly among young Quebecers.

TABLE C.1

Financial impact of measures to support educational success and young people (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting educational success	—	-205.2	-167.3	-67.0	-67.0	-67.0	-573.5
Supporting student retention and graduation in higher education	-60.0	-277.6	-123.0	-103.0	-55.0	-50.0	-668.6
Facilitating the professional and social integration of young people	—	-16.3	-57.3	-32.0	-1.1	-0.2	-106.9
Encouraging participation in sports and recreation	-20.0	-21.9	-43.9	-22.5	-2.5	-2.5	-113.3
TOTAL	-80.0	-521.0	-391.5	-224.5	-125.6	-119.7	-1 462.3

Youth hard hit by the pandemic

Difficulty in adapting to changes in teaching

Students have been affected by changes made mandatory by the public health measures, which have had an impact on their motivation and may have affected their academic performance.

Teaching conditions have had a significant impact on secondary school students, which has sometimes been characterized by an increased failure rate.

In addition, post-secondary students have been affected by the widespread use of distance education, among other things.

- Not all students have access to a favourable environment for distance learning, such as a stable Internet connection and a place to study.
- Students who were transitioning to a new grade level did not have the opportunity to connect with their peers and develop a study circle.
- At the post-secondary level, the government has only recently allowed in-person teaching.

Job losses more concentrated among young people

Young people are facing increased unemployment since the onset of the public health crisis. This issue concerns both students who finance their studies through part-time jobs and new graduates hoping to enter the labour market.

- According to Statistics Canada's Labour Force Survey, the unemployment rate for young people aged 15 to 24 was 11.7% in February 2021 in Québec, an increase of 4.7 percentage points in one year.
- In February 2021, the youth employment level was only 88.2% of what it was before the pandemic, in February 2020. By comparison, the level for those aged 25 and over was 98.2% of that in February 2020.

Lack of sports and recreational activities affects social life and motivation

Many pediatricians have stressed the importance of sports and recreational activities for the well-being of young people. Having to stop sports activities due to public health measures has had a demotivating effect on some young people.

- In the summer of 2020, 53% of young people reduced their physical activities. In addition, 77% of adolescents have increased their screen and computer time for recreational purposes.¹

¹ According to a Léger survey conducted in June 2020 for the *Coalition québécoise sur la problématique du poids*.

1. SUPPORTING EDUCATIONAL SUCCESS

In March 2020, the public health crisis forced the closure of educational institutions in Québec and almost everywhere across the world, a situation never seen on such a large scale.

Like other key sectors of Québec society, the education sector and particularly students have been shaken by the consequences of the crisis: temporary school closings in spring 2020, introduction of distance or hybrid education for students in Secondary 3, 4 and 5 in the fall 2020, cancellation of departmental examinations and suspension of extracurricular activities.

Nevertheless, the education system has had to ensure the continuation of its mission. Several innovations have been necessary in order to adapt teaching methods to this new environment marked by uncertainty and change. Despite the hard work of school staff and parents to mitigate the adverse effects of the pandemic, the educational success and mental health of young Quebecers have been severely tested.

It is in this context that the government is providing \$170 million over two years in this budget to support the school network so that it can emerge stronger from this unprecedented crisis. These investments will provide support to students and school staff in order to consolidate knowledge and improve support in the context of the public health crisis.

The government also wants to seize this opportunity for change to improve the way it operates, notably by accelerating the digital shift in education.

In addition to the temporary measures specific to the COVID-19 context, the government is continuing the efforts made in recent years to support educational success and increase the secondary school graduation and qualification rate to 84.5% by 2022-2023.¹

— The secondary school graduation and qualification rate is steadily increasing. Between 2009-2010 and 2019-2020, it has risen from 72.3% to 81.9%.² Despite improvements over the years, some groups of students in secondary schools require targeted interventions.

To ensure that every young person can benefit from the best possible development and learning conditions, the government plans to invest an additional \$403.5 million by 2025-2026 to improve support for the school network.

¹ Strategic Plan 2019-2023 of the Ministère de l'Éducation et de l'Enseignement supérieur.

² Annual Report 2019-2020 of the Ministère de l'Éducation et de l'Enseignement supérieur.

TABLE C.2

Financial impact of measures to support educational success
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Overcoming anticipated educational delays	—	-110.0	-60.0	—	—	—	-170.0
Providing better support for the school network	—	-95.2	-107.3	-67.0	-67.0	-67.0	-403.5
TOTAL	—	-205.2	-167.3	-67.0	-67.0	-67.0	-573.5

A vision to ensure youth success

The government wishes to provide Québec with a modernized, more equitable, more mobilized, more efficient and more innovative education system. A system that supports the success of Quebecers throughout their lives, strengthened by the commitment of its stakeholders and partners. A system that produces responsible, competent, creative and committed citizens in a society where people of all ages regularly engage in physical, sporting, recreational and outdoor activities.

This vision will be realized thanks to several major budgetary initiatives by the Québec government over the past two years: a substantial addition of resources for young people facing difficulties, a network of 4-year-old kindergarten classes more accessible than ever, a new national tutoring program, an unprecedented acceleration of the digital shift, and the construction of beautiful schools that will make Quebecers proud.

The work already underway to help students with learning difficulties and at risk of dropping out will be accelerated.

- In particular, the implementation of 4-year-old kindergarten throughout Québec helps to prevent learning difficulties among young people by supporting early on those who need extra help during their school path.

These various measures will contribute to the achievement of the student success objective by raising to 84.5% by 2022-2023 the percentage of students who obtain a first diploma or qualification in secondary school.

The desire to ensure equal opportunities is also reflected in the implementation of the Québec national tutoring program for students: a first in Canada.

- This new program, planned for the next two years, is part of the government's objective to ensure the educational success and well-being of young Quebecers.

The consultations on educational success planned by the Ministère de l'Éducation will be an opportunity to enrich the government's ideas on educational recovery.

- These consultations will allow for a real catch-up for Québec students, while taking into account the mental health issues arising from the pandemic. They will clarify the use of the amounts provided for in this budget.
- This will ensure true equality of opportunity by giving young people the tools to achieve their dreams and contribute to the knowledge-based economy.

The government also took the opportunity to accelerate the digital shift in education by significantly increasing the number of computer devices available to students.

- As a result, technology-enhanced learning has truly become an additional tool for the success of young people.

A vision to ensure youth success (cont.)

In addition, the government ensures the maintenance of schools and the construction of beautiful new schools in order to provide healthy learning environments, and stimulating, welcoming and safe living environments while boosting Québec's economy.

Finally, one of the most important challenges of the past year has undoubtedly been to put organized activities on hold. This has led to a collective realization that young people want and need to move and participate in recreational activities, and that this is an important factor in their socialization and personal fulfilment.

Schools are privileged places to make enriching recreational and sports activities accessible to all young people.

- Because the health of Quebecers depends first and foremost on prevention and healthy lifestyle habits, major efforts are being made to ensure that 65% of elementary schools get students moving one hour a day by 2022-2023, compared to 25% in 2018.

The government has ambitious objectives for the youth of Québec, and this ambition is reflected in its desire to ensure equality of opportunity and to foster the development of the full potential of all students by valuing education in collaboration with community stakeholders.

1.1 Overcoming anticipated educational delays

The COVID-19 pandemic has led to a lot of uncertainty and changes in the way things are done, particularly due to the confinement and subsequent closure of schools in spring 2020. The changes that have come with going back to school have exacerbated the difficulties experienced by some students, both academically and socio-affectively. In these circumstances, the educational success and retention of many students is at stake.

The first consequences are already being felt. Following the analysis of the first report card of 84 000 elementary and secondary students in 214 schools, although overall success rates are comparable, the Ministère de l'Éducation noted declines in the math success rate in Secondary 3 (-3.0%) and Secondary 4 (-4.2%) between 2019-2020 and 2020-2021.

In order to minimize the pandemic's impact on learning and success in the short term, significant investments will be made as soon as 2021-2022.

□ Supporting the consolidation of knowledge during the public health crisis

For elementary and secondary school students who need extra support during the pandemic and for those at risk of dropping out, services have been implemented to expand and improve the provision of support for learning and school engagement.

- In the fall, the government invested \$20 million and \$85 million to increase support for students in a variety of ways.
- In January 2021, the government has invested \$37.9 million to implement the *Stratégie d'entraide éducative et de bien-être à l'école* to support both students and school staff impacted by the pandemic.

Additional enhancements will assist the introduction of specialized educational support such as tutoring, homework help, psychosocial support, and school-family collaboration support. In addition, these investments will be used to hire liaison officers and partner with community organizations to foster student motivation, retention and engagement.

Given the need to act quickly in order to consolidate knowledge in the context of a public health crisis, the government is planning, as part of the Budget 2021-2022, additional investments of \$170 million over two years including \$110 million in 2021-2022.

TABLE C.3

Financial impact of the measure to overcome anticipated educational delays

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the consolidation of knowledge during the public health crisis	—	-110.0	-60.0	—	—	—	-170.0

Note: For 2021-2022, the amounts will be drawn from the Contingency Fund. The appropriations will be granted to the Ministère de l'Éducation.

1.2 Providing better support to the school network

One of the government's goals in terms of youth success is to act early on and in a concerted way with students by giving them the best conditions in which to grow and learn so they can reach their full potential. Adding qualified resources to the school network is one of the main factors supporting the educational success of students.

- Over the past year, the government has invested significantly to improve computer equipment resources, among other things.
- Significant investments have been made to ensure a basic level of complementary services in each school and to provide direct services to students through qualified resources. In addition, \$60 million is included in the Ministère de l'Éducation's 2021-2022 expenditures for this purpose.

In order to ensure that the graduation objectives set for the various clientele are met, especially those with special needs, the government is increasing the assistance granted to the school network by \$403.5 million by 2025-2026.

TABLE C.4

Financial impact of measures to provide better support to the school network

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Valuing, attracting and mobilizing school network staff	—	-10.0	-15.0	-15.0	-15.0	-15.0	-70.0
Adding special education classes for students with special needs	—	-13.0	-20.0	-20.0	-20.0	-20.0	-93.0
Fostering educational success for Indigenous students and equal opportunities	—	-5.0	-8.0	-8.0	-8.0	-8.0	-37.0
Facilitating access to quality school-based childcare services	—	-13.3	-19.0	-19.0	-19.0	-19.0	-89.3
Improving the state of schools	—	-45.0	-35.0	—	—	—	-80.0
Continuing the digital shift through artificial intelligence	—	-5.3	-5.3	—	—	—	-10.6
Other measures ⁽¹⁾	—	-3.6	-5.0	-5.0	-5.0	-5.0	-23.6
TOTAL	—	-95.2	-107.3	-67.0	-67.0	-67.0	-403.5

Note: For 2021-2022, the amounts will be drawn from the Contingency Fund. The appropriations will be granted to the Ministère de l'Éducation.

(1) Additional initiatives are being put in place to enhance training for school board members and to improve the financial assistance program for school bus driver retention.

❑ **Valuing, attracting and mobilizing school network staff**

The challenges faced by the school network in recent months in the context of the public health crisis have highlighted more than ever the central role that school staff, especially teachers, play in the educational success of students.

In this context, a labour shortage in the school network has been observed. Attracting and retaining staff are also challenges faced by the educational sector.

Measures have been put in place over the last few years, in particular a mentoring program for early career staff, scholarships for excellence and support for the retention and success of trainees, the creation of new pathways into the profession and campaigns to promote the teaching profession.

In order to continue efforts in this direction, a strategy aimed at valuing, attracting and mobilizing the staff of the school network will be implemented in order to attract the best resources and retain them.

As part of the Budget 2021-2022, the government plans to invest \$70 million by 2025-2026 to promote the teaching profession and careers in education, support education students and their integration into employment, and mobilize those who work with Québec students on a daily basis.

❑ **Adding special education classes for students with special needs**

The difficulties encountered by some students with handicaps or with adaptation or learning difficulties are complex and require a tailored approach as well as specialized resources to help these young people succeed to the full extent of their abilities.

— In the previous two budgets, \$37.9 million dollars from 2020-2021 to 2024-2025 was announced to create 365 new special classes and provide additional direct services to students with special needs.

In order to better support students whose needs cannot be met in regular classes and to support the development of the full potential of gifted students, the government will create 150 additional special classes adapted to the specific needs of these students.

To this end, as part of the Budget 2021-2022, the government plans to invest \$93 million by 2025-2026.

❑ **Fostering educational success for Indigenous students and equal opportunities**

The government wishes to ensure equality of opportunity in educational success. In order to do so, it intends to offer more services adapted to the specific needs of Indigenous students. In addition, measures aimed at raising the awareness of school staff and students of the particularities of Indigenous reality will also be put in place.

As part of this budget, the government plans to invest \$37 million by 2025-2026 to support Indigenous students' educational success and equal opportunities. This measure is in line with the spirit of the Viens Commission and its recommendations.

❑ **Facilitating access to quality school-based childcare services**

School-based childcare services are an essential way for parents to reconcile work and family life and support their children's educational success.

The government wants to improve services by enhancing the funding model for school-based childcare, lowering the ratio of teachers to children in kindergarten for 4-year-olds, and hiring special education technicians.

As part of the Budget 2021-2022, the government plans to invest \$89.3 million by 2025-2026 to improve school-based childcare services.

❑ **Improving the state of schools**

Educational success is influenced by the environment in which students learn in on a daily basis. The government is committed to ensuring that young people are educated in beautiful schools in good condition. The pandemic has served as a reminder of the importance of a safe and healthy school environment.

— In this regard, investments of \$17.5 million from 2020-2021 to 2024-2025 were announced in March 2020 to keep school infrastructure in good condition and maintain equipment.

The Québec government wishes to act quickly and provide financial support to school service centres to improve the general condition of buildings and meet their space needs.

As part of the Budget 2021-2022, the government is investing \$80 million over two years to improve the state of schools.

❑ **Continuing the digital shift through artificial intelligence**

The implementation of the digital shift in education must continue at a steady pace. In this respect, artificial intelligence offers promising prospects for the benefit of student retention, in particular through the predictive analysis of school failure risks.

The government intends to support experimental projects on artificial intelligence in an educational context, enabling the development of tools aimed at maximizing the effectiveness of student interventions and promoting the success of as many students as possible.

As part of the Budget 2021-2022, the government plans to invest \$10.6 million over two years to continue the digital shift through artificial intelligence.

2. SUPPORTING STUDENT RETENTION AND GRADUATION IN HIGHER EDUCATION

Like elementary and secondary school students, higher education students have been greatly affected by the consequences of the pandemic.

Distance learning and isolation over a long period of time have impacted students' school path.

On the one hand, institutions have had to adapt quickly to this new reality in order to ensure continuity in student learning. On the other hand, these changes in ways of doing things have required a great deal of flexibility on the part of students in order to pursue their college or university path.

This new reality has put a strain on students' perseverance in their studies, as well as on their mental health.

It is in this context that the government plans to invest an additional \$145 million by 2025-2026 to ensure that students have the tools they need to pursue their academic path.

From a longer-term perspective, the government wishes to continue its efforts to increase higher education graduation, an essential vector for Québec's economic development.

In this regard, the government is committed to increasing the graduation rate for both college and university students.

- At the college level, the graduation rate³ should reach 68% by 2022-2023.
 - This rate stood at 64.5%⁴ in 2019-2020, i.e. 3.5 percentage points below the target expected in two years.
- At the university level, graduation rates for bachelor's and master's degrees⁵ should be above the 80% target by 2022-2023.
 - In 2019-2020, these rates were 79.6% for bachelor's degrees and 77.6% for master's degrees.

In the Budget 2021-2022, \$369 million is earmarked to increase the higher education graduation rate.

In addition, to address the difficult conditions of recent months and to ease the financial burden on full-time college and university students and people with student loans, the government will provide one-time assistance totalling \$154.6 million in 2021-2022.

³ College graduation rates two years after the initial planned length of a program.

⁴ Estimated result, for the 2015 cohort.

⁵ Graduation rate for bachelor's degrees six years after enrolment and for master's degrees four years after enrolment.

In order to carry out its commitment to graduation rates and make the necessary efforts to achieve these objectives, the government plans to invest an additional \$668.6 million by 2025-2026.

TABLE C.5

Financial impact of measures to support higher education retention and graduation
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Fostering student retention	—	-35.0	-35.0	-25.0	-25.0	-25.0	-145.0
Alleviating the financial burden of students during the pandemic	—	-154.6	—	—	—	—	-154.6
Increasing the number of higher education graduates	-60.0	-88.0	-88.0	-78.0	-30.0	-25.0	-369.0
TOTAL	-60.0	-277.6	-123.0	-103.0	-55.0	-50.0	-668.6

Higher education: a catalyst for collective development

Higher education enables Québec to establish itself globally.

Throughout the province, our college and university network will contribute to the development of our communities, in French. It will be inclusive, unrestricted, imaginative, innovative and accessible.

The education rate¹ impacts on our potential for economic and social development. The government hopes that within ten years, the education level of Quebecers will be among the three best in the country. We are currently 4th in the national ranking. This will result in more citizens having a higher education degree.

The access rate² to higher education has been growing steadily in Québec for the past 30 years. The government wants to keep this momentum going over the next decade by increasing the college access rate from 65.5% to 70% and the university access rate from 42% to 50%. In doing so, the government will ensure that hundreds of thousands of people will have the opportunity to fulfil their educational aspirations.

In Québec, 58% of university students obtain their undergraduate degree in four years, which exceeds the Canadian average of 42% and the Organisation for Economic Co-operation and Development (OECD) average of 37%. This places Québec in 5th position among the 23 OECD countries participating in this ranking.

All these countries are making progress and the Ministère de l'Enseignement supérieur's objective is to maintain Québec's position as a leader in this area.

- 1 Education rate: This indicator expresses the percentage distribution of the population (aged 25-64) according to the highest level of education achieved. In Québec, 55% of this group has a higher education degree (CEGEP and university combined).
- 2 Access rate: The probability in percentage of being admitted to a program leading to a degree. In Québec, the probability of a young person accessing CEGEP is 65.5%; the target is to bring it up to 70%.

2.1 Fostering student retention

Educational institutions have had to adapt quickly in order to comply with public health measures. Distance learning has required significant developments and adjustments in teaching methods.

The government intends to make additional resources available to students and educational institutions so that as many students as possible can continue their studies.

As part of this budget, the government is investing an additional \$145 million by 2025-2026:

- \$85 million to make quality distance learning available to students by implementing more digital solutions;
- \$60 million to better meet the needs of the student community and staff, particularly in terms of mental health.

TABLE C.6

Financial impact of measures to foster student retention

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Implementing more digital solutions in educational institutions	—	-20.0	-20.0	-15.0	-15.0	-15.0	-85.0
Improving the health and well-being of students and staff	—	-15.0	-15.0	-10.0	-10.0	-10.0	-60.0
TOTAL	—	-35.0	-35.0	-25.0	-25.0	-25.0	-145.0

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund. The appropriations will be allocated to the Ministère de l'Enseignement supérieur.

❑ **Implementing more digital solutions in educational institutions**

In the past year, higher education institutions have had to adapt quickly to the new public health context and offer quality distance learning environments for students.

Support will be given to higher education institutions so that they can consolidate and develop specialized, adapted and safe teaching practices.

Consequently, as part of this budget, the government plans to invest \$85 million by 2025-2026 to implement more digital solutions in higher education institutions.

❑ **Improving the health and well-being of students and staff**

Now more than ever, ensuring a safe and healthy learning environment is essential for the student community. Access to specialized mental health services is crucial in the current context of the pandemic.

— Moreover, investments of \$100 million were announced in November 2020 to support mental health in several sectors, including higher education institutions.

Given worrying indicators regarding the mental health of the student community, which have been exacerbated by COVID-19, the government wishes to put in place additional means to address the needs of this clientele.

As part of the Budget 2021-2022, additional investments of \$60 million by 2025-2026 are planned, in particular to hire additional resources, develop mental health tools and programs and develop training activities to prevent sexual violence.

2.2 Alleviating the financial burden of students during the pandemic

Since the beginning of the crisis, the government has announced measures to financially support students, including increasing Student Financial Assistance and suspending student loan payments from April to September 2020.

Although the situation has improved, the economic uncertainty caused by COVID-19 remains. Consequently, the government will continue to support young people while they are in school or repaying student loans.

Specifically, the government is announcing two one-time support measures:

- a lump sum of \$100 for both the fall 2020 and winter 2021 semesters for full-time college and university students;
- eliminating interest on student loans for one year, from April 1, 2021 to March 31, 2022 in order to alleviate student debt.

Overall, these measures represent additional support of \$154.6 million in 2021-2022.

TABLE C.7

Financial impact of the measures to alleviate the financial burden of students during the pandemic (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Lump sum of \$100 per semester for students	—	-82.6	—	—	—	—	-82.6
Eliminating interest on student loans for one year	—	-72.0	—	—	—	—	-72.0
TOTAL	—	-154.6	—	—	—	—	-154.6

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund. The appropriations will be allocated to the Ministère de l'Enseignement supérieur.

❑ Lump sum of \$100 per semester for students

The necessary changes in teaching methods have dramatically altered students' educational experience. These changes, in addition to affecting their motivation, may have resulted in additional personal expenses for students during the 2020-2021 school year, such as the purchase of computer equipment or office furniture.

In recognition of the difficulties encountered and to provide support to students, the government will provide a lump sum payment of \$100 per semester for each full-time college or university student enrolled in the 2020-2021 school year.

Thus, for the fall 2020 and winter 2021 semesters, a maximum assistance of \$200 will be provided to approximately:

- 200 000 college students;
- 208 000 university students.

This measure will provide a total of \$82.6 million in additional assistance to students.

The Ministère de l'Enseignement supérieur will soon communicate to students the modalities to apply for this lump sum of \$100 per session.

\$540 million in assistance for students already announced

Last October, the government announced \$540 million in support for students over three years.

- Due to the pandemic, Student Financial Assistance has been temporarily increased by \$200 million for the 2020-2021 school year through an increase in eligible expenses.
- A permanent enhancement to Student Financial Assistance was announced, providing an additional \$265 million in assistance over three years.
- A total of \$75 million has been invested to improve educational support as well as material and psychosocial support for the student community.

❑ Eliminating interest on student loans for one year

With the current economic situation, the burden of student debt on personal finances can become a source of uncertainty. This is particularly the case for students who have completed their schooling in 2020 and have had difficulty finding employment in a partially confined economy.

To alleviate the debt burden of students, the government will pay the interest incurred between April 1, 2021 and March 31, 2022 on student loans.

As a result, 380 000 people with student loans from financial institutions or directly from the Ministère de l'Enseignement supérieur will have their interests covered by the Québec government.

— This represents \$72 million in interest that former students will not have to pay back for one year.

People eligible for this measure will not automatically see their monthly payments decrease, but they will pay back their loan faster.

— A person who wishes to do so may contact his or her financial institution in order to reduce the monthly payments provided for in the agreement with the latter by the amount of interest covered by the government.

Initial coverage of interests by the government

In the spring of 2020, the government announced the suspension of student loan payments for a six-month period from April to September 2020 inclusively. Thus, the government assumed the interest costs.

— This measure was intended to harmonize with the federal government's March 18, 2020 announcement that allowed individuals to stop repaying their student loans altogether.

This announcement enabled 380 000 people to have more cash on hand to get through the COVID-19 crisis.

— The measure represented a financial impact of \$36 million for six months.

Deferred Payment Plan

Under certain conditions, the Deferred Payment Plan offers a person who so desires the possibility of suspending their entire student loan repayment for a period of six months.

This program remains available even while the government pays the interest on student loans.

2.3 Increasing the number of higher education graduates

Having a higher education degree facilitates access to the labour market. Increasing Quebecers' level of education is an essential lever for Québec's long-term economic and social development, particularly in a context where a growing proportion of jobs created require a college or university degree.

Quality education that meets the needs of the labour market is essential to strengthen the vitality of Québec's economy, particularly in a context of labour scarcity.

As part of this budget, the government plans to improve access to higher education and increase the number of graduates by announcing additional funding totalling \$369 million by 2025-2026.

TABLE C.8

Financial impact of the measures to increase the number of higher education graduates (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting access to higher education, student retention and increased graduation rates	—	-40.0	-40.0	-30.0	-20.0	-20.0	-150.0
Training more nurses	—	-7.0	-7.0	-7.0	-1.0	-1.0	-23.0
Strengthening the presence of higher education institutions in regions	—	-11.0	-11.0	-11.0	-4.0	-4.0	-41.0
Additional measures to increase the number of higher education graduates	-60.0	—	—	—	—	—	-60.0
Awarding scholarships to college students in information technology	—	-5.0	-5.0	-5.0	-5.0	—	-20.0
Promoting recruitment and graduation in information technology	—	-25.0	-25.0	-25.0	—	—	-75.0
TOTAL	-60.0	-88.0	-88.0	-78.0	-30.0	-25.0	-369.0

Note: The amounts for 2020-2021 will be drawn from the budgetary resources made available during the fiscal year. The amounts for 2021-2022 will be drawn from the Contingency Fund. The appropriations will be allocated to the Ministère de l'Enseignement supérieur.

❑ Supporting access to higher education, student retention and increased graduation rates

In the current context where the pandemic represents an additional challenge for student motivation and perseverance, the government wishes to promote access to higher education, student perseverance in their education projects and an increase in graduation rates among Quebecers.

The Ministère de l'Enseignement supérieur will therefore table an action plan for success in higher education 2021-2026 in the spring of 2021, which will aim to achieve ambitious goals in higher education.

- This action plan, which stems from the *Chantier sur la réussite en enseignement supérieur*, aims to increase the number of annual graduates while improving the quality of education in Québec.
- Among other things, the action plan will focus on promoting higher education, improving transitions from secondary school to college and from college to university, developing practices adapted to the needs of the student community, and consolidating and transferring knowledge regarding success.

As part of the Budget 2021-2022, investments of \$150 million between now and 2025-2026 are planned to support access to higher education, student retention and increased graduation rates.

Supporting student retention and improving the success rate of students during the pandemic

Over the past year, higher education institutions have implemented several actions to provide additional psychological and financial support to students due to the pandemic and its impact on teaching methods.

Fostering student retention

Colleges and universities have adapted their welcome and integration services for students recently admitted by taking into account the context of hybrid and distance learning.

In an effort to support student retention and improve success rates, institutions have, among other things:

- improved their offer of psychosocial support services, in particular through the services of psychologists and social workers;
- implemented mental health awareness and prevention activities, including the development of online tools to help manage stress and anxiety and to encourage the adoption of healthy lifestyle habits in the context of a pandemic;
- implemented teleconsultation services for students and organized virtual exchange meetings between them.

Alleviating the financial burden of students

In addition to the significant improvement of the government's student financial accessibility program and the implementation of a scholarship program for the retention of students experiencing learning difficulties in the context of the public health crisis, colleges and universities have also mobilized by setting up emergency funds to offer special financial assistance to some students to help them meet their needs, as well as contribute to the pursuit of their academic, personal and professional goals.

In addition, equipment donations and loans to students have enabled them to adequately follow their courses online.

Increasing higher education graduation

In order to ensure a regular follow-up with students and to ensure the consolidation of their knowledge, higher education institutions have had to be innovative.

- Staff with expertise in technology-enhanced learning and distance learning have been hired to improve the learning experience and support student success.
- Mentoring and peer support services as well as online lectures and animation activities were offered to motivate students.
- Educational institutions have supported their teaching staff, particularly through training and the hiring of specialized staff, to facilitate the transition to distance learning.

❑ Training more nurses

With the aging of the population, there is a growing need for nursing and nursing science workers in the health network. The COVID-19 pandemic has also highlighted the importance of health and social services staff.

In order to meet growing workforce needs, the government wishes to improve the coordination of internships and the attraction of this profession by implementing a scholarship program for excellence in perseverance and graduation.

As part of the Budget 2021-2022, the government plans to invest \$23 million by 2025-2026 to meet nursing and nursing science workforce needs.

❑ Strengthening the presence of higher education institutions in regions

The Ministère de l'Enseignement supérieur wishes to improve the local services offered by CEGEPs and universities by facilitating regional collaboration.

To this end, additional resources will be deployed in regions to support higher education institutions in carrying out projects between the various levels of education, to ensure the presence of university services in the Côte-Nord region, and to provide financial support to universities in regions experiencing a decline in their clientele.

Accordingly, as part of the Budget 2021-2022, the government plans to invest \$41 million by 2025-2026 to strengthen the presence of higher education institutions in the regions.

❑ Additional measures to increase the number of higher education graduates

An additional amount of \$60 million in 2020-2021 is planned to fund a variety of measures to increase the number of higher education graduates.

These investments include funding for measures to speed up the sharing of digital services as well as the implementation of perseverance scholarships for students experiencing academic or financial difficulties in the context of the current public health crisis.

These investments are also helping to increase the number of medical students, to implement a new competency-based approach required by the Royal College of Physicians and Surgeons of Canada and to delocalize medical schools in Québec.

❑ **Awarding scholarships to college students in information technology**

To encourage college students to enroll and persevere in fields of study that lead to information technology (IT) jobs, the government will offer perseverance scholarships of up to \$2 850 to college students.

— A similar scholarship was announced as part of the Budget 2020-2021 for undergraduate students in engineering and computer science.

As part of this budget, the government plans to invest \$20 million by 2024-2025 to provide scholarships for college students in IT.

❑ **Promoting recruitment and graduation in information technology**

The government wants to give as much flexibility as possible to colleges and universities to support the graduation of IT students.

Support will be given to colleges and universities so that they can develop pathways for students who lack certain prerequisites, offer part-time training options, connect to secondary education, approach businesses to increase internships, promote work-study programs and increase inter-regional mobility.

— At the college level, funding will be increased:

— by approximately \$325, reaching \$1 000 per student in IT fields;

— by \$1 000 per student in the pre-university computer science and mathematics program.

— At the university level, funding per student in IT fields will be increased by \$1 000.

As part of the Budget 2021-2022, a total amount of \$75 million for 2021-2022 to 2023-2024 is planned to promote recruitment and graduation in disciplines related to IT.

Initiatives to address labour shortages in information and communications technologies

Prior to the public health crisis, labour market estimates suggested that there were 6 500 annual job vacancies in Québec in the information and communications technology (IT) sector.

In addition, the pandemic has had a significant impact on business practices across all sectors, in particular because of the rapid introduction of teleworking and the growth of e-commerce. These changes have resulted in a strong demand for the services offered by IT businesses.

- It is now estimated that the need for IT workers will be in the order of 10 000 workers per year over the next five years.

However, solutions provided by IT are limited by the ability of businesses in this sector to meet demand due to labour scarcity.

Recent actions to support the IT sector

Including the \$181.4 million for measures in this budget, over \$450 million has been announced in the past year to address the IT labour shortage.

In the fall 2020 economic update, the government allocated \$65.1 million to support various initiatives in strategic sectors for economic recovery, including IT.

In the March 2020 budget, \$204 million was announced:

- \$150 million to support colleges and universities by creating future-oriented niches in fields such as artificial intelligence and technological innovation;
- \$25 million to provide scholarships for undergraduate students in computer science, computer engineering, and electrical, electronic and communications engineering;
- \$29 million to allow more businesses to develop the digital skills of their employees, particularly those of experienced workers.

Other general initiatives

In addition, other general initiatives for which businesses in the IT sector are eligible have been put in place in the context of the pandemic, including:

- \$114.6 million for the Renewed Prosperity Through Greater Training Program (PARAF);
- \$165 million for the Concerted Action Program for Job Retention (PACME).

3. FACILITATING THE PROFESSIONAL AND SOCIAL INTEGRATION OF YOUNG PEOPLE

An important stage in young people's lives is the transition from the education system to the labour market.

In this regard, the government wishes to better equip young people who wish to participate fully in Québec society either through employment, volunteer work or by becoming entrepreneurs.

This budget provides almost \$107 million by 2025-2026 to help ease this transition and address other current needs of youth. More specifically:

- \$96.6 million will go towards the professional integration of young people;
- an additional \$10.3 million will fund the next youth action plan, which aims primarily to support young people throughout their journey from education to self-sufficiency.

TABLE C.9

Financial impact of measures to facilitate the professional and social integration of young people (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Facilitating the professional integration of young people	—	-16.1	-55.7	-23.5	-1.1	-0.2	-96.6
Securing funding for the next youth action plan	—	-0.2	-1.6	-8.5	—	—	-10.3
TOTAL	—	-16.3	-57.3	-32.0	-1.1	-0.2	-106.9

3.1 Facilitating the professional integration of young people

Québec needs the contribution of all young people to ensure its prosperity. However, professional integration can sometimes be difficult, particularly due to their lack of training or work experience. Volunteering is often an enriching first experience for young people, which can later help them integrate into the labour market.

In order to help young Quebecers enter the labour market or become involved in their community, the government is announcing additional funding totalling close to \$97 million by 2025-2026:

- \$50.9 million to ensure stable funding for the Carrefours jeunesse-emploi;
- \$31.4 million in 2022-2023 to support young people who are not in school, employment or training, in their integration into the labour market;
- \$14.1 million to enhance the tax credit for on-the-job training periods;
- \$0.2 million to support volunteering projects in all secondary schools.

TABLE C.10

Financial impact of measures to facilitate the professional integration of young people (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Ensuring stable funding for the Carrefours jeunesse-emploi ^{(1),(2)}	—	-13.9	-18.5	-18.5	—	—	-50.9
Supporting young people who are not in education, employment or training in their labour market integration process ^{(1),(2)}	—	— ⁽³⁾	-31.4	—	—	—	-31.4
Enhancing the tax credit for on-the-job training periods	—	-2.0	-5.8	-5.0	-1.1	-0.2	-14.1
Supporting volunteering projects in all secondary schools ^{(1),(4)}	—	-0.2	—	—	—	—	-0.2
TOTAL	—	-16.1	-55.7	-23.5	-1.1	-0.2	-96.6

(1) The amounts for 2021-2022 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

(3) \$16 million will be allocated to this measure in 2021-2022, which will be fully funded from the current appropriations of the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

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

❑ Ensuring stable funding for the Carrefours jeunesse-emploi

The Carrefours jeunesse-emploi (CJE) are rooted in communities and provide a variety of services to young people. Their objective is to support youth in their social and economic integration process and to help them find employment, return to school or start a small business.

Currently, CJE's are funded through service agreements that allow for the funding of specific activities that meet the mandates of various government departments and agencies. These agreements are funded through the Labour Market Development Fund, among others.

CJE's will now receive part of their funding in support of the overall mission to cover their operating costs via the *Programme de soutien aux carrefours jeunesse-emploi*.

— This new funding method will give them greater flexibility to adapt to the changing needs of young people.

The government is therefore providing \$50.9 million for 2021-2022 to 2023-2024 to ensure stability and flexibility in the funding of CJE's.

❑ Supporting young people who are not in education, employment or training in their labour market integration process

According to the most recent portrait produced by the Chaire-réseau de recherche sur la jeunesse du Québec, in 2018-2019, there were 200 800 young people aged 17 to 34 (10.9%) who were not in education, employment or training (NEET).

Of this number, it is estimated that:

— 70 500 young NEETs were unemployed, the vast majority (90%) of whom were looking for work;

— the other 130 300 young NEETs were inactive in the labour market, 89% of whom were not looking for work for various reasons, while the remaining 11% had a permanent disability.

To support these young people in their efforts to integrate the labour market or in their career choices, the government will issue a call for projects, particularly from organizations specializing in employability development, to introduce new ways of reaching out to these young people.

With this budget, the government is announcing additional funding of \$31.4 million in 2022-2023.

- Taking into account the \$16 million funded from the current appropriations of the Ministère du Travail, de l'Emploi et de la Solidarité sociale in 2021-2022, \$47.4 million over two years will be allocated to support young NEETs.

Projects focused on the specific needs of young NEETs

The reality of each young NEET is unique and therefore requires support tailored to each specific situation. The profile of young NEETs is varied, with varying degrees of labour market participation, education levels and support from their friends, family and community.

Thus, the call for projects will allow the emergence of new approaches, particularly for young people without work experience or those leaving youth centres. The selected projects will be able to:

- develop the global basic skills necessary for sustainable integration into a schooling or employability process;
- support them in their job search, internship or career reorientation by returning to school.

☐ Enhancing the tax credit for on-the-job training periods

On-the-job internships are one of the preferred means of workforce training and facilitate the integration of young people into the labour market.

- However, the current public health crisis has disrupted the entry of young people and new graduates into the labour market, resulting in many of them not being able to secure paid internships in the last year.

Considering that Québec's economic recovery depends in part on this new generation of workers, the government is planning, as part of the Budget 2021-2022, a temporary 25% increase in the basic rates of the tax credit for on-the-job training periods to encourage businesses to participate in the development of young people's skills.

Therefore, for a period of one year, the rate of this tax credit will be increased:

- from 32% to 40% with regards to immigrants, people with a disability, Indigenous people or people doing an internship in a remote resource region;
- from 24% to 30% with regards to other people.

Approximately 4 000 employers will benefit from this enhancement of the basic rates of the tax credit for on-the-job training periods, for additional assistance totalling more than \$14 million, benefiting more than 12 000 young people.

TABLE C.11

Main parameters of the refundable tax credit for on-the-job training periods – After the Budget 2021-2022

Eligible employers	Corporations and individuals operating a business in Québec	
Eligible clients	Full-time or employed students (apprentices) participating in any of the following programs: <ul style="list-style-type: none"> – vocational and technical training programs – undergraduate, graduate and postgraduate university programs – secondary education programs offered in general youth education or general adult education aimed at pre-work training, socio-professional integration of adults, in-company training and recuperation, or leading to the practice of semi-skilled trades – Workplace Apprenticeship Program 	
Basic rate of the tax credit⁽¹⁾	<u>Without enhancement⁽²⁾</u>	<u>With enhancement^{(2),(3)}</u>
	<ul style="list-style-type: none"> – 24% – 32% for immigrants, people with a disability, Indigenous people or people doing an internship in a remote resource region⁽⁴⁾ 	<ul style="list-style-type: none"> – 30% – 40% for immigrants, people with a disability, Indigenous people or people doing an internship in a remote resource region⁽⁴⁾
Qualified expenditures	Eligible salary expenditures: <ul style="list-style-type: none"> – intern or apprentice (maximum \$21/hour) – supervisor (maximum \$35/hour) for hours spent training the intern, up to a maximum of 10 or 20 hours per week depending on the eligible training program^{(5),(6)} The weekly cap on eligible expenses is \$700, \$875 or \$1 225, depending on the maximum number of hours of supervision granted ^{(5),(6)}	

(1) The tax credit rates presented in the table correspond to those applicable for corporations. For individuals operating a business, the rates are half those for corporations.

(2) These rates are increased to 40% and 50% respectively when the eligible expenditures relating to one or more trainees enrolled in an eligible training program, other than the Workplace Apprenticeship Program, are at least \$2 500 for the tax year and in each of the two preceding tax years of a corporation.

(3) The enhancement of the basic rates will be applicable for expenses incurred after the day of the speech for the Budget 2021-2022 and before May 1, 2022 for internships that began during this period.

(4) Includes the Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine administrative regions, the Antoine Labelle, Vallée-de-la-Gatineau, Pontiac and Mékinac RCMs, and the agglomeration of La Tuque.

(5) Only programs aimed at pre-work training, socio-professional integration of adults, in-company training and recovery or training leading to semi-skilled trades are eligible for the maximum of 20 hours per week, given that students require greater supervision from employers.

(6) The maximum number of supervision hours granted for a person with a disability is doubled, regardless of the eligible training program.

❑ Supporting volunteering projects in all secondary schools

Young people can take advantage of the measures of the Créneau carrefour jeunesse program implemented in partnership with the Carrefours jeunesse-emploi.

One of the components of this program aims to encourage volunteering projects in all public secondary schools in Québec as well as in certain adult education centres.

In this budget, the government is announcing additional funding of \$0.2 million for 2021-2022 for the volunteering component of the Créneau carrefour jeunesse program in order to increase opportunities for young people to get involved in their communities.

Créneau carrefour jeunesse program
<p>In addition to the volunteering component, the Créneau carrefour jeunesse program aims to encourage:</p> <ul style="list-style-type: none">— staying in school or going back to school;— personal and social autonomy through personalised support, group activities or concrete projects of community involvement;— participation in entrepreneurial projects;— the presence of young people on decision-making bodies, namely by developing a strategy for recruiting and training the next generation of board members.

3.2 Securing funding for the next youth action plan

This spring, the Secrétariat à la jeunesse will unveil its new action plan, the *Plan d'action jeunesse 2021-2024*, which, in addition to promoting the success of young people in their journey to self-sufficiency, aims at their overall development.

- The interventions of the action plan are based on seven areas: Health, Education, Citizenship, Employment, Entrepreneurship and succession, Culture and Environment.
- This new plan contains 133 measures, including nearly 80 new or enhanced ones to help young people continue to thrive despite difficult times.
- Ultimately, it will support 180 civil society organizations and reach at least 500 000 young people in all regions of Québec.

For example, the youth action plan makes it possible to finance numerous measures related to entrepreneurship and access to Québec culture among our youth. Among the leading measures is the Créneau carrefour jeunesse program, which implements services and a variety of projects adapted to the needs and local realities of young people between the ages of 15 and 35.

❑ Additional funding for the next youth action plan

The Secrétariat à la jeunesse already has \$158.7 million for 2021-2022 to 2023-2024 to implement this new youth action plan.

In addition to these amounts, \$124.3 million in funding is available for the various interventions of other departments and agencies supported by the Secrétariat.

As part of this budget, the government is announcing an additional \$10.3 million over three years that will ensure continuity in support measures for young people by renewing close to ten priority projects.

The government also plans to increase the funding granted to Tel-jeunes by \$1.5 million per year to meet the increased demand for its services.

— This measure is presented in section B, “Strengthening our health care system.”

With this additional funding, the new *Plan d'action jeunesse 2021-2024* will receive a total of \$298 million over three years.

TABLE C.12

Financial impact of the measure to secure funding for the next youth action plan (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Securing funding for the next youth action plan	—	-0.2	-1.6	-8.5	—	—	-10.3

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund. Appropriations will be granted to the Ministère du Conseil exécutif.

4. ENCOURAGING PARTICIPATION IN SPORTS AND RECREATION

Another important aspect for physical and psychological development is the practice of sports and physical activities. It brings benefits to all. For students in school settings, it has positive effects on the willingness to learn and grow.

However, the current context of the pandemic has had an impact on the regular practice of physical and recreational activities, which have had to cease due to the closure of various sporting spaces. Thus, the resumption of organized sports practices in compliance with health measures is of great importance.

To promote the practice of sports and recreational activities in Québec for everyone, especially young people, the government plans to invest a total of \$113.3 million by 2025-2026.

These amounts will be used to invest:

- \$40.8 million to implement initiatives to encourage the practice of physical and recreational activities in all communities;
- \$72.5 million to develop sports and recreational infrastructure.

TABLE C.13

Financial impact of measures to promote sports and recreation (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Encouraging the practice of physical and recreational activities in all communities	—	-16.9	-16.4	-2.5	-2.5	-2.5	-40.8
Developing sports and recreational infrastructure	-20.0	-5.0	-27.5	-20.0	—	—	-72.5
TOTAL	-20.0	-21.9	-43.9	-22.5	-2.5	-2.5	-113.3

Decreased practise of physical activities since the start of the pandemic

Physical activity is an essential part of healthy living, especially for young people. In particular, it helps to reduce problems related to lack of attention in school.

However, the level of physical activity among children aged 6 to 11 is very low.

- According to the Québec Survey on Physical Activity and Sport 2018-2019, only one child in five (19%) is considered active, meaning that he or she accumulates at least 60 minutes of medium- or high-intensity recreational or physical activity per day.

In response to the pandemic, it was necessary to suspend the physical activities of young people. Both the education and public health sectors are concerned about the consequences of a less active lifestyle during the pandemic.

In particular, it has been shown that stopping sports activities has a demotivating effect on young people.

Approximately 35% of parents of an elementary or secondary school-age child consider that stopping recreational and sports activities has had a negative impact on their child's motivation at school.¹

¹ According to a Léger survey conducted for the Réseau québécois pour la réussite éducative as part of Hooked on School Days 2021.

4.1 Encouraging the practice of physical and recreational activities in all communities

Physical and recreational activity is essential for well-being and improves physical and mental health. It represents an important driver of a person's development and quality of life, especially for young people.

It is therefore important to promote an active lifestyle for all Quebecers, regardless of their social condition or living environment.

To this end, the government is announcing people-centred initiatives totalling \$40.8 million by 2025-2026.

TABLE C.14

Financial impact of measures to encourage physical and recreational activities in all communities

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting accessibility, quality of experience and promotion of regular physical activities, sports, active recreational activities and outdoor activities.	—	-2.5	-2.5	-2.5	-2.5	-2.5	-12.5
Implementing local initiatives for physical and outdoor activities	—	-1.5	-5.0	—	—	—	-6.5
Offering better schoolyards to students	—	-8.0	-4.0	—	—	—	-12.0
Facilitating the participation of people with disabilities in recreational activities	—	-4.0	-4.0	—	—	—	-8.0
Encouraging the participation of girls and women in sports activities	—	-0.5	-0.5	—	—	—	-1.0
Preventing the abuse and harassment of athletes	—	-0.4	-0.4	—	—	—	-0.8
TOTAL	—	-16.9	-16.4	-2.5	-2.5	-2.5	-40.8

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund. The appropriations will be allocated to the Ministère de l'Éducation.

❑ Supporting accessibility, quality of experience and promotion of regular physical activities, sports, active recreational activities and outdoor activities

Despite the benefits of regular physical activity, this habit is not very present in the daily lives of Quebecers. The pandemic and public health measures put in place have amplified the problem over the past year.

In order to increase the regular practice of sports and physical and recreational activities by all Quebecers, investments will be made to develop parks, trails and outdoor ice-skating surfaces to provide a variety of opportunities to get moving.

As part of the Budget 2021-2022, the government plans to invest \$12.5 million by 2025-2026 to encourage Quebecers to engage in regular physical activity.

❑ Implementing local initiatives for physical and outdoor activities

In Québec, the proportion of the population practising the minimum recommended amount of physical activity for their age category remains insufficient.

Financial assistance is provided to various local and regional organizations in order to offer the population the opportunity to engage in various physical and outdoor activities that are accessible, of quality and safe, and that are consistent with the various orientations set out in the Policy on Physical Activity, Sport and Recreation - Quebecers on the Move!

As part of the Budget 2021-2022, the government plans to invest \$6.5 million over two years to encourage the practice of physical activity.

❑ Offering better schoolyards to students

Since the beginning of the public health crisis, young people have experienced a decrease in their level of physical activity. Faced with the urgency of the situation, the Québec government wishes to act quickly and provide financial support to school service centres in order to make primary schoolyards lively, animated and safe and thus encourage regular physical activity.

As part of the Budget 2021-2022, the government plans to invest \$12 million over two years to ensure the presence of activities staff and to acquire safe recreational materials and equipment for students.

❑ Facilitating the participation of people with disabilities in recreational activities

In Québec, over 10% of the population lives with a moderate or severe disability, which too often constitutes an obstacle to the practice of sports, recreational and outdoor activities. The need for assistance to participate in such activities is an important issue.

This is why the government wishes to provide the necessary assistance to people with disabilities so that they can benefit from better and safer access to recreational activities.

As part of the Budget 2021-2022, investments of \$8 million over two years are planned to help people living with disabilities to engage in recreational activities and enjoy greater social inclusion.

❑ Encouraging the participation of girls and women in sports activities

The participation of girls and women in various sports, physical and recreational activities should be further encouraged and valued. In addition to supporting women, the government wishes to promote equality and the visibility of female role models.

In this regard, a task force to develop innovative and collaborative recommendations was established in 2018 to increase the presence of women in management, coaching and officiating positions.

As part of this budget, the government plans to invest \$1 million over two years to promote regular physical activity and sports participation among girls and women, as well as a healthy and representative visibility for female role models.

❑ Preventing the abuse and harassment of athletes

The recreational and amateur sports community recognizes the importance of participating in sports and physical activity in a safe and healthy environment. Sports federations are making every effort to reduce the number of victims of abuse, harassment, neglect and violence in all its forms.

To this end, the government wants to make sure that these federations have the necessary resources to counter cases of abuse and harassment.

As part of the Budget 2021-2022, the government is investing \$0.8 million over two years to provide a safe and healthy environment for athletes.

4.2 Developing sports and recreational infrastructure

To enable Quebecers to reach their full potential through the practice of their recreational and sports activities, it is crucial to provide them with infrastructure offering a variety of activities and allowing them to practise in optimal conditions.

Thanks to infrastructure that better meets the population's needs, Quebecers will be more inclined to practise their activities and integrate them into their daily lives.

For the development of such infrastructure, the government plans additional investments of \$72.5 million by 2025-2026.

TABLE C.15

Financial impact of measures to develop sports and recreational infrastructure (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Ensuring quality sports and recreational infrastructure ⁽¹⁾	—	—	-20.0	-20.0	—	—	-40.0
Improving and maintaining the Route verte ^{(2),(3)}	—	-5.0	-7.5	—	—	—	-12.5
Providing the Capitale-Nationale region with a national-level tennis centre	-20.0	—	—	—	—	—	-20.0
TOTAL	-20.0	-5.0	-27.5	-20.0	—	—	-72.5

Note: The amounts for 2020-2021 will be drawn from budgetary resources made available during the course of the fiscal year. For 2021-2022 the amounts will be drawn from the Contingency Fund.

- (1) Appropriations of \$20 million in 2022-2023 and \$20 million in 2023-2024 will be allocated to the Ministère de l'Éducation. The \$125 million investment envelope includes \$54.6 million in deferred investments and \$70.4 million in additional investments. The financial impact of these additional investments is \$40 million, as \$30.4 million comes from priority reallocations.
- (2) Appropriations will be granted to the Ministère des Transports. For 2022-2023, \$2.5 million will be drawn from the Land Transportation Network Fund.
- (3) Investments of \$10 million are provided for in the 2021-2031 Québec Infrastructure Plan.

❑ Ensuring quality sports and recreational infrastructure

There is a significant need for the construction, renovation, expansion and upgrading of various school-based sports infrastructure throughout Québec.

In this regard, the Budget 2021-2022 provides for an investment of \$125 million in the Sport and Physical Activities Development Fund.

These amounts will be used to increase the accessibility of sports and recreational facilities and thus increase the population's participation in sports. They will make it possible to:

- support the presence of sports and recreational infrastructure in good condition in all regions of Québec, for example through the construction of gymnasiums and sports complexes, and the development of playgrounds;
- increase access to these infrastructure for the population.

❑ Improving and maintaining the Route Verte

The national network of bicycle trails called the Route Verte and its regional branches have a direct impact on the well-being of the population, notably by increasing physical activity, stimulating sustainable tourism and reducing greenhouse gas emissions.

The government is therefore providing \$12.5 million in the Budget 2021-2022:

- \$10.0 million to enhance and improve the Route Verte's current offering;
- \$2.5 million to maintain the Route Verte and its regional branches.

❑ Providing the Capitale-Nationale region with a national-level tennis centre

Université Laval wants to equip the Capitale-Nationale region with a national-level tennis centre with the construction of 16 indoor and outdoor courts as an annex to its physical education and sports pavilion.

Because it recognizes the need for such infrastructure in the region and its positive influence on the development of sports and promising young athletes, the government is providing a \$20 million grant to Université Laval in its Budget 2021-2022 to launch the project.

5. IMPROVING EDUCATION AND HIGHER EDUCATION INFRASTRUCTURE

Educational institutions must provide healthy, safe, accessible and supportive environments for the learning and development of students.

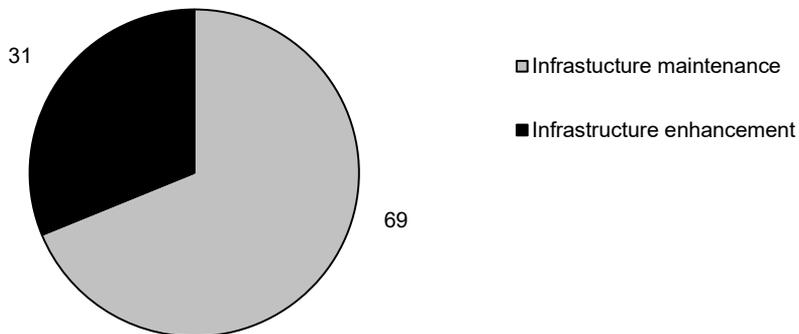
The 2021-2031 Québec Infrastructure Plan provides for investments of over \$27 billion for the education and higher education networks, including \$21 billion for the education network, which will enable, among other things, the renovation and construction of schools, the maintenance of buildings and the addition of learning spaces, including the gradual introduction of 4-year-old kindergarten classes.

A proportion of 69% of all planned investments will be used to maintain existing infrastructure in good condition.

Investments to improve or build infrastructure account for 31%.

CHART C.1

2021-2031 Québec Infrastructure Plan for education and higher education, by type of investment
(per cent)



Source : Secrétariat du Conseil du trésor.

FINANCIAL IMPACT

TABLE C.16

Financial impact of measures to support educational success and young people

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting educational success							
Overcoming anticipated educational delays							
– Supporting the consolidation of knowledge during the public health crisis	—	-110.0	-60.0	—	—	—	-170.0
Providing better support for the school network							
– Valuing, attracting and mobilizing school network staff	—	-10.0	-15.0	-15.0	-15.0	-15.0	-70.0
– Adding special education classes for students with special needs	—	-13.0	-20.0	-20.0	-20.0	-20.0	-93.0
– Fostering educational success for Indigenous students and equal opportunities	—	-5.0	-8.0	-8.0	-8.0	-8.0	-37.0
– Facilitating access to quality school-based childcare services	—	-13.3	-19.0	-19.0	-19.0	-19.0	-89.3
– Improving the state of schools	—	-45.0	-35.0	—	—	—	-80.0
– Continuing the digital shift through artificial intelligence	—	-5.3	-5.3	—	—	—	-10.6
– Other measures ⁽¹⁾	—	-3.6	-5.0	-5.0	-5.0	-5.0	-23.6
Subtotal	—	-205.2	-167.3	-67.0	-67.0	-67.0	-573.5

(1) Additional initiatives are being put in place to enhance training for school board members and to improve the financial assistance program for school bus driver retention.

TABLE C.16

Financial impact of measures to support educational success and young people (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting student retention and graduation in higher education							
Fostering student retention							
– Implementing more digital solutions in educational institutions	—	-20.0	-20.0	-15.0	-15.0	-15.0	-85.0
– Improving the health and well-being of students and staff	—	-15.0	-15.0	-10.0	-10.0	-10.0	-60.0
Alleviating the financial burden of students during the pandemic							
– Lump sum of \$100 per semester for students	—	-82.6	—	—	—	—	-82.6
– Eliminating interest on student loans for one year	—	-72.0	—	—	—	—	-72.0
Increasing the number of higher education graduates							
– Supporting access to higher education, student retention and increased graduation rates	—	-40.0	-40.0	-30.0	-20.0	-20.0	-150.0
– Training more nurses	—	-7.0	-7.0	-7.0	-1.0	-1.0	-23.0
– Strengthening the presence of higher education institutions in regions	—	-11.0	-11.0	-11.0	-4.0	-4.0	-41.0
– Additional measures to increase the number of higher education graduates	-60.0	—	—	—	—	—	-60.0
– Awarding scholarships to college students in information technology	—	-5.0	-5.0	-5.0	-5.0	—	-20.0
– Promoting recruitment and graduation in information technology	—	-25.0	-25.0	-25.0	—	—	-75.0
Subtotal	-60.0	-277.6	-123.0	-103.0	-55.0	-50.0	-668.6

TABLE C.16

**Financial impact of measures to support educational success
and young people (cont.)**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Facilitating the professional and social integration of young people							
Facilitating the professional integration of young people							
– Ensuring stable funding for the Carrefours jeunesse-emploi	—	-13.9	-18.5	-18.5	—	—	-50.9
– Supporting young people who are not in education, employment or training in their labour market integration process	—	—	-31.4	—	—	—	-31.4
– Enhancing the tax credit for on-the-job training periods	—	-2.0	-5.8	-5.0	-1.1	-0.2	-14.1
– Supporting volunteering projects in all secondary schools	—	-0.2	—	—	—	—	-0.2
Securing funding for the next youth action plan	—	-0.2	-1.6	-8.5	—	—	-10.3
Subtotal	—	-16.3	-57.3	-32.0	-1.1	-0.2	-106.9

TABLE C.16

**Financial impact of measures to support educational success
and young people (cont.)**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Encouraging participation in sports and recreation							
Encouraging the practice of physical and recreational activities in all communities							
– Supporting accessibility, quality of experience and promotion of regular physical activities, sports, active recreational activities and outdoor activities	—	-2.5	-2.5	-2.5	-2.5	-2.5	-12.5
– Implementing local initiatives for physical and outdoor activities	—	-1.5	-5.0	—	—	—	-6.5
– Offering better schoolyards to students	—	-8.0	-4.0	—	—	—	-12.0
– Facilitating the participation of people with disabilities in recreational activities	—	-4.0	-4.0	—	—	—	-8.0
– Encouraging the participation of girls and women in sports activities	—	-0.5	-0.5	—	—	—	-1.0
– Preventing the abuse and harassment of athletes	—	-0.4	-0.4	—	—	—	-0.8
Developing sports and recreational infrastructure							
– Ensuring quality sports and recreational infrastructure	—	—	-20.0	-20.0	—	—	-40.0
– Improving and maintaining the Route Verte	—	-5.0	-7.5	—	—	—	-12.5
– Providing the Capitale-Nationale region with a national-level tennis centre	-20.0	—	—	—	—	—	-20.0
Subtotal	-20.0	-21.9	-43.9	-22.5	-2.5	-2.5	-113.3
TOTAL	-80.0	-521.0	-391.5	-224.5	-125.6	-119.7	-1 462.3

Section D

ACCELERATING GROWTH AND THE TRANSITION TO THE NEW ECONOMY

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SUMMARY

The COVID-19 crisis has turned the world's economy upside down since last spring.

Starting in March, 2020, the government's has taken steps totalling \$1.8 billion to sustain and relaunch the Québec economy by accelerating infrastructure investments, getting Quebecers back to work, stimulating economic growth and encouraging local production and purchasing.

The pandemic has accelerated several of the major trends that emerged in recent years, including businesses adopting new technologies, digitization of the economy and the requalification of workers for the specialized jobs that need to be filled.

— The initiatives governments have taken in the past year have sustained economic activity and helped businesses and workers adapt to the new realities.

The post-pandemic recovery brings many possibilities. It is a chance for businesses to adapt their business models and innovate, and for workers to requalify so that they can meet their own goals and fit into the new economy.

Against this backdrop of transition, the government is maintaining its objectives in terms of creating wealth and increasing Québec's economic potential; it is still aiming at an annual 2% long-term growth of real GDP in order to catch up with Ontario's standard of living.

The government is intensifying its efforts to stimulate business investments and improve productivity throughout Québec's regions.

In Budget 2021-2022 the government is acting to accelerate growth and the transition to the new economy by announcing new measures totalling over \$4 billion between now and 2025-2026. These initiatives aim to:

- increase productivity and stimulate business investment;
- create wealth through innovation;
- support the requalification of workers and get them back into the labour market;
- promote economic development in the regions;
- develop our economy in a sustainable way;
- promote Québec's culture, heritage and the French language;
- continue supporting businesses that have been affected by the pandemic.

TABLE D.1

Financial impact of measures to accelerate growth and the transition to the new economy
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing productivity and stimulating business investment	-660.0	-683.1	-238.8	-311.5	-161.4	-120.2	-2 175.0
Creating wealth through innovation	-135.5	-33.2	-28.0	-10.1	-6.7	-4.4	-217.9
Supporting the requalification of workers and getting them back into the labour market	—	-140.4	-224.6	-23.6	-7.5	-7.5	-403.6
Promoting economic development in the regions of Québec	-92.3	-283.1	-105.8	-21.2	-10.4	-10.4	-523.2
Developing our economy in a sustainable way	—	-58.1	-30.6	-23.0	-12.4	-12.4	-136.5
Promoting Québec's culture, heritage and the French language	-63.0	-148.0	-73.2	-51.2	-28.3	-28.3	-392.0
Continuing to support businesses that have been affected by the pandemic	-29.2	-163.5	—	—	—	—	-192.7
TOTAL	-980.0	-1 509.4	-701.0	-440.6	-226.7	-183.2	-4 040.9

1. INCREASING PRODUCTIVITY AND STIMULATING BUSINESS INVESTMENT

Business investment increases productivity and long-term economic growth. It also encourages the acceleration of the digital shift and the emergence of the new technology firms needed to support innovation in all Québec businesses.

The government is providing a further \$2.2 billion over six years in Budget 2021-2022 to increase productivity and stimulate business investment by:

- connecting all Quebecers to high-speed Internet;
- encouraging businesses to adopt new technologies to increase their productivity;
- continuing to invest in strategic sectors of the Québec economy.

TABLE D.2

Financial impact of measures to increase productivity and stimulate business investment (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Connecting all Quebecers to high-speed Internet ⁽¹⁾	-660.0	-595.0	—	—	—	—	-1 255.0
Encouraging businesses to adopt new technologies to increase their productivity	—	-66.5	-168.1	-249.2	-155.0	-113.8	-752.6
Continuing to invest in strategic sectors of the Québec economy	—	-21.6	-70.7	-62.3	-6.4	-6.4	-167.4
TOTAL	-660.0	-683.1	-238.8	-311.5	-161.4	-120.2	-2 175.0

(1) The amounts will be drawn from the Contingency Fund.

1.1 Connecting all Quebecers to high-speed Internet

High-speed Internet services are considered essential for Québec's economic development, especially during the pandemic. Work methods, consumption habits, entertainment and learning have been forever transformed. That is why the Québec government wants to get all Quebecers up to speed over the next two years.

The Éclair program is a new initiative for achieving that goal. It will provide high-speed Internet connection for 116 000 new homes—both primary and secondary residences—and cover businesses and organizations within the target sectors by the end of 2022.

- The Éclair program will reduce the delays inherent in such operations and limit the financial impact on the government by subsidizing Internet service providers who are already able to provide such services in different regions; bilateral discussions will be held, taking the territory each provider already covers into account as much as possible.
- An integrated planning process in collaboration with the owners of support structures (poles) will enable the government to coordinate the work of preparing the aerial network for all the work needed to achieve our goal.

After that, next-generation solutions will have to be found for some 36 000 households in very remote regions for which the costs of fibre optics are too high. Those households could be part of a second Éclair phase.

The government is providing investments of close to \$1.3 billion,¹ \$660 million in 2020-2021 and \$595 million in 2021-2022, to connect Quebecers to high-speed Internet. A further financial contribution is expected from the federal government. Discussions on the topic are underway.

¹ The total cost of the current Éclair program phase is \$733 million. 90% of it—\$660 million—will be paid in 2020-2021. The balance of the total cost, plus an amount for additional projects—\$595 million—will be paid in 2021-2022.

Reminder of previous initiatives to provide all Quebecers with high-speed Internet access

Since 2016 the Québec government has had two programs intended to provide high-speed Internet services to regions that are currently not covered or poorly covered:

- the Québec branché program, launched with a \$100 million budget in 2016; its current goal is to connect 90 000 households and is close to 23% completion, i.e. some 20 500 households;
- the Québec haut débit program, launched with a \$400 million budget in 2019, with a Régions branchées component to connect a further 40 000 households, for which agreements are currently being signed. Work will start soon.

Projects for providing high-speed Internet services to the regions have also been jointly funded with the federal government under the federal Connect to Innovate program.

The Québec government wants to accelerate the pace. The completion of the programs announced since 2016, coupled with the new Éclair program, will give some 250 000 new households access to high-speed Internet by the end of 2022.

1.2 Encouraging businesses to adopt new technologies to increase their productivity

Measures taken by the different levels of government during the pandemic have helped businesses meet their costs and adapt. Several businesses have, however, been forced to revise or postpone their investment plans.

With specialized labour already in short supply, productivity gains linked to the digital transition offer great potential for making Québec businesses more competitive, supporting their long-term growth and encouraging innovation, but significant investments will be needed for technology or upgrades.

In Budget 2021-2022 the government is providing close to \$753 million over five years to encourage businesses to adopt new technologies to increase productivity, specifically to:

- accelerate the acquisition of new technologies by businesses;
- enhance the tax holiday for large investment projects;
- reduce the corporate tax rate on SMBs to Ontario level.²

TABLE D.3

Financial impact of measures to encourage businesses to adopt new technologies to increase their productivity (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Accelerating the acquisition of new technologies by businesses	—	-13.6	-72.6	-119.7	-66.3	-17.3	-289.5
Enhancing the tax holiday for large investment projects	—	-8.0	-24.3	-55.6	-11.8	-16.8	-116.5
Reducing the corporate tax rate on SMBs to Ontario level	—	-44.9	-71.2	-73.9	-76.9	-79.7	-346.6
TOTAL	—	-66.5	-168.1	-249.2	-155.0	-113.8	-752.6

² The reduced corporate income tax rate for Ontario SMBs is the rate in effect on March 12, 2021.

Important measures to make Québec businesses more productive and competitive

The government has introduced a series of measures since the fall of 2018 to make Québec businesses more productive and competitive. Those measures, intended to support investment, innovation and commercialization, promote a strong and sustainable economic recovery.

They include:

- accelerated depreciation measures that considerably reduce the cost of Québec business investments for things like computer materials, manufacturing and processing materials, clean energy production equipment and intellectual property;
- the incentive deduction for the commercialization of innovations (IDCI), which encourages businesses from all sectors of the economy to market Québec innovations in Québec, especially in the fields of life sciences and information technology;
- the investment and innovation tax credit (C3i), which supports the acquisition of new technologies to digitize production and management processes and promotes the upgrading of manufacturing equipment in order to increase automation.

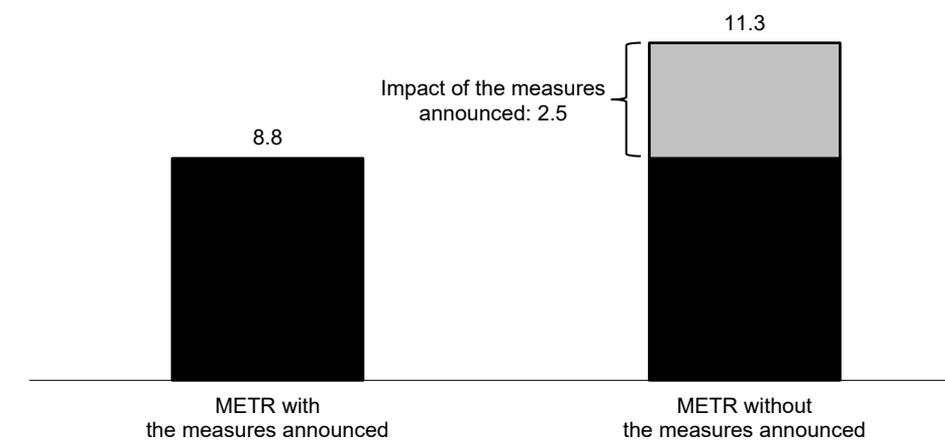
A significant impact on the marginal effective tax rate (METR)

With the measures in place since the fall of 2018 the METR¹ for new investments in Québec reached 8.8% in 2020.

Without those measures the METR would have been 11.3%, a full 2.5 percentage points more.

METR with and without the measures announced – 2020

(per cent and percentage point difference)



¹ The marginal effective tax rate (METR) is a quantitative representation of all tax rules, rates and measures applicable to a marginal business investment. A low METR reflects an investment-friendly tax system.

❑ **Accelerating the acquisition of new technologies by businesses**

Introduced in Budget 2020-2021, the investment and innovation tax credit (C3i) encourages businesses in all sectors to acquire new technologies to digitize their production and management processes and upgrade their manufacturing equipment.

— Tax assistance corresponds to 10%, 15% or 20% of the eligible expenditures for manufacturing and processing materials, computer materials and acquiring management software, depending on the territory where the investment is made.

In order to encourage businesses to accelerate their new technology investment projects, the government is announcing that the C3i rates will be doubled up to December 31, 2022. That means the rates will go:

- from 10% to 20% for investments in the Montréal and Québec City metropolitan communities;
- from 20% to 40% for investments in territories where economic vitality is low;
- from 15% to 30% for investments in other territories or regions.

That temporary increase, which will cost close to \$290 million over five years, will help more than 10 000 businesses complete their investment projects faster.

Investments eligible for the C3i

The investment and innovation tax credit (C3i) encourages investments in new technological equipment and computer solutions for better information gathering and easier business decision making, with the goal of reducing production and management costs for businesses. For example, it encourages:

- the acquisition of digitized manufacturing machines and data storage servers;
- the installation of integrated management software, company-specific computer solutions that allow information to be shared in real time between all the company's different departments, from the production chain to accounting.

By stimulating the acquisition of connected equipment and computer solutions, the C3i helps accelerate the digital shift in Québec businesses in all sectors, making them more competitive.

Illustration of the advantage of the enhanced C3i

The following example illustrates the advantage of the C3i for a SMB in Trois-Rivières that specializes in the machining of parts and wants to digitize some of its processes, investing in:

- the acquisition of a new automated cutting machine at a cost of \$500 000;
- the installation of a management software program at a cost of \$100 000.

The temporary enhancement of the C3i will allow the company to complete its upgrade faster. Its C3i tax credit will be twice as high—close to \$175 000—if it makes those investments by December 31, 2022.

Illustration of the advantage of the enhanced C3i

(dollars, unless otherwise indicated)

	Cost	Advantage of the enhanced C3i		Gain
		Current rate (15%)	Enhanced rate (30%)	
Manufacturing materials ⁽¹⁾	500 000	73 125	146 250	+73 125
Management software ⁽²⁾	100 000	14 250	28 500	+14 250
TOTAL	600 000	87 375	174 750	+87 375

(1) A \$12 500 per item eligible expenditure threshold applies to manufacturing materials.

(2) A \$5 000 per item eligible expenditure threshold applies to management software.

TABLE D.4

Principal parameters of the investment and innovation tax credit (C3i) – After Budget 2021-2022

Qualified corporation	Companies with an establishment in Québec and that operate a business here ⁽¹⁾		
Qualified property	Manufacturing and processing materials (depreciation categories 43 or 53) Computer materials (depreciation category 50) Management software (depreciation category 12)		
Eligible expenses	Expenditure threshold: – \$12 500 per item for manufacturing and processing materials – \$5 000 per item for computer materials or management software		
Tax credit rate	Region	Without enhancement	With temporary enhancement⁽²⁾
	– Montréal and Québec City metropolitan communities	10%	20%
	– Territories where economic vitality is low ⁽³⁾	20%	40%
	– Other territories or regions	15%	30%
Reimbursement criterion	Reimbursable for companies with assets and gross revenue of \$50 million and under Not reimbursable for companies with assets and gross revenue of \$100 million and over ⁽⁴⁾		
Investment cap	\$100 million of eligible investment expenditures over five years		
Time frame	Eligible property acquired after March 10, 2020 and before January 1, 2025		

(1) The following are not entitled to the C3i: companies exempted from income tax, Crown corporations or subsidiaries wholly owned by them, aluminium producing companies and oil refining companies.

(2) The rates will be enhanced for property acquired after March 25, 2021 and before January 1, 2023.

(3) See page C.42 of the March 2020 Budget Plan for the list of territories where economic vitality is low.

(4) The tax credit is partially reimbursable when the company's assets or gross revenue are more than \$50 million but less than \$100 million.

❑ **Enhancing the tax holiday for large investment projects**

In order to help Québec businesses complete their projects and increase their productivity and production capacity, the government has provided the following in Budget 2021-2022:

- making all digitization projects eligible for the tax holiday up to December 31, 2024;
- accelerating assistance for upgrade projects for the duration of the program;
- extending the startup period for current initial certificate holders.

These enhancements, designed to support large investment projects, amount to financial assistance of over \$116 million over the next five years.

Tax holiday for large investment projects

The tax holiday for large investment projects gives eligible companies relief from income taxes and contributions to the Health Services Fund equivalent to a maximum of 15% of their investments, spread over a maximum of 15 years.

Companies must reach a certain eligible investment threshold during their startup periods, no more than 60 months after receiving their initial certificates, if they are to take advantage of the tax holiday.

Principal parameters of the tax holiday for large investment projects – After Budget 2021-2022

How the tax holiday applies	Applicable tax holiday on corporate income taxes and contributions to the Health Services Fund over a maximum of 15 years
Start date for the exemption period	The later of: <ul style="list-style-type: none"> – the start date for activities stemming from the large investment project – the date the applicable investment threshold is met (\$100 million or \$50 million in designated regions)
Tax holiday cap	15% of the value of the eligible investment
Eligibility criteria	Initial certificate application submitted before the large project starts Eligible investment expenditures attributable to projects carried out in Québec Applicable investment threshold reached no later than 60 months after the initial certificate issue date ⁽¹⁾
Applicable investment threshold	Central regions: \$100 million Designated regions: ⁽²⁾ \$50 million
Eligible activity sectors	Data manufacturing, wholesaling, storing, data processing and hosting; development of eligible digital platforms; eligible digital transformation projects
Deadline for submitting initial certificate applications	December 31, 2024

(1) After Budget 2021-2022 that period will be extended from 60 to 72 months for companies that held or had applied for initial certificates on the date of the 2021-2022 budget speech but did not have their first annual attestations.

(2) See page A.19 of the *Additional Information* for Budget 2020-2021 for the list of designated regions.

Projects that have received initial certificates

More than 65 projects have received initial eligibility certificates since the measure was introduced. They involve:

- investments estimated at close to \$30 billion;
- creation or maintenance of more than 24 000 direct jobs;
- a contribution of over \$9.5 billion to Québec's GDP.

■ Making all digitization projects eligible for the tax holiday

Investment project activities must fall into in one of the eligible activity sectors if they are to be eligible for the tax holiday for large investment projects.

In order to stimulate and support the digitization of Québec businesses, the government is announcing in Budget 2021-2022 that eligibility for the tax holiday for large investment projects is being expanded to all large digitization projects, regardless of sector.

Eligibility for digitization projects

To be eligible, large investment projects must involve the development and implementation of a digital solution, either by integrating or upgrading an information system or technological infrastructure.

The digital solution must add value for all or some of the company's activities.

It must have one of the following objectives:

- optimize the management and analysis of the company's data and the use of its resources;
- increase the company's productivity or efficiency by automating processes;
- improve relationships with suppliers or customers by processing the information collected about them in real time.

The investments that will be considered in terms of reaching the eligibility threshold must be capitalizable and essentially aimed at acquiring software or equipment.

■ Accelerating assistance for upgrade projects

Businesses involved in upgrade projects are not currently eligible for the tax holiday until at least 90% of their investments have been realized, even if the resulting activities have started.

In order to make capital more accessible to businesses involved in large investment projects where activities are phased in progressively, the government is announcing in Budget 2021-2022 that eligible companies will be able to benefit from the tax holiday as soon as they have reached the minimum investment threshold of \$100 million (or \$50 million in designated regions) out of the eligible investments realized.

The measure will be offered to both current initial certificate holders who have not received their first annual attestations and future projects.

Illustration of the advantages of faster access to the tax holiday for companies involved in large investment projects

The example below illustrates the advantages of the enhancement for companies doing upgrades with eligible investments of \$200 million spread over the period from 2021 to 2025. The following assumptions are made for the purposes of the illustration:

- the project is carried out in a region where the eligible investment threshold is \$100 million;
- the related activities are phased in progressively starting in 2022, and are subject to taxes (income tax and contributions to the Health Services Fund) of \$45 million over five years.

Based on the current parameters of the tax holiday for large investment projects, the company's exemption period will start to run when at least 90% of the investments have been made (in this example, during the year 2024).

- Under that option, the company could enjoy a maximum tax holiday of \$27 million, equivalent to 15% of 90% of the projected investment, during the 15 years after its exemption period starts to run.

The new parameters would start the company's exemption period as soon as its realized eligible investments have reached the applicable minimum investment threshold (in this case, \$100 million).

- Under this option, the company can start to benefit from the tax holiday two years earlier, i.e. as of 2022, and for the next 15 years.
- At term, when the investment project has been completed, the company's tax holiday cap will be \$30 million.

Illustration of the advantage of starting the tax holiday as soon as the minimum investment threshold has been reached (millions of dollars)

	2021	2022	2023	2024	2025	2026	Total
Realized eligible investments	50.0	50.0	50.0	30.0	20.0	—	200.0
Taxes	—	7.0	8.0	9.0	10.0	11.0	45.0
How the tax holiday applies							
– Current parameters	—	—	—	–9.0	–10.0	–8.0	–27.0
– New parameters	—	–7.0	–8.0	–9.0	–6.0	—	–30.0
Difference	—	7.0	8.0	—	–4.0	–8.0	3.0

■ Extending the startup period for current initial certificate holders

Companies must reach the minimum eligible investment threshold during their startup periods, no more than 60 months after the issue date of their initial certificates, if they are to take advantage of the tax holiday for large investment projects.

The economic hardships resulting from the pandemic have forced several businesses to revise their investment project time lines.

In order to reduce the uncertainty for such companies and encourage them to go ahead with their large investments, the government is announcing in Budget 2021-2022 that it will extend the startup period by 12 months, making it 72 months.

— Companies eligible for this measure will have to hold or have applied for initial certificates on the day of the 2021-2022 budget speech but not have obtained their first annual attestations.

□ Reducing the corporate tax rate on SMBs to Ontario level

As of January 1, 2021, all Québec SMBs eligible for the small business deduction (SBD) benefit from a preferential corporate tax rate of 4.0% on the first \$500 000 of their taxable income due to the small business deduction.

In Budget 2021-2022 the government is announcing a further reduction of the tax rate for all SMBs eligible for the SBD from 4.0% to 3.2%, the same as Ontario, starting the day after the budget speech.

This reduction of the tax burden will have a positive impact on the Québec economy, prompting the companies to invest in their production capacities while becoming more competitive.

■ A reduction of over \$70 million per year in the tax burden on SMBs

Lowering the tax rate from 4.0% to 3.2% will reduce the tax burden for more than 70 000 SMBs.

This reduction will account for over \$70 million per year as of 2022-2023, or more than \$346 million over five years.

In order to account for the impacts of the pandemic health measures, we are also announcing a new easing of the way hours paid are calculated for the small business deduction; it can be found on page D.106 which is part of section 7.3 of this Budget Plan.

Illustration of the Québec tax system's improved ability to compete as it applies to SMBs

The lowering of the corporate tax rate from 4.0% to 3.2% means that a small business in Québec that reports taxable income of \$500 000 will pay 20% less tax.

As of the day after the budget speech, that business will pay tax at the lower rate similar to its Ontario counterparts, whereas before Budget 2021-2022 there would have been a \$4 000 difference.

Illustration of corporate taxes for SMBs in Québec and Ontario (dollars, unless otherwise indicated)

	Ontario	Québec	
		Before Budget 2021-2022 ⁽¹⁾	After Budget 2021-2022 ⁽²⁾
Gross income	2 500 000	2 500 000	2 500 000
Costs of production	2 000 000	2 000 000	2 000 000
Taxable income	500 000	500 000	500 000
Income tax payable at the SMB reduced rate			
Maximum income eligible for the SMB reduced rate	500 000	500 000	500 000
Statutory tax rate ⁽³⁾	3.2%	4.0%	3.2%
Income tax payable	16 000	20 000	16 000
Difference from Ontario	—	4 000	—

(1) As at January 1, 2021.

(2) The amendments will apply as of the day after the budget speech.

(3) The reduced corporate income tax rate for Ontario SMBs is the rate in effect on March 12, 2021.

Economic impacts of measures to encourage businesses to adopt new technologies

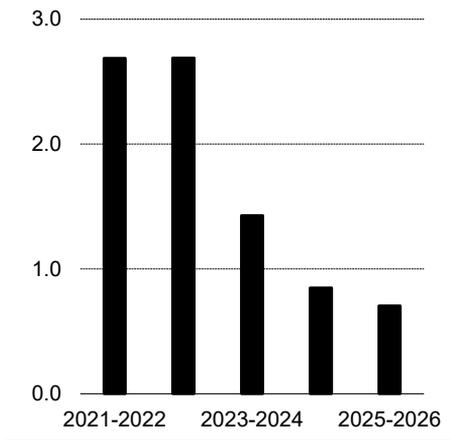
By supporting investments in new technologies, the government's measures will help Québec businesses modernize and become more competitive.

- These measures will help create or directly support \$8.4 billion in investments over the next five years, accounting for about 3.8% of the non-residential business investments planned in Québec for that time period.

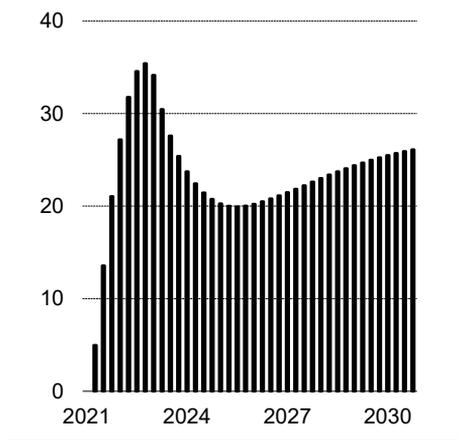
Additional investments stimulated by the enhanced investment and innovation tax credit (C3i) and the tax holiday for large investment projects, as well as the reduced corporate tax rate for SMBs, will galvanize Québec's economic activity in the coming years and sustain its long-term growth.

- It is estimated that additional business investments will boost the GDP by more than \$900 million over 10 years.

Non-residential business investment in Québec
(billions of dollars)



Quarterly impacts of the measures in terms of GDP created
(millions of dollars)



Encouraging transfers of family businesses

Every year, many Québec SMB owners have to decide whether to turn over their businesses to a family member or a third party. The tax consequences may be an obstacle to family transfers.

- According to a recent research report,¹ more than 6 700 SMB owners in Québec planned to sell their business each year between 2017 and 2022.
- The capital gains realized by those SMB transfers could have amounted to \$15.7 billion over a five-year period.

The Québec government addressed that problem by introducing tax easing measures to encourage the transfers of family businesses to family members.

- Those measures meant that an entrepreneur selling the business to a family member could take advantage of the capital gains deduction on certain conditions, and the tax consequences would be same as if the owner had transferred the business to a third party.

This easing of tax rules in Québec cannot be fully realized unless amendments are made to the federal legislation. A harmonized approach would solve the tax problems related to the transfer of family businesses.

¹ DUHAMEL, M., BROUARD, F. and CADIEUX, L., *L'influence des facteurs fiscaux sur les intentions de transferts de PME québécoises et canadiennes*, (*The influence of tax factors on the transfer intentions of Québec and Canadian SMBs*), [Research Report], Université du Québec à Trois-Rivières and Institut de recherche sur les PME, 2020, 30 p.

1.3 Continuing to invest in strategic sectors of the Québec economy

The economic recovery gives us a chance to reposition some Québec sectors that have significant global development possibilities. Investment in those strategic sectors of the economy will allow Québec businesses to ramp up their exports.

In order to continue investing in strategic sectors of the Québec economy, the government is providing \$167.4 million over five years for:

- continuing to develop the battery industry;
- encouraging the development of critical and strategic minerals;
- renewing the Québec Aerospace Strategy;
- supporting the aluminium sector.

In addition to customizing responses for those sectors, the government will intensify its efforts to get the economy back on track in all sectors during the coming year.

TABLE D.5

Financial impact of the measures for continuing to invest in strategic sectors of the Québec economy (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Continuing to develop the battery industry ^{(1),(2)}	—	-5.0	-10.0	—	—	—	-15.0
Encouraging the development of critical and strategic minerals	—	-1.6	-3.2	-4.8	-6.4	-6.4	-22.4
Renewing the Québec Aerospace Strategy ^{(1),(2)}	—	-15.0	-40.0	-40.0	—	—	-95.0
Supporting the aluminium sector ^{(1),(3)}	—	—	-17.5	-17.5	—	—	-35.0
TOTAL	—	-21.6	-70.7	-62.3	-6.4	-6.4	-167.4

(1) The appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(2) The amounts for 2021-2022 will be drawn from the Contingency Fund.

(3) Investments of \$8.0 million are provided in the 2021-2031 Québec Infrastructure Plan.

❑ Continuing to develop the battery industry

In its 2030 Plan for a Green Economy, released in November, the government announced its intentions for a green economic recovery, based primarily on a major project to electrify the economy, especially the transportation sector.

The plan is aimed at reducing greenhouse gas effects while at the same time contributing to a sustainable economic recovery.

Québec has all the assets it needs to produce the cleanest and most powerful batteries in North America.

To that end the government will act on the three-pronged orientations of its *Stratégie québécoise de développement de la filière batterie*, presented by the Minister of Economy and Innovation last November:

- extracting and processing minerals on Québec territory that can be used for manufacturing battery components;
- finding ways to recycle batteries using avant-garde Québec technology;
- producing electric commercial vehicles.

In addition to the money available in the Economic Development Fund to support investment projects, the government is providing \$15 million for implementing this promising strategy for the Québec economy. In particular, the amount will be used for:

- implementing collaborative solutions for assembling and recycling batteries;
- intensifying research and development for materials for new-generation batteries in Québec that can be marketed in the future;
- supporting the process demonstration steps for the batteries of tomorrow.

The Minister of Economy and Innovation will announce the details of these measures.

❑ Encouraging the development of critical and strategic minerals

The development phase of the mining process entails major costs and high risks for the mining exploration companies.

That phase is even riskier for critical and strategic minerals (CSMs), where years of experience acquired with more traditional minerals cannot be relied on.

- The nature of certain CSMs requires more work, studies and analyses of extraction, handling and processing methods to determine the end product that will be fit for marketing.
- That work, which is carried out after the basic exploration phase, is needed to inform decisions about taking deposits forward to production.

As part of the Québec Plan for the Development of Critical and Strategic Minerals 2020-2025, the government is announcing in Budget 2021-2022 a new allowance in the mining tax regime for mining exploration companies that develop CSMs.

That allowance will specifically target expenditures for the work needed to make decisions about taking a CSM deposit forward for commercial production; those expenditures are not covered by existing allowances.

They will be included in the refundable duties credit for losses (RDCL) in the mining tax regime at the rate of 16%, up to a total amount of financial assistance of \$5 million per eligible company.

That will account for financial assistance for developing CSMs of over \$22 million over the next five years. Some ten projects will be able to take advantage of the allowance during that time.

TABLE D.6

Principal parameters of the allowance for developing critical and strategic minerals – After Budget 2021-2022

Qualified corporation	Be an eligible operator in the Québec mining tax regime, i.e. an exploration company that: <ul style="list-style-type: none"> – does not develop any mineral substances in reasonable commercial quantities – has not been associated with any entity that develops mineral substances in reasonable commercial quantities during the fiscal year
Eligible expenditures	Expenditures for developing a CSM deposit that were incurred after the basic exploration period in order to make the decision whether to bring the deposit forward for production, which are not eligible for the current provisions of the Québec mining tax regime and the <i>Taxation Act</i> of Québec
Financial assistance cap	\$5 million per eligible company
Rate of assistance	Eligible expenditures will be included for the refundable duties credit for losses (RDCL) in the mining tax regime at the rate of 16%
Eligible substances	Critical and strategic minerals as defined in the Québec Plan for the Development of Critical and Strategic Minerals 2020-2025

❑ Renewing the Québec Aerospace Strategy

The financial framework of the Québec Aerospace Strategy 2016-2026 will be renewed with the goal of supporting businesses in the aerospace sector.

The renewal will allow us to:

- design the aerospace sector of the future with new technological solutions that meet the environmental and economic imperatives of tomorrow;
- diversify the industry by supporting the design of new products and processes;
- strengthen value chains and expand them abroad.

To that end the government is providing \$95.0 million for renewing the financial framework of this strategy.

The Minister of Economy and Innovation will announce the details of the initiative.

❑ Supporting the aluminium sector

Things have changed considerably in the aluminium sector since the government launched its Québec Aluminium Development Strategy 2015-2025.

It is now time to adapt government support for this important sector of the Québec economy.

The government is providing \$35.0 million for renewing the financial framework of this strategy.

The money will be used for:

- more support for innovation and industrial research in the aluminium sector;
- support for equipment manufacturers in export markets;
- stimulating investments to upgrade and increase the production and processing of aluminium in Québec.

The Minister of Economy and Innovation will announce the details of the initiative.

2. CREATING WEALTH THROUGH INNOVATION

By supporting existing entrepreneurs and businesses through every step of the innovation process, the government is creating an environment where wealth can be created and new technologies developed in Québec.

In Budget 2021-2022 the government is providing \$217.9 million over six years for creating wealth through innovation by:

- supporting the completion of innovative projects;
- investing in research infrastructure and centres;
- supporting innovation in strategic sectors.

TABLE D.7

Financial impact of measures to create wealth through innovation (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the completion of innovative projects	—	-24.0	-5.0	—	—	—	-29.0
Investing in research infrastructure and centres	-95.0	-4.2	-13.0	-10.1	-6.7	-4.4	-133.4
Supporting innovation in strategic sectors	-40.5	-5.0	-10.0	—	—	—	-55.5
TOTAL	-135.5	-33.2	-28.0	-10.1	-6.7	-4.4	-217.9

2.1 Supporting the completion of innovative projects

The government is providing \$29.0 million over two years to speed up economic growth and make Québec businesses more competitive by:

- setting up the Conseil de l'innovation to support Québec's Chief Innovation Officer;
- continuing to create innovation zones;
- supporting Québec's accelerators and incubators;
- simplifying the university research and development (R&D) tax credit.

TABLE D.8

Financial impact of measures to support the completion of innovative projects (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Setting up the Conseil de l'innovation	—	-1.0	-2.0	—	—	—	-3.0
Continuing to create innovation zones	—	-20.0	—	—	—	—	-20.0
Supporting Québec's accelerators and incubators	—	-3.0	-3.0	—	—	—	-6.0
Simplifying the university R&D tax credit	—	—	—	—	—	—	—
TOTAL	—	-24.0	-5.0	—	—	—	-29.0

Note: The appropriations will be granted to the Ministère de l'Économie et de l'Innovation. The amounts for 2021-2022 will be drawn from the Contingency Fund.

□ Setting up the Conseil de l'innovation

In December 2020 the Minister of Economy and Innovation announced the creation of the Conseil de l'innovation and the appointment of the Chief Innovation Officer of Québec.

The Conseil will bring influential researchers and innovators together in a single organization, which will encourage closer cooperation between entrepreneurs and researchers.

Part of its role will be to advise the government, based on comparative studies, on the best practices for incorporating business innovations and promoting an innovative Québec both here and abroad.

The government is providing \$3.0 million dollars over two years to set up the Conseil de l'innovation.

❑ Continuing to create innovation zones

The government wants to continue creating innovation zones for increasing exports, local and foreign investments and business productivity, as well as generating clean and sustainable economic growth.

The government is providing \$20.0 million in 2021-2022 to support projects of significant economic interest for Québec that it will recognize as innovation zones.

The activities and projects will involve sectors of the future and technological fields where Québec has the potential to stand out.

The innovation zones

The innovation zones are at the heart of the government's vision, building on Québec's talents and expertise in the sectors of the future and cutting-edge technologies.

In addition to attracting substantial private investment, these innovation zones will make it easier to get ideas off the ground and will promote clean and sustainable economic growth by bringing together researchers, businesses and employees in dynamic and attractive settings.

Several innovation zone projects have already been submitted. We are analyzing them carefully and bringing the expertise of several departments and bodies to work on them.

The first innovation zones will be revealed in the next few months. Once they are up and running they will position Québec in a distinctive way internationally, making it easier to attract and retain talent.

The Budget 2021-2022 funds will support the startup of the first innovation zones. The government's investments in innovation zones will evolve as the projects are implemented.

❑ **Supporting Québec's accelerators and incubators**

The government wants to support innovative technology businesses in order to maximize their growth potential.

To that end it will provide \$6.0 million for:

- increasing assistance to the most efficient incubators and accelerators;
- providing a range of specialized services to technology companies;
- helping organizations that support technology entrepreneurship build links with similar organizations around the world.

This initiative will give Québec's technology companies the chance to become high-growth businesses. It will also help support organizations integrate international networks.

❑ **Simplifying the university R&D tax credit**

The government provides a university R&D tax credit to encourage research and innovation activities between the private and the institutional sectors.

- Briefly, this tax credit applies to research contracts granted by companies to a university, public research centre or research consortium; the rate varies with the size of the company (30% for SMBs and 14% for large enterprises).

With the goal of simplifying the administrative formalities for companies, in Budget 2021-2022 the government has removed the requirement that companies obtain a favourable decision from Revenu Québec before applying for the university R&D tax credit.

2.2 Investing in research infrastructure and centres

The emergence of new Québec technology and innovation companies calls for serious research infrastructure and consistent financial support.

The government is providing \$133.4 million for supporting research infrastructure and centres by:

- investing in Québec research and innovation infrastructure;
- renewing financial support for the Institut national d'optique;
- supporting the Computer Research Institute of Montréal.

TABLE D.9

Financial impact of measures for investing in research infrastructure and centres

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Investing in Québec research and innovation infrastructure ⁽¹⁾	—	-4.2	-13.0	-10.1	-6.7	-4.4	-38.4
Renewing financial support for the Institut national d'optique	-75.0	—	—	—	—	—	-75.0
Supporting the Computer Research Institute of Montréal	-20.0	—	—	—	—	—	-20.0
TOTAL	-95.0	-4.2	-13.0	-10.1	-6.7	-4.4	-133.4

Note: The appropriations will be granted to the Ministère de l'Économie et de l'Innovation. The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

(1) Investments of \$38.4 million are provided in the 2021-2031 Québec Infrastructure Plan.

❑ **Investing in Québec research and innovation infrastructure**

For Québec to improve its expertise in life sciences, quantum computing and artificial intelligence, it will have to invest in research and innovation infrastructure for those fields.

That is why the government will provide \$38.4 million for:

- setting up biosecurity laboratories to study biological pathogens; joint financing under federal government programs will be proposed;
- setting up facilities for prototyping technologies to support the development of quantum computers;
- acquiring high-powered computer equipment to boost the calculation capacity available to the research community.

❑ **Renewing financial support for the Institut national d'optique**

The Institut national d'optique helps bring innovations to fruition, especially in the biomedical, manufacturing, defence and agriculture fields.

- In three decades it has helped change Québec's economic profile by giving life to dozens of new businesses providing thousands of high quality jobs.

An amount of \$75.0 million is provided to the Institut national d'optique for its activities and the renewal of its research infrastructure between now and 2025-2026.

❑ **Supporting the Computer Research Institute of Montréal**

The Computer Research Institute of Montréal improves the performance of organizations and makes them more competitive by developing innovative technologies and transferring cutting-edge knowhow, while contributing to scientific progress.

- The Institute's primary research fields are applied artificial intelligence, software architecture and data compliance.

An amount of \$20.0 million is provided for the Computer Research Institute of Montréal.

2.3 Supporting innovation in strategic sectors

The development of innovative solutions in the forest, tourism and cybersecurity sectors will make several Québec businesses more competitive.

Budget 2021-2022 provides \$55.5 million over three years to support innovation in those key sectors for:

- encouraging innovation in the forest industry;
- increasing funding for FPInnovations;
- encouraging the development of innovations in the tourism sector;
- extending and enhancing the Programme d'innovation en cybersécurité du Québec.

TABLE D.10

Financial impact of measures to support innovation in strategic sectors (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Encouraging innovation in the forest industry ⁽¹⁾	—	-5.0	-10.0	—	—	—	-15.0
Increasing funding for FPInnovations ⁽¹⁾	-3.0	—	—	—	—	—	-3.0
Encouraging the development of innovations in the tourism sector ⁽²⁾	-10.0	—	—	—	—	—	-10.0
Extending and enhancing the Programme d'innovation en cybersécurité du Québec ⁽³⁾	-27.5	—	—	—	—	—	-27.5
TOTAL	-40.5	-5.0	-10.0	—	—	—	-55.5

Note: The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(2) The appropriations will be granted to the Ministère du Tourisme.

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

❑ Encouraging innovation in the forest industry

The government is providing \$15 million over two years to encourage innovation in the forest industry, helping forest businesses and business combinations innovate and develop new processes and products.

- That support for innovation will allow the industry to develop new markets and position itself advantageously.

❑ Increasing funding for FPInnovations

The FPInnovations research centre, which specializes in creating solutions to sustain the Canadian forest industry's global competitive edge, is a key actor in the field.

- Through its national collaborative research program, in which Québec has been taking part since 1990, FPInnovations carries out many research projects that promote innovation and keep the sector competitive.

The government is providing \$3 million to allow Québec's forest industry to take advantage of FPInnovations research under its national collaborative research program.

FPInnovations: direct spinoffs for Québec

The funding granted by the Ministère des Forêts, de la Faune et des Parcs to FPInnovations for its national collaborative research program will support some 15 promising projects a year, which will all have direct spinoffs for Québec.

The projects that have been completed to date have improved manufacturing processes in the forest industry. For example, a new process for manufacturing wooden cladding and floors has made the wood used 75% harder. That innovation put the wood in a better position compared to non-renewable materials that were supposed to be more resistant.

In the pulp, paper and bioproducts sector, several projects have made the industry more competitive. For example, a pilot project demonstrated the possibility of replacing bitumen in asphalt with a biomolecule derived from wood.

Those types of innovative products allow Québec's forest sector to diversify and generate spinoffs in Québec.

❑ Encouraging the development of innovations in the tourism sector

The pandemic highlighted the need for innovation in the tourism sector to meet the challenges it faces, particularly in order to counter the scarcity of labour.

— The scarcity was a serious problem in the sector before the pandemic, which may well aggravate it. Among other things, a large number of employees may turn to other fields where the demand is greater before the sector can reopen.

The government is providing \$10.0 million to encourage innovation in the tourism sector.

— The envelope, which will be managed by MT Lab,³ will fund the development of innovations (technological, procedural, etc.) applicable to many tourism businesses throughout Québec in order to meet the needs expressed by the communities.

❑ Extending and enhancing the Programme d'innovation en cybersécurité du Québec

The goal of the Programme d'innovation en cybersécurité du Québec is to expand, create or maintain Québec SMBs that develop cybersecurity solutions, as well as attracting large sector players to Québec.

The projects it supports must be entirely carried out in Québec and must represent a technological advance in one of the cybersecurity fields such as the protection of personal information and privacy.

— The program is administered by Prompt-Québec, which is trying to make Québec SMBs in the IT sector more competitive.

An amount of \$27.5 million will be awarded to Prompt-Québec in 2020-2021 to extend and enhance the support it gives projects submitted as part of the Programme d'innovation en cybersécurité du Québec.

³ MT Lab, founded in 2017, is an incubator that specializes in startup companies in the tourism, entertainment and recreation fields.

3. SUPPORTING THE REQUALIFICATION OF WORKERS AND GETTING THEM BACK INTO THE LABOUR MARKET

The COVID-19 pandemic's impact on the labour market has been enormous.

Some sectors of the economy are facing significant labour needs, while others have too many workers.

In Budget 2021-2022 the government is providing \$472.9 million, including \$403.6 million in additional appropriations, for:

- supporting the training and requalifying of workers;
- encouraging immigrants to enter the labour market.

TABLE D.11

Financial impact of measures to support the requalification of workers and get them back into the labour market (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the training and requalifying of workers	—	-28.5	-93.5	-20.5	-7.5	-7.5	-157.5
Encouraging immigrants to enter the labour market	—	-111.9	-131.1	-3.1	—	—	-246.1
TOTAL	—	-140.4	-224.6	-23.6	-7.5	-7.5	-403.6

3.1 Supporting the training and requalifying of workers

The pandemic has aggravated some needs for labour and skills sought by Québec employers.

The government sees the training and requalifying of workers as a significant vector for accelerating economic growth.

A better alignment of the skills of the labour force to the needs of the market can only lead to collective enrichment that will benefit everyone.

The government is providing \$226.8 million, including \$157.5 million in additional appropriations, to support the training and requalifying of workers for:

- responding to the IT labour needs;
- increasing the number of qualified daycare educators;
- enhancing and promoting worker training for community organizations;
- boosting labour market participation by increasing the graduation rate;
- making it easier to access continuing education.

TABLE D.12

Financial impact of measures to support the training and requalifying of workers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Responding to the IT needs of the labour force ⁽¹⁾	—	-7.5	-41.6	-4.0	—	—	-53.1
Increasing the number of qualified educators	—	-14.0	-19.6	—	—	—	-33.6
Enhancing and promoting worker training for community organizations ^{(1),(2)}	—	—	-2.0	-2.0	—	—	-4.0
Boosting labour market participation by increasing the graduation rate ⁽³⁾	—	—	-23.3	-7.5	-7.5	-7.5	-45.8
Making it easier to access continuing education ⁽⁴⁾	—	-7.0	-7.0	-7.0	—	—	-21.0
TOTAL	—	-28.5	-93.5	-20.5	-7.5	-7.5	-157.5

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

(2) The measure will be self-funded in 2021-2022 by the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

(3) The appropriations will be granted to the Ministère de l'Éducation.

(4) The appropriations will be granted to the Ministère de l'Enseignement supérieur.

Reminder of the measures announced in the fall 2020 update

In its November 2020 update, the government provided \$459 million over two years to get Quebecers back into the labour market.

Of that amount, \$359 million was to support worker training and requalifying so that economic activities could restart, including:

- \$114.6 million for worker requalification and skills upgrading initiatives;
- \$26.0 million to help unemployed workers requalify;
- \$65.1 million to encourage training in strategic recovery sectors: health, construction and IT;
- \$77.0 million to provide specific support for people with disabilities;
- \$76.3 million to fund other priority initiatives.

An amount of \$100 million was also announced to get more graduates into the labour force, including:

- \$75 million to support graduation from professional training courses;
- \$25 million to encourage access to and graduation from colleges.

□ Responding to the IT needs of the labour force

Before the health crisis, labour market estimates indicated that Québec was short 6 500 jobs per year in the information technology (IT) sector.

The pandemic also had serious repercussions on business practices in all sectors, especially the rapid switch to teleworking and the spike in e-commerce. Those changes escalated the need for services from businesses in the IT sector.

- It is now estimated that about 10 000 qualified IT workers will be needed over the next five years.
- Any IT solutions will therefore be limited by the capacity of the sector's businesses to respond to the demand when they do not have enough workers.

In these circumstances the government is providing \$86.4 million, including \$53.1 million in additional appropriations, for:

- supporting IT recruitment and workforce development;
- quickly training a skilled IT workforce;
- implementing the Programme pour la requalification et l'accompagnement en technologie de l'information et des communications.

TABLE D.13

Financial impact of measures to meet labour force IT needs
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting IT recruitment and workforce development ⁽¹⁾	—	—	-20.0	—	—	—	-20.0
Quickly training a skilled IT workforce	—	-7.5	-11.3	—	—	—	-18.8
Implementing the Programme pour la requalification et l'accompagnement en technologie de l'information et des communications ⁽¹⁾	—	—	-10.3	-4.0	—	—	-14.3
TOTAL	—	-7.5	-41.6	-4.0	—	—	-53.1

Note: The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The measure will be self-funded in 2021-2022 by the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

■ **Supporting IT recruitment and workforce development**

Businesses need skilled IT workers if they are to develop and compete.

On January 17, 2021 the government promised financial support of \$15 million over two years so that businesses could train their workers, recruit outside Québec and manage their human resources.

In Budget 2021-2022 the government is providing a further \$28 million over two years, including \$20 million in additional appropriations, to extend and enhance support for businesses with IT labour needs.

■ Quickly training a skilled IT workforce

Companies' needs for IT services in all sectors are bound to grow in the coming years. Already now, in our pandemic-shaped world, there is a growing need for the businesses in the IT sector.

In Budget 2021-2022 the government is therefore providing \$18.8 million over two years for creating a new component of the Programme de formations de courte durée privilégiant les stages dans les professions priorisées par la Commission des partenaires du marché du travail (COUD), dedicated exclusively to projects for upgrading workers' IT skills and requalifying them for jobs in that field.

The short-term training program focusing on internships prioritized by the Commission des partenaires du marché du travail

The Programme de formations de courte durée privilégiant les stages dans les professions priorisées par la Commission des partenaires du marché du travail (COUD) provides financial support for businesses and collective promoters that want to adapt their training programs in order to respond to their labour needs.

- The eligible training programs are recognized by the Ministère de l'Éducation and the Ministère de l'Enseignement supérieur, so they can be adapted to accelerate graduation by providing internships in businesses.

Since the program started in 2017, the graduation rate is around 85% and the post-internship retention rate is 91%, which makes the program attractive to both businesses and students.

■ Implementing the Programme pour la requalification et l'accompagnement en technologie de l'information et des communications

The government will implement the Programme pour la requalification et l'accompagnement en technologies de l'information et des communications (PRATIC) in order to increase the pool of skilled workers in the information and communications technology sector. This program will steer unemployed people toward training programs that will lead to a career in the field.

- With jobs like user support technician, database administrator or computer analyst, the IT sector opens new horizons at the core of the new economy.

Program participants will receive income support of \$650 per week during their training, which is roughly the entry level salary for a computer network technician, and may receive a scholarship when they finish.

PRATIC should raise the number of participants in IT training sessions by 2 500, and will require investments of \$39.6 million over three years, including \$14.3 million in additional appropriations.

☐ Increasing the number of qualified daycare educators

Qualified educators are essential to the smooth operation of the early childhood education network. The creation of new, subsidized daycare places may be compromised by the scarcity of qualified educators.

It is therefore essential to graduate qualified educators, to ensure the proper development of educational childcare service networks.

The government is providing \$63.6 million to increase the number of qualified educators, including \$33.6 million in additional appropriations.

TABLE D.14

Financial impact of measures to increase the number of qualified daycare educators
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Training more early childhood educators ^{(1),(2)}	—	-5.0	-10.0	—	—	—	-15.0
Increasing the qualified workforce in daycare services ⁽³⁾	—	-9.0	-9.6	—	—	—	-18.6
TOTAL	—	-14.0	-19.6	—	—	—	-33.6

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.
 (1) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.
 (2) The measure will be self-funded in 2020-2021 by the Ministère du Travail, de l'Emploi et de la Solidarité sociale.
 (3) The appropriations will be granted to the Ministère de la Famille. Investments of \$3.0 million are provided in the 2021-2031 Québec Infrastructure Plan.

■ Training more early childhood educators

The early childhood education network is facing a scarcity of qualified educators.

In Budget 2021-2022 the government is therefore providing \$45 million, including \$15 million in additional appropriations, for adding a component to the COUD program specifically for training qualified educators.

- The supported projects will be included in the participants' college curricula, speeding up the entry of educators into early childhood education services.
- That money will contribute to quickly training 2 250 qualified educators to meet the demand.

■ Increasing the qualified workforce in daycare services

The government is announcing \$18.6 million over two years to increase the qualified workforce in daycare services; it will be used for:

- giving greater value to the profession of qualified educator in order to increase enrollment in early childhood programs;
- creating \$2 300 scholarships for some 5 000 students who have successfully completed the first and second internships of the early childhood education techniques course;
- introducing a centralized, internal qualification service to reduce obstacles and provide more opportunities so that all educators can be qualified or on the way to being qualified (around 30 000 educators);
- adapting university courses intended for 2 190 managers so that they can follow the best management practices and retain qualified educators.

These initiatives will boost both the number of qualified educators and the development of the educational daycare network.

❑ **Enhancing and promoting worker training for community organizations**

High staff turnover, the requirements for sound management and good governance and the rapid progress of IT all mean that the skills of community organization staff members need to be upgraded continuously.

The enterprise component of the Mesure de formation de la main-d'œuvre (MFOR-E) provides funding for skills development carried out in the workplace. The businesses usually have to assume at least 50% of the eligible training expenditures, but those costs may be a significant obstacle for community organizations with limited budgets.

Budget 2021-2022 is providing \$6 million, including \$4 million in additional appropriations, to bring the costs for community organizations down to only 15% of the eligible training expenditures; many more community organizations will therefore be able to include training in their programs.

— Part of that funding will also be used to promote the business services offered by the Ministère du Travail, de l'Emploi et de la Solidarité sociale to community organizations.

❑ **Boosting labour market participation by increasing the graduation rate**

The pandemic has led to major changes related to economic activity and the labour market. The construction sector, in particular, is confronting a major labour scarcity that just keeps growing.

Educational institutions want to adapt in order to help restore balance to the labour market and contribute to a sustainable economic recovery. Work/study programs in the construction sector, new business internships in the IT sector and short-term training programs in priority sectors like food processing and education will therefore be offered.

To that end the government is providing investments of \$45.8 million to support career-changing moves.

❑ Making it easier to access continuing education

In order to properly support requalification and the upgrading of skills, the government intends to make it easier for everyone to access continuing education.

- The training and all the different formats offered will allow people to get back into the labour market quickly and encourage them to upgrade their skills on an ongoing basis.
- Financial incentives for study will be offered to make up for the actual and forecast scarcity of staff in some regional CEGEPs. Access to college-level training will also be supported by the creation of small cohorts in order to decentralize the training sessions.

The government is providing investments of \$21 million to make it easier to access continuing education.

3.2 Encouraging immigrants to enter the labour market

Welcoming immigrants into communities, especially communities located far from urban centres, brings a pool of qualified workers for businesses.

— There are some barriers to their integration, however, either in terms of skills recognition or their knowledge of French.

The government is therefore providing \$246.1 million in Budget 2021-2022 for:

- better recognition of immigrants' skills;
- encouraging immigrants to move to the regions and continue their efforts to integrate based on labour market needs;
- increasing support for them to learn French;
- encouraging the attraction and retention of foreign students.

TABLE D.15

Financial impact of measures to encourage immigrants to enter the labour market (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Better recognition of immigrants' skills ⁽¹⁾	—	-42.0	-88.0	—	—	—	-130.0
Encouraging immigrants to move to the regions and continue their efforts to integrate based on labour market needs	—	-42.0	-15.0	—	—	—	-57.0
Increasing support for immigrants to learn French	—	-25.0	-25.0	—	—	—	-50.0
Encouraging the attraction and retention of foreign students	—	-2.9	-3.1	-3.1	—	—	-9.1
TOTAL	—	-111.9	-131.1	-3.1	—	—	-246.1

Note: The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration. \$27.0 million will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration in 2021-2022, and \$84.9 million will be drawn from the Contingency Fund.

(1) Investments of \$4.0 million are provided in the 2021-2031 Québec Infrastructure Plan.

❑ Better recognition of immigrants' skills

In order to increase the contribution of immigrants to counter labour scarcity, it is important to give proper recognition to their skills.

To that end the government is providing \$130 million over two years to set up several measures that encourage recognition of immigrants' skills, including:

- identifying the jobs and professions to be prioritized in light of the needs of the labour market and recruiting territories;
- more refresher courses and internships for temporary foreign workers in regulated professions;
- financial support for immigrants who have submitted their credentials for recognition;
- free tuition for professionals trained abroad who have to take refresher courses in order to meet the requirements of Québec's professional orders;
- support and guidance from the professional orders in order to accelerate the recognition of skills.

The Minister of Immigration, Francization and Integration will present the details of these initiatives.

❑ Encouraging immigrants to move to the regions and continue their efforts to integrate based on labour market needs

The scarcity of workers is a greater challenge for some remote regions, due to their demographics, and it could affect their economic performance.

- Only a small number of new arrivals decide to settle in the regions, while most of them prefer the large urban centres.

To meet this challenge, the government is providing \$57 million over two years for:

- initiatives aimed at increasing the number of immigrants who settle in some regions that are more affected by the labour scarcity;
- ongoing efforts to welcome immigrants.

❑ **Increasing support for immigrants to learn French**

Mastering French is essential if newcomers are to feel more at home in their new surroundings more quickly. It will also allow them to seek employment and contribute to Québec's economic development.

The government is providing \$50 million over two years to set up initiatives to continue teaching efforts and enhance financial assistance incentives for immigrants who are taking French courses.

❑ **Encouraging the attraction and retention of foreign students**

Foreign students have a positive effect on their host communities. When they settle in Québec permanently they also make a contribution to the businesses and regions that are struggling with the labour scarcity.

The government is therefore providing \$9.1 million over three years to conclude agreements with Montréal International, Québec International and the Société de développement économique de Drummondville for the attraction and retention of foreign students.

Québec's International Vision in support of the economic recovery

In line with government priorities and Quebecers' expectations, and as part of a post-COVID economic recovery, the focus of the Ministère des Relations internationales et de la Francophonie and the network of Québec representations abroad has been redirected toward more assertive economic priorities as well as more ambitious trade objectives.

Québec's new International Vision calls for no efforts to be spared in promoting and defending Québec's economic and political interests around the world.

The Ministère des Relations internationales et de la Francophonie and Québec's international network promote Québec innovation and creativity, while encouraging the economic development of Québec's regions by introducing them to new markets and horizons.

4. PROMOTING ECONOMIC DEVELOPMENT IN THE REGIONS

Our regions play a key role in Québec's economic development. Their dynamism contributes directly to the well-being of all Quebecers.

Budget 2021-2022 provides over \$523 million over six years to promote the economic development of the regions by:

- supporting and relaunching Québec's tourism sector;
- supporting the development of the forest sector;
- upgrading regional infrastructure;
- accentuating regional contributions to wealth creation;
- supporting transportation services and communities;
- supporting the development of the bio-food sector;
- stimulating economic development and inclusive and diversified entrepreneurship;
- contributing to the recovery by investing in the regions;
- supporting investments in local funds.

TABLE D.16

Financial impact of measures to encourage economic development of the regions
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting and relaunching Québec's tourism sector	-58.6	-93.8	-28.5	-15.2	-4.4	-4.4	-204.9
Supporting the development of the forest sector	-10.2	-67.8	-12.7	-0.7	-0.7	-0.7	-92.8
Upgrading regional infrastructure	-0.1	-66.0	-24.9	-0.3	-0.3	-0.3	-91.9
Accentuating regional contributions to wealth creation ^{(1),(2)}	—	-20.0	-20.0	—	—	—	-40.0
Supporting transportation services and communities	—	-38.0	—	—	—	—	-38.0
Supporting the development of the bio-food sector	—	-3.0	-3.1	-5.0	-5.0	-5.0	-21.1
Stimulating economic development and inclusive and diversified entrepreneurship ^{(1),(2)}	-23.4	—	—	—	—	—	-23.4
Contributing to the recovery by investing in the regions	—	5.5	-16.6	—	—	—	-11.1
Supporting investments in local funds	—	—	—	—	—	—	—
TOTAL	-92.3	-283.1	-105.8	-21.2	-10.4	-10.4	-523.2

(1) The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

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

4.1 Supporting and relaunching Québec's tourism sector

Tourism is a very important sector for the economy of Québec's regions and it is one of the hardest hit by the consequences of the pandemic. Closed borders and travel restrictions have deprived the industry of international tourists, which has particularly hurt the urban centres. Despite the vaccines, Québec's tourism industry is still wracked by uncertainty.

— Economic progress in the tourism sector will be influenced by the health measures deployed, tourists' inclinations to start travelling and the opening of the borders, among other things.

That is why the government is providing \$204.9 million over six years in Budget 2021-2022 to support and relaunch the tourism sector by:

- stimulating private investment in the tourism sector;
- promoting nature and adventure tourism;
- galvanizing economic activity by improving tourism infrastructure;
- promoting Québec's tourism industry both here and throughout Canada;
- supporting small-scale producers of alcoholic beverages.

TABLE D.17

Financial impact of measures to support and relaunch Québec's tourism sector (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Stimulating private investment in the tourism sector ^{(1),(2)}	—	-25.0	-10.0	—	—	—	-35.0
Promoting nature and adventure tourism	-29.6	-6.6	-3.1	-3.2	-3.2	-3.2	-48.9
Galvanizing economic activity by improving tourism infrastructure	—	-15.7	-0.5	-1.0	-1.2	-1.2	-19.6
Promoting Québec's tourism industry both here and throughout Canada	-29.0	-37.5	-4.9	—	—	—	-71.4
Supporting small-scale producers of alcoholic beverages ^{(1),(2)}	—	-9.0	-10.0	-11.0	—	—	-30.0
TOTAL	-58.6	-93.8	-28.5	-15.2	-4.4	-4.4	-204.9

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

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

Recent actions to support the tourism sector and get it back up to speed

In spring 2020 the government announced its Plan de relance touristique, with an envelope of over \$750 million. The three-pronged plan involves:

- supporting businesses during the pandemic;
- sustaining supply and stimulating demand;
- generating economic spinoffs for all Québec regions.

The plan provides, among other things, for:

- the creation of an emergency component dedicated to accommodations and tourist attractions as part of the Concerted Temporary Action Program for Businesses (PACTE);
- enhancement of regional tourism partnership agreements;
- initiatives to promote the consumption of Québec tourist products.

Since then, substantial adjustments have also been made to PACTE components that are specific to the tourism sector and to the Program Supporting the Development of Tourist Attractions (PADAT) to stimulate the tourism sector.

In the fall of 2020 additional measures totalling \$65.5 million were added to the Plan de relance touristique for:

- supporting the tourist accommodation sector;
- supporting Québec's tourism entry points;
- promoting Québec as a tourist destination, both inside and outside Québec.

❑ **Stimulating private investment in the tourism sector**

The relaunch of the tourism sector will require, among other things, realizing structuring investment projects for the industry.

That was the goal of the Program Supporting the Development of Tourist Attractions (PADAT), which was made available to tourism businesses in order to stimulate private investment for refreshing and developing tourism throughout Québec.

A new component aimed at financially supporting work to upgrade tourist accommodations was added to the PADAT as a result of the pandemic.

— It will be used for renovations in order to improve both the quality and the capacity of hotel accommodations in all Québec regions.

The government is providing \$35 million in Budget 2021-2022 to prepare the industry's post-pandemic comeback by stimulating private investment in the tourism sector:

— \$20 million to enhance the regular PADAT component and extend it through March 2023;

— \$15 million to extend the envelope of the component dedicated to upgrading hotel establishments.

❑ **Promoting nature and adventure tourism**

Outdoor tourism is a major asset for Québec and an excellent opportunity for Quebecers to discover their most beautiful regions throughout the year. The demand for outdoor activities like hunting, fishing, water activities and camping should continue to grow during the coming vacation period.

The government is providing \$48.9 million to promote nature and adventure tourism. The money will be used to:

— encourage people to discover Québec through the Société des établissements de plein air du Québec (Sépaq) network;

— invest in Sépaq establishments;

— contribute to upgrading the septic systems of controlled harvesting zones and supporting the combination of services;

— sustain the development of outfitters;

— enhance the visitor experience in regional parks that are tourist attractions.

TABLE D.18

Financial impact of measures to promote nature and adventure tourism
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Encouraging the discovery of Québec through the Sépaq network ⁽¹⁾	—	-5.0	—	—	—	—	-5.0
Investing in Sépaq establishments ^{(2),(3)}	—	-0.9	-2.1	-2.5	-2.5	-2.5	-10.5
Contributing to upgrading the septic systems of controlled harvesting zones and supporting the combination of services ^{(2),(4)}	—	-0.7	-1.0	-0.7	-0.7	-0.7	-3.8
Sustaining the development of outfitters ⁽²⁾	-24.6	—	—	—	—	—	-24.6
Enhancing the visitor experience in regional parks that are tourist attractions ⁽¹⁾	-5.0	—	—	—	—	—	-5.0
TOTAL	-29.6	-6.6	-3.1	-3.2	-3.2	-3.2	-48.9

Note: The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Tourisme.

(2) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(3) Investments of \$37.1 million are provided in the 2021-2031 Québec Infrastructure Plan.

(4) Investments of \$6.7 million are provided in the 2021-2031 Québec Infrastructure Plan.

■ Encouraging the discovery of Québec through the Sépaq network

The Plan de relance touristique, launched in June 2020, provided \$5.0 million for promoting Québec through the Sépaq network.

- That joint initiative of the Ministère du Tourisme and Sépaq offered Quebecers a 50% discount on the annual network card which provided entry to 24 national parks for a one-year period.
- More than 140 000 cards were sold, generating nearly one million days of visit by cardholders between June 22, 2020 and September 30, 2020.

Given the success of that measure during the summer of 2020, the government is providing \$5.0 million to renew the initiative.

■ Investing in Sépaq establishments

Sépaq operates and manages national parks, wildlife reserves and tourist establishments that contribute to the economy of all regions of Québec.

The government is making a further investment of \$37.1 million, primarily to upgrade facilities, develop high-potential tourism products, increase the supply of accommodations and reduce Sépaq's consumption of fossil fuels.

More specifically, the proposed projects will include the development of 33 new ready-to-camp sites, renovation of chalets, adjustments for people with reduced mobility, upgrading of sanitary facilities and the introduction of a fleet of self-service electric bicycles.

■ Contributing to upgrading the septic systems of controlled harvesting zones and supporting the combination of services

The network of controlled harvesting zones (zecs) provide hunting, fishing and outdoor activities on Québec's public lands. They do this by making use of accommodation infrastructure such as campsites.

— Many of them do not have septic systems that comply with government standards for wildlife conservation and development.

That is why the government is providing \$6.7 million in the 2021-2031 Québec Infrastructure Plan to upgrade the waste water management facilities at zecs campsites.

The government is also providing \$1.4 million to support initiatives for combining services among the organizations that run the zecs.

■ Sustaining the development of outfitters

The Quebec Outfitters Federation brings together close to 400 private outfitters spread through 15 regions. They make it possible for many Quebecers and foreign tourists to hunt, fish and enjoy other outdoor activities.

— The outfitters use reception and accommodation infrastructure that may have been built many years ago.

The government is providing \$24.6 million to sustain the development of Québec's outfitters.

— The money will be used for renovation and the building of new reception and accommodation infrastructure, focusing on renewable energy and better waste water management.

— It will also go toward adapting, diversifying and improving the services, including making it easier for clients to book online.

■ Enhancing the visitor experience in regional parks that are tourist attractions

The upsurge of visitors to regional parks in the spring and summer of 2020 highlighted significant infrastructure needs, especially with regard to absorption capacity.

The government is therefore providing \$5.0 million to enhance the visitor experience in regional parks that are tourist attractions.

The managers of the regional parks will be asked to define their needs and their short, medium and long-term priorities. When those are known, a program to improve facilities and services in those parks will be implemented.

□ Galvanizing economic activity by improving tourism infrastructure

Tourism-related economic activity in Québec's regions is largely based on their tourist attractions and the infrastructure that goes with them.

In many cases the existing infrastructure was built several years ago and was based on the needs of the time. It now needs to be upgraded to respond to new tourism trends.

That is why the government is providing \$19.6 million over five years to improve tourism infrastructure and boost economic activity in the regions concerned. The money will be used for:

- completing the scenic route project in the Lanaudière region;
- reorganizing the site of the Notre-Dame-du-Cap shrine.

TABLE D.19

Financial impact of measures to galvanize economic activity by improving tourism infrastructure (millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Completing the scenic route project in the Lanaudière region ^{(1),(2)}	—	-0.1	-0.5	-1.0	-1.2	-1.2	-4.0
Reorganizing the site of the Notre-Dame-du-Cap shrine ⁽³⁾	—	-15.6	—	—	—	—	-15.6
TOTAL	—	-15.7	-0.5	-1.0	-1.2	-1.2	-19.6

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(2) Investments of \$20 million are provided in the 2021-2031 Québec Infrastructure Plan.

(3) The appropriations will be granted to the Ministère du Tourisme.

■ **Completing the scenic route project in the Lanaudière region**

Route 3 is part of a 55 km scenic route project in the Lanaudière region; it will form a circuit connecting Saint-Donat to Saint-Michel-des-Saints through the Mont-Tremblant national park.

- Repairs to the 24 km section located in Saint-Michel-des-Saints (route des Cyprès) were completed in October 2020.
- The other 30 km section, which is in the Mont-Tremblant national park (Pimbina sector) on the Saint-Donat side (Route 3), is not paved.

The government is providing \$20 million to asphalt the 30 km section of Route 3 inside the Mont-Tremblant park in order to complete the scenic route project.

- A one-metre bicycle path will be added to encourage bicycle tourism, and lookouts will be set up to enhance the visitor experience.

This project will highlight the natural beauty of the region and make access to the Mont-Tremblant park easier for everyone, contributing to the region's economic and tourism development.

■ **Reorganizing the site of the Notre-Dame-du-Cap shrine**

Located in the Cap-de-la-Madeleine sector in Trois-Rivières, the Notre-Dame-du-Cap shrine is a major tourist attraction for the Mauricie region. It is also a cultural hub, hosting several festivals and concerts, among other things.

- It represents a lifestyle based on social contribution and is of great heritage value with its 130-year old history.

The government is providing \$15.6 million to reorganize the shrine's site to accommodate new pilgrimage styles in a sustainable way.

❑ Promoting Québec's tourism industry both here and throughout Canada

Québec is known worldwide as a premier tourist destination, mainly because of the events it hosts, the immensity of its territory and the warm welcome it affords to tourists.

As the competition to attract local, national and international tourists stiffens with the lifting of health measures, it is time to introduce further initiatives to relaunch the tourism industry.

The government is therefore providing \$71.4 million over three years to promote Québec's tourism industry both here and throughout Canada by:

- supporting efforts to promote Québec as a tourist destination;
- encouraging festivals and tourist events;
- breathing new life into business tourism;
- supporting the recovery of downtown areas.

TABLE D.20

Financial impact of measures to promote Québec's tourism industry both here and throughout Canada (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting efforts to promote Québec as a tourist destination ⁽¹⁾	-29.0	—	—	—	—	—	-29.0
Encouraging festivals and tourist events ⁽¹⁾	—	-10.0	-4.9	—	—	—	-14.9
Breathing new life into business tourism ⁽¹⁾	—	-2.5	—	—	—	—	-2.5
Supporting the recovery of downtown areas ⁽²⁾	—	-25.0	—	—	—	—	-25.0
TOTAL	-29.0	-37.5	-4.9	—	—	—	-71.4

Note: The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Tourisme.

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

■ **Supporting efforts to promote Québec as a tourist destination**

To get tourism running again, a renewed promotional offensive needs to be started right away, focusing on all the special and distinctive features Québec has to offer.

To that end the government is providing \$29 million to support efforts promoting Québec as a tourist destination.

— The Alliance de l'industrie touristique du Québec will be in charge of that mission, working with regional tourism associations.

Short-term efforts will be devoted to promoting Québec's attractions to local clients and those from nearby Canadian regions. Downtown areas will be heavily featured.

■ **Encouraging festivals and tourist events**

Festivals and tourist events, especially those in Montréal and Québec City, are showcase products aimed at international clients.

— They are a remarkable way of promoting Québec and they also help enliven all the regions.

That is why the government is providing \$14.9 million for encouraging festivals and tourist events, because the supply must be maintained.

■ **Breathing new life into business tourism**

The pandemic has forced the business tourism industry to reinvent itself. Organizers have had to switch to digital technologies and set up virtual conferences and business events.

The government hopes to revitalize business tourism by providing appropriations of \$2.5 million in Budget 2021-2022 to support the promoters of such events.

— The financial assistance, which will be used mainly to purchase technological equipment and the sanitary equipment needed to respond to public health requirements, will allow events to be held in hybrid or face-to-face settings in Québec.

■ Supporting the recovery of downtown areas

The COVID-19 pandemic and confinement measures have greatly reduced the flow of people in the downtown areas of Québec.

That has had a huge impact on the downtown shops and hotels.

The government is providing \$25.0 million to encourage workers to return to urban centres throughout Québec when public health rules allow it, and to support businesses.

- This amount will complement the efforts of the Ministère du Tourisme to support large urban centres whose tourism activities were affected by the pandemic.
- It is in addition to the \$50.0 million announced in the fall 2020 *Update on Québec's Economic and Financial Situation* to support the recovery of urban centres.

The Minister of Economy and Innovation will announce the details of the initiative.

□ Supporting small-scale producers of alcoholic beverages

Small-scale producers of alcoholic beverages are part of Québec's economic fabric and play an active part in boosting agrotourism and recreational tourism in the regions.

A few years ago the government consolidated the sector by introduced the Programme d'appui au positionnement des alcools Québécois (PAPAQ), which allows Québec producers of alcoholic beverages to join the Société des alcools du Québec (SAQ) network.

It is now providing \$30 million to sustain the growth of small-scale alcoholic beverage producers by:

- renewing the amounts available to the PAPAQ;
- supporting marketing and production initiatives in the alcoholic beverage sector.

The Minister for the Economy will provide the details of this initiative.

4.2 Supporting the development of the forest sector

The harvesting and processing of forest resources is one of the main drivers of the economy in Québec's regions.

— The forest provides direct employment to some 60 000 people across the province and generates exports of nearly \$10 billion annually.

Budget 2021-2022 provides \$92.8 million to support the development of the forest sector by:

- supporting the construction of multi-use roads in public forests;
- protecting the production of forest seeds and seedlings;
- encouraging the forest industry to become more competitive by using LiDAR data;
- supporting the development and dissemination of tools and training on wood construction;
- continuing to develop a sector that exports wood construction systems;
- supporting efforts to combat the spruce budworm;
- simplifying the property tax refund for forest producers.

TABLE D.21

**Financial impact of measures to support the development
of the forest sector**
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the construction of multi-use roads in public forests ^{(1),(2),(3)}	—	-50.0	—	—	—	—	-50.0
Protecting the production of forest seeds and seedlings ^{(1),(2)}	—	-10.0	-10.0	—	—	—	-20.0
Encouraging the forest industry to become more competitive by using LiDAR data ^{(1),(2)}	—	-7.0	-2.0	—	—	—	-9.0
Supporting the development and dissemination of tools and training on wood construction ^{(2),(4)}	-3.0	—	—	—	—	—	-3.0
Continuing to develop a sector that exports wood construction systems ^{(2),(4)}	-0.2	—	—	—	—	—	-0.2
Supporting efforts to combat the spruce budworm ^{(2),(4)}	-7.0	—	—	—	—	—	-7.0
Simplifying the property tax refund for forest producers	—	-0.8	-0.7	-0.7	-0.7	-0.7	-3.6
TOTAL	-10.2	-67.8	-12.7	-0.7	-0.7	-0.7	-92.8

(1) The amounts for 2021-2022 will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(3) Investments of \$50 million are provided in the 2021-2031 Québec Infrastructure Plan.

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

❑ **Supporting the construction of multi-use roads in public forests**

The Québec public forest has a network of multi-use roads throughout its territory.

- The forestry companies have contributed greatly to building those roads for their own wood harvesting and forest development activities.
- The roads belong to the government and also provide access to natural resources.

The government is providing \$50 million in 2021-2022 for the construction of multi-use roads in public forests.

❑ **Protecting the production of forest seeds and seedlings**

In December 2020 the government announced the Québec Wood Production Strategy to boost the contribution of forests to the economic vitality of the regions and to the fight against climate change.

- The public nursery network, which has complex production infrastructure, will have a major role to play in achieving the strategy's objectives and will need the means to do so.

The Québec government is providing \$20 million to support Québec nurseries in order to ensure the production of forest seeds and seedlings.

❑ **Encouraging the forest industry to become more competitive by using LiDAR data**

The LiDAR laser remote aerial sensing technique generates a vast amount of data on the natural environment, such as altitude, soil topography and vegetation height, with unparalleled precision.

Access to such data makes the forest industry that much more competitive, allowing for a better forecast of forest activities and lower supply costs as a result.

- Other stakeholders will benefit from LiDAR technology, including private land owners or managers, departments, agencies and municipalities. The data will also be available to the general public and will generate other economic benefits.

The government is therefore providing \$9 million to acquire new LiDAR data. The amount will also be used to help forestry companies in the use of this data.

❑ **Supporting the development and dissemination of tools and training on wood construction**

The use of wood in construction is an opportunity for Québec to contribute to both the economic development of its regions and the fight against climate change. In December 2020 the government announced its Politique d'intégration du bois dans la construction to promote the use of wood in construction.

In 2020-2021 it is providing \$3 million to support the development and dissemination of tools and training on wood construction.

— The money will be granted to the Centre d'expertise sur la construction commerciales en bois (Cecobois), an organization that specializes in training and technical support for the construction sector.

❑ **Continuing to develop a sector that exports wood construction systems**

The use of prefabricated materials in the different construction sectors has been extremely popular for several years.

— The increased demand for these types of products, particularly in the United States, presents an interesting business opportunity for several companies in Québec.

In 2013 the Bureau de promotion des produits du bois du Québec launched Vision 2030, with the goal of promoting Québec's prefabricated building industry on foreign markets.

The government is providing \$0.2 million for the Bureau to continue developing this industry in Québec.

❑ **Supporting efforts to combat the spruce budworm**

The spruce budworm epidemic has caused considerable damage to Québec's forest ecosystem since 2006. The Société de protection des forêts contre les insectes et maladies (SOPFIM) has been working to limit the insect's incursions for several years through its aerial biological insecticide spraying program, among other things.

The government is providing \$7 million so that SOPFIM can protect public forests against the spread of this invasive species.

❑ **Simplifying the property tax refund for forest producers**

The government already refunds part of the property taxes paid by forest producers in order to support forest development on private land by owners who want to invest.

- The measure provides an 85% refund on property taxes paid on a forest property, provided the development expenditure amount is equal to or greater than the tax amount.

The government is planning changes to this measure in Budget 2021-2022 with the goal of simplifying the business environment for forest producers. It will:

- allow a property tax refund even if the value of the forest development work for the year is less than the amount of the property taxes;
 - The reimbursement amount will correspond to 85% of the value of the eligible work, up to the value of the property taxes.
- reduce the administrative formalities for forest producers with several evaluation units, allowing them to calculate their claims based on all their units instead of the current method based on one unit at a time.

These changes to the property tax refund for forest producers⁴ will increase the incentive and account for additional support of \$3.6 million over five years to encourage timber production in private forests.

⁴ Implementation of this initiative will require legislative and regulatory amendments.

4.3 Upgrading regional infrastructure

The development of regional strategic infrastructure boosts the capacity of local businesses to contribute to Québec's prosperity and also improves the quality of life in their communities.

The government is providing \$91.9 million to upgrade regional infrastructure by 2025-2026 for:

- continuing to build the three-phase electricity system;
- supplying the Côte-Nord and Nord-du-Québec with liquefied natural gas;
- financially supporting the extension of the natural gas distribution system;
- improving access to Northern Québec in the Matagami sector;
- maintaining Nunavik's marine infrastructure;
- supporting the construction and renovation of municipal buildings.

TABLE D.22

Financial impact of measures to upgrade regional infrastructure (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Continuing to build the three-phase electricity system ^{(1),(2)}	—	-5.3	-7.3	—	—	—	-12.6
Supplying the Côte-Nord and Nord-du-Québec with liquefied natural gas ^{(1),(2)}	—	-10.0	-10.0	—	—	—	-20.0
Financially supporting the extension of the natural gas distribution system ^{(1),(2)}	—	-3.0	-7.0	—	—	—	-10.0
Improving access to Northern Québec in the Matagami sector ^{(1),(2)}	—	-2.0	—	—	—	—	-2.0
Maintaining Nunavik's marine infrastructure ^{(1),(3)}	—	-0.4	-0.3	—	—	—	-0.7
Supporting the construction and renovation of municipal buildings ^{(1),(4),(5)}	-0.1	-45.3	-0.3	-0.3	-0.3	-0.3	-46.6
TOTAL	-0.1	-66.0	-24.9	-0.3	-0.3	-0.3	-91.9

(1) The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

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

(3) The appropriations will be granted to the Ministère des Transports.

(4) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(5) Investments of \$45 million are provided in the 2021-2031 Québec Infrastructure Plan. Further investments will be planned at a later date.

❑ **Continuing to build the three-phase electricity system**

Replacing fossil fuels with clean energy can be a major challenge for businesses in the agricultural sector, especially since there is no access to the three-phase electricity system in several rural regions of Québec.

The extension of the electricity system to those regions provides farmers with a clean energy source for some energy-intensive appliances, replacing the fossil fuels commonly used in this sector.

The Ministère de l'Énergie et des Ressources naturelles introduced a financial assistance program for the three-phase system extension in November 2020. The program has been very successful and has funded nearly 80 projects across Québec, which will generate close to \$25 million in investments. Given the significant demand for access to the three-phase system and the objective of upgrading the agricultural sector, further efforts should be made.

The government is therefore announcing appropriations totalling \$12.6 million over two years to continue building the three-phase electricity system in rural Québec.

❑ **Supplying the Côte-Nord and Nord-du-Québec with liquefied natural gas**

The Ministère de l'Énergie et des Ressources naturelles has introduced the Programme d'aide financière pour la construction d'infrastructures de stockage de gaz naturel liquéfié (GNL) et de regazéification au bénéfice des établissements industriels de la Côte-Nord et du Nord-du-Québec convertis ou en voie de se convertir au gaz naturel (PISGNL).

— This program helps reduce the consumption of petroleum products such as heavy fuel oil and diesel and also helps reduce GHG emissions from Québec's industrial sector.

The government will increase the envelope for PISGNL by \$20 million over two years to support businesses in their efforts to reduce their energy bills and carbon footprints and become more competitive.

❑ Financially supporting the extension of the natural gas distribution system

The government has supported various projects to extend the natural gas distribution system as part of its plan to support economic development in the regions.

- Access to natural gas encourages businesses to open, become and remain more competitive, and opens the door to more private investment.
- That means that projects to extend the natural gas distribution system have sustaining effects in terms of investment, employment and economic activity.
- What is more, natural gas combustion reduces GHG emissions compared to the use of diesel and fuel oil.

The government is providing \$10 million over two years as financial support for new projects aimed at extending the natural gas distribution system in different regions of Québec.

❑ Improving access to Northern Québec in the Matagami sector

The government is providing \$2 million to increase opportunities for developing the mining potential of the Matagami sector.

- It will allow the Société de développement de la Baie-James to contribute to a road project to access resources.

❑ Maintaining Nunavik's marine infrastructure

Since the villages of Nunavik are not accessible by land, marine transportation is essential for their supply of goods such as building materials, vehicles, gas, heating fuel for buildings and some foods.

Marine infrastructure has to be maintained regularly to optimize operations and ensure user safety. It contributes to the social and economic development of Nunavik communities while encouraging the pursuit of traditional Inuit activities.

The government is providing \$0.7 million over two years to help northern villages maintain their marine infrastructure.

❑ **Supporting the construction and renovation of municipal buildings**

The Ministère des Affaires municipales et de l'Habitation already helps municipalities build and renovate municipal buildings through the Réfection et construction des infrastructures municipales program.

However, the program's limited envelope means that several projects must be rejected in order to give priority to the most urgent ones.

Against that backdrop, the Plan d'action pour le secteur de la construction provides a new financial assistance program for municipal buildings.

The amount of \$46.6 million over six years in Budget 2021-2022 will lead to rapid, recovery-oriented investments in close to 950 municipalities with 5 000 inhabitants and less in all regions of Québec.

The Action plan for the construction sector

The objective of the recently announced Plan d'action pour le secteur de la construction is to support and develop the industry's capacity so that priority infrastructure projects for Québec can be carried out.

Infrastructure investments, particularly those under the Québec Infrastructure Plan (QIP), are a powerful driver of economic vitality. They have a positive impact in all regions by creating well-paid jobs in the construction sector.

- The construction market is one of Québec's largest sectors. In 2019 construction investments totalled \$56.3 billion, or 12.2% of GDP,¹ and the sector employed 266 600 people, or 6.2% of the total workforce.²

Infrastructure investments also contribute to economic recovery by stimulating all other spheres of activity such as education, healthcare, transportation, culture, sports and recreation, tourism, hotels and restaurants.

The Plan d'action pour le secteur de la construction is therefore intended to take full advantage of Québec's investments in response to the health crisis by taking concrete action to galvanize the construction sector.

It contains over 40 measures totalling \$95.3 million over the 2020-2023 period to support a sustainable recovery for Québec's economy. The plan is part of an overall economic recovery strategy, drawing on the strengths of all construction industry players.

- These measures will help implement the 180 projects announced under the *Act respecting the acceleration of certain infrastructure projects* adopted on December 10, 2020.
- They will also help reduce the labour scarcity, increase industry productivity and support business growth in the sector.

The government will rely on all of these measures to make sure our economy makes a solid comeback and provide practical benefits across Québec.

1 Based on the expenditure approach (in nominal terms).

2 According to the Labour Force Survey published by Statistics Canada (all construction sector workers, in both salaried and self-employed jobs).

4.4 Accentuating regional contributions to wealth creation

As part of its plan for economic recovery, the government intends to improve the capacity of regional economies to contribute to wealth creation in Québec.

It will implement a local and regional economic development strategy that meets the specific challenges of businesses and economic development stakeholders located outside major urban centres.

Under that strategy the government plans to:

- support regional economic projects identified as recovery-related priorities;
- facilitate access to capital for local entrepreneurs and businesses;
- improve the adaptability of SMBs and the agility of regional economies;
- give greater consideration to regional specifics when developing public policies so as to maximize the benefits of such policies.

The government is providing \$40.0 million for actions to promote local and regional economic development.

It will also provide \$20.0 million in loans to optimize and adapt regional funding sources.

This strategy is in line with the major actions to encourage regional economic development that have already been announced, particularly in Budget 2020-2021.

The Minister for Regional Economic Development will announce the details of this initiative.

4.5 Supporting transportation services and communities

Intercity, air and bus services are essential for efficiently transporting workers—particularly health workers—and goods in several regions of Québec. Without these links some regions would be isolated and their economic growth would be compromised.

Aware of the further needs expressed by the communities, the government is providing \$38 million in 2021-2022 for:

- supporting airports and regional air carriers;
- increasing assistance to intercity bus carriers.

TABLE D.23

Financial impact of measures to support transportation services and communities

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting airports and regional air carriers	—	-18.0	—	—	—	—	-18.0
Increasing assistance to intercity bus carriers	—	-20.0	—	—	—	—	-20.0
TOTAL	—	-38.0	—	—	—	—	-38.0

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

□ Supporting airports and regional air carriers

The public health emergency led to a sharp drop in air traffic. That caused the revenues of regional carriers and airports to plummet, which could have a negative effect on future air service to the regions. The transportation of both people—including medical personnel—and goods, such as food and medical supplies, is therefore at risk. That is why the regional air transportation sector is a priority for the government. Since the beginning of the pandemic, the government has announced:

- \$40 million, as of March 2020, to maintain regional air transportation by making up the deficits of regional air carriers;
- \$20 million to support airport administrations across Québec.

In Budget 2021-2022 the government is taking another step to preserve these vital links in several Québec regions by allocating \$18 million. This additional amount will:

- provide greater support to regional airports, including municipal airports, so that they can continue to function without encroaching on municipal finances;
- continue to help air carriers cope with the additional costs generated by the pandemic while maintaining routes that are essential for both citizens and Québec's economic recovery.

This increase brings total assistance to the regional air sector to \$78 million since the beginning of the pandemic.

▣ Increasing assistance to intercity bus carriers

The pandemic has had and continues to have an impact on the financial viability of intercity bus carriers. The government considers this service a priority because it allows:

- full occupation of the territory and orderly development in the regions;
- support for people without vehicles, including seniors and young people, who need to travel to medical appointments and play active roles in the community.

The government has supported carriers through the impacts of the health emergency. It has already granted \$18.2 million to make up for their operating deficits.

In Budget 2021-2022 the government is announcing additional assistance of \$20 million to further support intercity bus carriers, bringing the total assistance to \$38.2 million.

Assistance to municipalities and public transit organizations

Sound municipal finances and efficient and reliable public transit services are assets for the economic development of all regions of Québec.

The pandemic has of course had a major impact on the finances of municipalities and public transit organizations. It has caused diverse revenue shortfalls for municipalities while at the same time entailing unexpected expenses. Public transit organizations lost an enormous amount of ridership while incurring additional costs to keep passengers and employees safe and comply with public health directives.

On September 25, 2020 the government announced \$2.3 billion in support for municipalities, public transit organizations and intercity bus carriers. Of this amount, \$2 billion was allocated immediately and \$300 million was reserved to meet other potential needs. That reserve has been recently allocated as follows:

- \$200 million to further support public transit organizations;
- 80 million to help RCMs and municipalities and municipal bodies exercising RCM powers;
- \$20 million to support regional airports, including municipal airports.

Support for municipalities and transportation services

(millions of dollars)

	2020-2021
Public transit organizations ⁽¹⁾	1 381.8
Intercity bus carriers	18.2
Regional and municipal airports	20.0
Subtotal – Public transit	1 420.0
Municipalities and RCMs	880.0
TOTAL	2 300.0

Note: This support is funded jointly with the Government of Canada under the Safe Start Agreement.

(1) Includes the \$400 million in emergency assistance announced in June 2020.

4.6 Supporting the development of the bio-food sector

Québec's bio-food sector plays a major role in feeding the population of Québec, in addition to making a significant contribution to economic activity and the vitality of all regions of Québec.

The government is providing \$21.1 million over the next five years to encourage the development of the bio-food sector by:

- making the creation of the Institut de technologie agroalimentaire du Québec a reality;
- promoting the mission of the Commission de protection du territoire agricole du Québec;
- promoting the development of the aquaculture sector.

TABLE D.24

Financial impact of measures to support the development of the bio-food sector (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Making the creation of the Institut de technologie agroalimentaire du Québec a reality ⁽¹⁾	—	-2.0	-2.0	-3.9	-3.9	-3.9	-15.7
Promoting the mission of the Commission de protection du territoire agricole du Québec ⁽¹⁾	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Promoting the development of the aquaculture sector ⁽²⁾	—	—	-0.1	-0.1	-0.1	-0.1	-0.4
TOTAL	—	-3.0	-3.1	-5.0	-5.0	-5.0	-21.1

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(2) The appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

❑ **Making the creation of the Institut de technologie agroalimentaire du Québec a reality**

For several years the Institut de technologie agroalimentaire has been training graduates whose skills are recognized by companies.

To ensure that this institute can fully play its role and be a factor in economic development, the government is creating the Institut de technologie agroalimentaire du Québec (ITAQ).

- Like the Institut du tourisme et d'hôtellerie du Québec and the Conservatoire de musique et d'art dramatique du Québec, this new status gives the ITAQ greater autonomy and flexibility to offer training offer that meets the needs of businesses in the agri-food sector, thereby contributing to Québec's economic development.
- Additional investments will be granted to the ITAQ as of 2023-2024 to continue providing such training.

The government is therefore providing \$15.7 million to enable the ITAQ to assume new responsibilities arising from its new status.

❑ **Promoting the mission of the Commission de protection du territoire agricole du Québec**

The mission of the Commission de protection du territoire agricole du Québec is to guarantee a territory conducive to the exercise and development of agricultural activities for future generations.

- By doing so it indirectly contributes to increasing food self-sufficiency and maintaining and developing a prosperous bio-food industry.

The government is providing \$1.0 million per year starting in 2021-2022 to enhance the Commission's mission, including:

- reducing processing times so that decisions can be made more quickly;
- improving the quality of the information available to clients as they prepare their files for submission to the Commission;
- improving its socio-economic knowledge of the industry so that each decision can match the realities of the community.

❑ **Promoting the development of the aquaculture sector**

Aquaculture allows plants to be cultivated or animals to be raised in aquatic environments for food or restocking. This sector alone represents more than 100 businesses in several regions of Québec.

The government wants to double current aquaculture production throughout Québec so as to meet one of the objectives of its bio-food policy.

The government intends to increase its expertise in this field in order to provide better support to the sector.

The government is therefore investing \$0.4 million over four years to promote the development of aquaculture.

4.7 Stimulating economic development and inclusive and diversified entrepreneurship

Through the support services and financing it offers, Femmessor helps create, grow and acquire businesses led and owned by women in Québec's 17 administrative regions.

Recognizing the expertise of this organization, the government is providing \$23.4 million to continue supporting Femmessor and expand its services to new clientele.

— People with ethno-culturally diverse backgrounds, Indigenous people and people with disabilities are all important assets for Québec's economic development. The money granted to Femmessor will therefore provide support that meets the needs of those clientele.

The government also provides an envelope of up to \$25.0 million, to be matched by other partners, to encourage the development of inclusive and diversified entrepreneurship in all regions of Québec.

The Minister of Economy and Innovation and the Minister for Regional Economic Development will announce the details of the initiative.

4.8 Contributing to the recovery by investing in the regions

The mission of Capital régional et coopératif Desjardins (CRCD) is to invest in Québec SMBs, mainly those located in the regions.

Starting in 2021 the government will provide the following so that CRCD can fully contribute to the recovery:

- the renewal of its \$140 million annual emissions cap on Class A shares for two years;
- the renewal, for its class B shares, of annual emissions of up to \$50 million for two years.

The tax credit rate for Class A shares will be reduced from 35% to 30%.

- This decrease will mean that the tax credit rate offered to CRCD shareholders matches the combined rate (federal and provincial) offered to the shareholders of the Fonds de solidarité FTQ and Fondation.
- The tax credit rate for Class B shares will be maintained at 10%.

Over the next two years, \$190 million per year will be made available to CRCD to finance Québec businesses, particularly those located in the regions.

These changes will account for \$11.1 million in support for regional investment by 2025-2026.

❑ Encouraging initiatives in territories facing economic challenges

CRCD plays an important role funding businesses in territories facing economic difficulties.

In order for CRCD to continue working in those territories, the government has given it the objective of investing a minimum of \$10 million in these businesses over the next three years.

4.9 Supporting investments in local funds

Local investment funds are primarily intended to invest in Québec startup or pre-startup businesses.

To encourage workers' and CRCD funds to contribute to local investment funds, the eligibility of investments made in such funds will be extended for five years for the purpose of applying the investment standard.

5. DEVELOPING OUR ECONOMY IN A SUSTAINABLE WAY

The government is committed to sustainable development objectives that aim to maintain the integrity of the environment, ensure social equity and create an innovative and prosperous economy.

Budget 2021-2022 provides \$136.5 million over five years to ensure growth based on the principles of a sustainable economy by:

- protecting the environment by improving the way we manage our water;
- implementing support measures for a sustainable recovery;
- showcasing innovative solutions to address the challenges of sustainable growth;
- promoting economic development through the responsible use of natural resources.

TABLE D.25

Financial impact of measures to develop our economy in a sustainable way (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Protecting the environment by improving the way we manage our water	—	-2.6	-3.6	-9.6	—	—	-15.8
Implementing support measures for a sustainable recovery	—	-15.4	-15.9	-11.8	-12.4	-12.4	-67.9
Showcasing innovative solutions to address the challenges of sustainable growth	—	-24.0	-4.0	-1.0	—	—	-29.0
Promoting economic development through the responsible use of natural resources	—	-16.1	-7.1	-0.6	—	—	-23.8
TOTAL	—	-58.1	-30.6	-23.0	-12.4	-12.4	-136.5

The 2030 Plan for a Green Economy

The Ministère de l'Environnement et de la Lutte contre les changements climatiques released the 2030 Plan for a Green Economy on November 16, 2020. This plan will guide Québec over the next decade as it transitions to a lower-carbon economy, electrifies the economy, encourages investment, designs new activities and creates wealth, while at the same time strengthening its resilience to climate change.

- This plan is a major first step toward achieving the target of reducing GHG emissions by 37.5% in 2030 compared to 1990 and maximizing the reductions throughout Québec.

At the same time the government tabled the 2021-2026 Implementation Plan, which outlines the actions and measures Québec will take to achieve those goals.

The government will review the Implementation plan annually to take stock of:

- economic growth and financial availability;
- GHG emissions and scientific knowledge.

A \$6.7 billion envelope over five years

The financial framework of the 2021-2026 Implementation Plan provides for expenditures totalling \$6.7 billion spread over five years, including \$300 million that was added in the fall 2020 *Update on Québec's Economic and Financial Situation* to contribute to a greener economic recovery. The money to finance those expenditures comes mainly from the carbon market and budget appropriations.

- A \$14 billion investment in public transit under the Québec Infrastructure Plan (QIP), the government's efforts to reduce its own GHG emissions and the actions of Hydro-Québec, Investissement Québec and other government bodies will be further contributions to the financial framework.

With this plan the government is taking several practical steps to reduce GHG emissions, including:

- the Roulez vert program (\$1 293.4 million) and the electrification of taxis and buses (\$638.0 million) in order to increase the number of electric vehicles on Québec's roads;
- supporting the industrial sector as it makes its energy transition (\$831.4 million).

The 2030 Plan for a Green Economy (cont.)

Recurring economic benefits of \$2.2 billion by 2030

The government estimates that the 2030 Plan for a Green Economy should add \$2.2 billion to Québec's GDP in real terms each year by 2030. It should also create more than 15 500 jobs.

In addition to these spinoffs are further investments that will support the development of the strategic sectors of the economy of tomorrow, such as the battery sector and the green hydrogen sector.

All the actions identified by the government should lead to reductions of at least 12.4 million tonnes of CO₂ equivalent in Québec by 2030.

Estimate of the impacts of the fight against climate change

Impact analyses are done using a combination of two models.

A partnership between the Ministère des Finances du Québec and the Ministère de l'Environnement et de la Lutte contre les changements climatiques created those models.

- The General Equilibrium Model of the Ministère des Finances du Québec for the Environment (MEGFQ-E) is a representation of Québec's economy. It studies the interrelationships between economic agents and their changes in behaviour.
- The Système énergétique du Québec, de l'environnement, du climat et de l'électricité (SEQUENCE) model represents in detail the various technological options available in Québec to reduce GHG emissions.
 - It makes it possible to do GHG emissions projections and determine the most effective ways of achieving GHG emissions targets.

Several departments and bodies also regularly collaborate on analyses, including the Ministère de l'Énergie et des Ressources naturelles.

The use of these tools allows Québec to direct efforts to reduce GHG emissions in order to maximize the achievement of the target of reducing GHG emissions on its territory by 37.5% in 2030 compared to the 1990 level.

5.1 Protecting the environment by improving the way we manage our water

Since water is part of our Québec heritage, our water resources must be considered and treated in a responsible, integrated and sustainable way.

Stakeholders that influence water resources, such as municipalities, RCMs, farmers and citizens must be informed and engaged in water protection, use and management.

To that end the government is providing \$15.8 million to:

- optimize waste water management;
- equip Québec for better flood management.

TABLE D.26

Financial impact of measures to protect the environment by improving the way we manage our water (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Optimizing waste water management	—	-0.6	-0.6	-0.6	—	—	-1.8
Equipping Québec for better flood management	—	-2.0	-3.0	-9.0	—	—	-14.0
TOTAL	—	-2.6	-3.6	-9.6	—	—	-15.8

Note: The appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. The amounts for 2021-2022 will be drawn from the Contingency Fund.

❑ **Optimizing waste water management**

Some Québec municipalities still do not have waste water treatment plants and need support from the government due to their lack of resources and expertise in this area.

The government will therefore enter into a collaboration agreement with the Fédération québécoise des municipalités, providing \$1.8 million over three years to assist municipalities in drafting their requests for financial support for their waste water infrastructure projects.

❑ **Equipping Québec for better flood management**

The government wants to intervene effectively in flood management by adopting a risk management and flood planning approach in Québec.

Note that under the Plan de protection du territoire face aux inondations, announced in spring 2020, the government will invest close to \$480 million for effective flood management.

Last December the government announced that it was opening 10 project offices in the main flood-prone regions, whose role will be to support municipal communities in building more resilient structures. Funds have also been provided for improving and disseminating mapping knowledge.

To ensure that all necessary actions can be implemented, Budget 2021-2022 is providing an additional \$14 million over three years to:

- enhance and extend the funding for the INFO-Crue project in order to expand current forecast capacity;
- roll out the new regulatory framework for flood-prone areas, implementing a government regulation for municipalities and replacing the Protection Policy for Lakeshores, Riverbanks, Littoral Zones and Floodplains;
- support municipalities and RCMs that are responsible for flood protection structures.

5.2 Implementing support measures for a sustainable recovery

Accelerating the completion of infrastructure projects as part of the economic recovery will put greater pressure on requests for environmental approval.

As a result, environmental permits and controls will have to increase over a short time, which means that the sector's resources will have to be optimized.

The government is providing \$67.9 million over five years to ensure compliance with environmental standards while accelerating the implementation of some infrastructure projects by:

- issuing environmental authorizations in a timely manner;
- supporting the Bureau d'audiences publiques sur l'environnement in carrying out its mandates;
- providing environmental controls and dam safety;
- determining the sources of atmospheric contaminants and noise pollution.

TABLE D.27

Financial impact of support measures for a sustainable recovery (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Issuing environmental authorizations in a timely manner	—	-5.8	-7.0	-8.1	-10.1	-10.1	-41.1
Supporting the Bureau d'audiences publiques sur l'environnement in carrying out its mandates ⁽¹⁾	—	-2.7	-2.2	-2.2	-2.3	-2.3	-11.7
Providing environmental controls and dam safety	—	-1.5	-1.5	-1.5	—	—	-4.5
Determining the sources of atmospheric contaminants and noise pollution	—	-5.4	-5.2	—	—	—	-10.6
TOTAL	—	-15.4	-15.9	-11.8	-12.4	-12.4	-67.9

Note: The appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) Investments of \$0.1 million are provided in the 2021-2031 Québec Infrastructure Plan.

❑ Issuing environmental authorizations in a timely manner

The acceleration of priority infrastructure projects resulting from the adoption of the *Act respecting the acceleration of certain infrastructure projects* will require the government's approval with regard to compliance with prevailing environmental standards in a timely manner. Many resources will also have to be mobilized to complete the upgrading of the environmental authorization system.

More resources will be needed, both to reduce the time required for environmental authorizations and to support the role that local bodies must play with regard to environmental protection in the regions.

The government is therefore providing \$41.1 million over five years.

❑ Supporting the Bureau d'audiences publiques sur l'environnement in carrying out its mandates

The Bureau d'audiences publiques sur l'environnement (BAPE) informs and consults the public through Québec-wide public sessions on projects subject to regulation and on major environmental issues submitted to it by the Minister of the Environment and the Fight against Climate Change.

Starting in 2021, some of the government's priority infrastructure projects will be submitted to public consultations as part of the environmental impact assessment and review process. More protected area mandates will be added.

The government is announcing \$11.7 million over five years to enable the BAPE to carry out its mandates.

❑ **Providing environmental controls and dam safety**

One of the government's major roles is to ensure compliance with prevailing environmental standards and laws and to preserve a healthy and safe environment for the public, particularly with regard to the protection of natural resources, the illegal disposal of contaminated soils and the safety of dams.

The government will mobilize its control services for its priority infrastructure projects so that they can move forward quickly while ensuring compliance with prevailing environmental standards.

The government will also increase its efforts to ensure that dam safety requirements are met.

Assistance of \$4.5 million over three years is therefore planned to ensure compliance with current environmental standards and laws.

❑ **Determining the sources of atmospheric contaminants and noise pollution**

The public is increasingly concerned about air pollution and noise pollution, which both the Institut national de santé publique du Québec and the World Health Organization recognize as harmful to health.

The government wants to deepen its expertise and knowledge of air quality by determining current and future sources of air contaminants and the sources of noise pollution.

The results will allow us to model and assess the trends in atmospheric and noise emissions and the impacts of the measures for the main emitting sectors, taking a local approach.

— They will become a tool to help the government and municipalities work together and make decisions. They will also give the population better information on their living environment.

The government is therefore providing \$10.6 million over two years to determine the sources of air contaminants and noise pollution.

5.3 Showcasing innovative solutions to address the challenges of sustainable growth

Solutions to environmental challenges come from innovative ideas, some of which have not yet emerged. There is significant economic potential in solutions that meet the needs shared by all the world's populations.

The government intends to stimulate the development of innovative solutions that meet environmental and sustainable growth challenges while at the same time building Québec's expertise in this field.

To this end, the government is providing \$29.0 million over three years in Budget 2021-2022 to:

- support the rollout of Québec's first green hydrogen and bioenergy strategy;
- support circular economy initiatives;
- promote the development of innovative solutions to environmental challenges by supporting the Institut nordique du Québec.

TABLE D.28

Financial impact of measures aimed at showcasing innovative solutions to address the challenges of sustainable growth (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the rollout of Québec's first green hydrogen and bioenergy strategy ⁽¹⁾	—	-20.0	—	—	—	—	-20.0
Supporting circular economy initiatives ⁽²⁾	—	-3.0	-3.0	—	—	—	-6.0
Promoting the development of innovative solutions to environmental challenges by supporting the Institut nordique du Québec ⁽¹⁾	—	-1.0	-1.0	-1.0	—	—	-3.0
TOTAL	—	-24.0	-4.0	-1.0	—	—	-29.0

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

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

❑ **Supporting the rollout of Québec's first green hydrogen and bioenergy strategy**

The use of hydrogen has sparked worldwide interest. Its many uses in fields as diverse as sustainable mobility, industrial processes and the development of green chemistry make this form of energy very attractive for the energy transition to a lower-carbon economy.

Québec has many assets to become a key player in the development of this energy sector, including its great capacity to produce renewable and clean energy.

When the 2030 Plan for a Green Economy was unveiled last November, the government announced its intention of presenting a first green hydrogen and bioenergy strategy in the fall of 2021 to guide government action in the use and production of these future energy sources, replacing fossil fuels.

As its contribution to implementing this first strategy and accelerating the development of Québec's green hydrogen sector, the government is providing \$20 million in 2021-2022 for the first initiatives to lay the groundwork for this development.

❑ **Supporting circular economy initiatives**

Support for initiatives to promote, develop and implement the circular economy contributes to the sustainable development of the economy.

— The circular economy aims to produce goods and services while severely limiting the consumption and waste of raw materials and non-renewable energy sources, leading to a lower-carbon and less energy-intensive economy.

To this end the government is providing \$6 million over two years to stimulate circular economy initiatives. This assistance will support symbiotic industrial projects, encouraging the optimal reuse of resources.

Among other things, it could be used to create solutions aimed at accelerating the recovery of waste from the construction sector and the recycling of other waste such as plastics, tires, textiles and glass.

❑ **Promoting the development of innovative solutions to environmental challenges by supporting the Institut nordique du Québec**

Since it opened in 2014, the Institut nordique du Québec has built expertise on the issues and challenges of Northern Québec through its network of 16 member university institutions, over 250 researchers and many public and private partners.

— The institute's research and activities contribute to the sustainable development of northern communities.

The government is providing \$3 million to help the institute consolidate its expertise and autonomy, in addition to ensuring the sustainability of its activities.

5.4 Promoting economic development through the responsible use of natural resources

Québec has high biodiversity and ecosystems that must be sustained.

The government is providing \$23.8 million over three years in Budget 2021-2022 to encourage the economic development of Québec's regions through the responsible use of natural resources by:

- supporting responsible development of the mining sector;
- making certain hydrocarbon wells safer;
- protecting Québec's wildlife capital.

TABLE D.29

Financial impact of measures to encourage economic development through the responsible use of natural resources (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting responsible development of the mining sector ⁽¹⁾	—	—	-1.0	-0.6	—	—	-1.6
Making certain hydrocarbon wells safer ⁽²⁾	—	-10.0	—	—	—	—	-10.0
Protecting Québec's wildlife capital ⁽³⁾	—	-6.1	-6.1	—	—	—	-12.2
TOTAL	—	-16.1	-7.1	-0.6	—	—	-23.8

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

(2) The appropriations will be granted to the Fossil Fuels Management component of the Natural Resources Fund.

(3) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

❑ **Supporting responsible development of the mining sector**

The government is providing \$1.6 million over two years to encourage responsible mining exploration.

This initiative will provide financial support to help exploration companies and their specialized service providers, as well as operating companies, obtain certification and improve their sustainable development performance.

The sustainable development certification process aims to:

- encourage the best environmental, social and economic practices in the mining exploration industry;
- improve the social acceptability of exploration projects and make it easier for them to access financing.

This initiative will replace the sustainable development certification allowance for the mining tax system that will end on January 1, 2022.

The Minister of Energy and Natural Resources will announce the details of the program at a later date.

❑ **Making certain hydrocarbon wells safer**

The government is providing \$10 million in 2021-2022 to continue the work of remediating and restoring hydrocarbon wells in some administrative regions.

This initiative will go toward environmental characterization, integrity analysis, final well closing and site restoration work.

❑ **Protecting Québec's wildlife capital**

The wildlife sector generates significant economic and social benefits for several regions of Québec. It is constantly plagued by natural disturbances, however, due to invasive species or the effects of climate change.

The government is therefore providing \$12.2 million to perpetuate existing expertise and continue conserving and protecting wildlife species and their habitats.

6. PROMOTING QUÉBEC'S CULTURE, HERITAGE AND THE FRENCH LANGUAGE

The cultural sector plays a critical role in the expression and dissemination of Québec's identity. The artistic creativity and dynamism of cultural enterprises contribute to both the vitality of society and Québec's economic development.

— In 2019 the information, culture and recreation industry employed over 170 000 people and accounted for nearly 3.6% of Québec's GDP, in addition to promoting Québec's culture.

However, the pandemic has hit the cultural sector hard, blocking creation, slowing down filming and closing the venues.

In Budget 2021-2022 the government is providing \$392 million over six years to promote Québec's culture, heritage and the French language by:

- promoting culture;
- promoting our cultural heritage;
- defending and strengthening the status of French as the official language and common language of Québec.

TABLE D.30

Financial impact of measures to promote Québec's culture, heritage and the French language (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting culture	-47.0	-114.0	-14.0	-13.0	-13.0	-13.0	-214.0
Promoting our cultural heritage	—	-18.3	-35.9	-20.2	—	—	-74.4
Defending and strengthening the status of French as the official language and common language of Québec	-16.0	-15.7	-23.3	-18.0	-15.3	-15.3	-103.6
TOTAL	-63.0	-148.0	-73.2	-51.2	-28.3	-28.3	-392.0

6.1 Promoting culture

Québec's artists and cultural businesses help shape Québec's identity and play an active role in its economic development. However, Québec's entire cultural ecosystem has been badly hit by the pandemic and its repercussions.

The government realizes how important it is to support the cultural community and expand its outreach.

Budget 2021-2022 is providing \$214 million over six years for:

- enhancing and extending the Economic Recovery Plan for the Cultural Sector;
- enhancing Fête nationale du Québec activities;
- making culture more accessible everywhere;
- ensuring the future of the Biosphere Museum.

TABLE D.31

Financial impact of measures to promote culture (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Enhancing and extending the Economic Recovery Plan for the Cultural Sector ⁽¹⁾	-47.0	-100.0	—	—	—	—	-147.0
Enhancing Fête nationale du Québec activities ⁽¹⁾	—	-1.0	-1.0	—	—	—	-2.0
Making culture more accessible everywhere	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Ensuring the future of the Biosphere Museum ⁽²⁾	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
TOTAL	-47.0	-114.0	-14.0	-13.0	-13.0	-13.0	-214.0

Note: The amounts for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de la Culture et des Communications.

(2) The appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

□ Enhancing and extending the Economic Recovery Plan for the Cultural Sector

In June 2020 the government launched the Economic Recovery Plan for the Cultural Sector. With an initial budget of \$400 million, the stimulus plan is designed to support cultural fields that are in great financial difficulty and keep the community alive.

— Last fall \$50 million was added to support the broadcast of Québec shows, together with additional assistance totalling \$33 million for the operations of cultural organizations.

As the collateral effects of the pandemic will be felt for several more months, the cultural sector needs still more support.

To this end, the government is providing an additional \$147.0 million over two years to enhance and extend the stimulus plan:

- \$60.0 million to enhance the special measure for broadcasting Québec shows;
- \$28.9 million to continue the Aide temporaire dans le secteur audiovisuel program;
- \$33.6 million for additional assistance to cultural organizations and artists;
- \$14.0 million to promote and support cultural initiatives;
- \$10.5 million to help Québec's cultural community switch to digital.

Including \$64 million to support the audiovisual sector if filming for television and film is interrupted and \$65.9 million self-financed from the appropriations of the Ministère de la Culture et des Communications, the plan will be upped by \$276.9 million.

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

The Economic Recovery Plan for the Cultural Sector: \$483 million in support for the cultural sector

The government took major steps to support the cultural sector and its artists as soon as the health emergency was announced throughout Québec.

- The Ministère de la Culture et des Communications, the Société de développement des entreprises culturelles (SODEC) and the Conseil des arts et des lettres du Québec (CALQ) played a key role in supporting the cultural sector by setting up initiatives tailored to their clientele.

The \$483 million Economic Recovery Plan for the Cultural Sector adds another dimension by stimulating artistic creation, boosting the production of Québec cultural content and helping the sector find new ways of connecting with the public. More specifically, these measures aim to:

- disseminate Québec cultural content by supporting film and television production;
- support and sustain cultural businesses and organizations as they resume their activities;
- support innovation and creation in the field of performing arts (theatre, dance, circus, music, humour, etc.);
- increase budgets for promising projects in the music field;
- help the cultural sector switch to digital;
- promote Québec culture and large-scale projects, especially by rolling out a unifying brand image;
- support the creative output of artists and writers;
- increase existing financial assistance to relaunch artistic and cultural festivals and events;
- support Québec show producers and presenters in all regions of Québec.

These stimulus funds have so far helped over 2 000 cultural organizations and got more than 1 900 projects off the ground.

❑ **Enhancing Fête nationale du Québec activities**

The Fête nationale du Québec brings Quebecers together to celebrate their national pride. The government is providing \$2 million over two years to enrich the holiday activities:

- putting on a big show in one of the regions to be broadcast throughout Québec;
- extending the celebration period over several days across Québec.

❑ **Making culture more accessible everywhere**

The government wants to make culture accessible to everyone and in all environments, and encourage connections between culture and education. To this end, the suggestion is to increase school outings to cultural venues, make more works available free of charge for educational purposes and use all kinds of initiatives to introduce students to Québec culture.

Additional investments of \$50 million will enhance and expand access to culture, particularly among young people.

❑ **Ensuring the future of the Biosphere Museum**

The Biosphere is the only museum entirely dedicated to the environment in North America. Its educational mission is to better understand the major environmental issues currently affecting air, water, biodiversity, climate change and sustainable development.

The government is confirming its equal contribution to the financing of the Biosphere with the Government of Canada and the City of Montréal, and is providing \$15 million over five years for the revival and operation of the environment museum.

6.2 Promoting our cultural heritage

Our heritage property is a very rich community asset. It is part of the Québec cultural landscape and must be preserved and showcased.

Considering the importance of preserving and enhancing heritage property, the government is providing \$74.4 million over three years in Budget 2021-2022 to:

- improve the way our built heritage is managed;
- augment the Québec Cultural Heritage Fund;
- perpetuate and enhance the Programme de soutien au milieu municipal en patrimoine immobilier;
- continue to roll out the cultural infrastructure network.

TABLE D.32

Financial impact of measures to promote cultural heritage (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Improving the way our built heritage is managed	—	-5.0	-7.4	—	—	—	-12.4
Augmenting the Québec Cultural Heritage Fund ⁽¹⁾	—	-5.3	-5.3	-1.8	—	—	-12.4
Perpetuating and enhancing the Programme de soutien au milieu municipal en patrimoine immobilier ⁽¹⁾	—	-6.0	-23.2	-18.4	—	—	-47.6
Continuing to roll out the cultural infrastructure network	—	-2.0	—	—	—	—	-2.0
TOTAL	—	-18.3	-35.9	-20.2	—	—	-74.4

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) These investments provided for in the 2021-2031 Québec Infrastructure Plan will be allocated to entities not included in the reporting entity. A financial impact totalling \$60 million was also attributed to the financial framework due to the change in application of the accounting standard respecting transfer payments.

❑ Improving the way our built heritage is managed

In response to the Auditor General of Québec's recommendations on safeguarding and enhancing heritage buildings, the government is announcing investments of \$12.4 million over two years to coordinate all heritage property strategies.

These investments will be for changes to the tools, methods and procedures used by the Ministère de la Culture et des Communications to safeguard and enhance heritage property; in particular they will go to:

- coming up with a more preventive intervention approach;
- providing better support to municipalities;
- improving services to the public.

❑ Augmenting the Québec Cultural Heritage Fund

The new *Cultural Heritage Act* requires municipalities to make and update inventories of heritage buildings.

To this end, the government is providing investments of \$12.4 million in the 2021-2031 Québec Infrastructure Plan to create a snapshot of Québec's built heritage.

❑ Perpetuating and enhancing the Programme de soutien au milieu municipal en patrimoine immobilier

The Programme de soutien au milieu municipal en patrimoine immobilier is one of the vehicles the government can use to help municipalities fully assume their responsibilities with regard to heritage property.

The government wants to extend this program and is providing \$47.6 million for that purpose in the 2021-2031 Québec Infrastructure Plan. This amount will boost support for municipalities and help provide guidance, particularly for safeguarding heritage property.

❑ Continuing to roll out the cultural infrastructure network

In addition to contributing to Québec's economic health—especially due to its tourist attractions—cultural infrastructure is a key element of Quebecers' sense of pride and identity.

In Budget 2020-2021, \$257 million was announced for the acquisition, restoration, construction, development or conversion of heritage buildings to be used for cultural dissemination, creation and media conversion.

— Investments of \$222.2 million are provided for in the 2020-2030 Québec Infrastructure Plan.

The government is providing a further \$2 million in Budget 2021-2022 to make sure the work runs smoothly and is properly monitored.

6.3 Defending and strengthening the status of French as the official language and common language of Québec

In order to defend and promote French, the government will take a series of actions aimed at making French the common language of all Quebecers, protecting their language rights and ensuring the primacy of the use of French in all segments of society.

The government also wants to provide Quebecers with strong institutions to ensure that the permanence of the French fact remains an invariable priority for the Québec government, both now and in the future.

To this end, Budget 2021-2022 provides for initiatives totalling \$103.6 million by 2025-2026 to defend and promote French, the official language and the common language of Québec.

TABLE D.33

Financial impact of measures to defend and strengthen the status of French as the official language and common language of Québec (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Defending and strengthening the status of French as the official language and common language of Québec ⁽¹⁾	-16.0	-15.7	-23.3	-18.0	-15.3	-15.3	-103.6

(1) The appropriations will be granted to the Ministère de la Justice. The amounts for 2021-2022 will be drawn from the Contingency Fund.

7. CONTINUING TO SUPPORT BUSINESSES THAT HAVE BEEN AFFECTED BY THE PANDEMIC

The easing of health measures at the end of last spring resulted in a faster-than-expected restart of economic activity in Québec. However, some sectors were not able to restart so quickly, including accommodation and food services, information, culture and recreation.

The government will continue to support these sectors as long as the health situation requires it. This support, combined with measures to accelerate growth and the transition to the new economy, will help the businesses that were hardest hit by the pandemic recover quickly.

To continue supporting these businesses, the government is providing over \$192 million over two years to:

- maintain the Concerted Temporary Action Program for Businesses (PACTE) and the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME);
- extend the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave;
- provide greater flexibility in calculating paid hours for the small business deduction.

TABLE D.34

Financial impact of measures to continue supporting businesses that have been affected by the pandemic (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Maintaining the PACTE and the PAUPME ^{(1),(2)}	—	-150.0	—	—	—	—	-150.0
Extending the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave	-12.9	-8.8	—	—	—	—	-21.7
Providing greater flexibility in calculating paid hours for the small business deduction	-16.3	-4.7	—	—	—	—	-21.0
TOTAL	-29.2	-163.5	—	—	—	—	-192.7

(1) The amounts for 2021-2022 will be drawn from the Contingency Fund.

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

Main steps taken to mitigate the impact of the pandemic on businesses

The Québec government quickly provided businesses with customized support to mitigate the impact of the pandemic.

The government has helped businesses financially through:

- the Concerted Temporary Action Program for Business (PACTE) and the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME);
- the Québec government's financial contribution to the Canada Emergency Commercial Rent Assistance (CECRA) program;
- the Concerted Action Program for Job Retention (PACME);
- accelerated payment of business tax credits;
- deferral and reduction of tax levies on businesses.

Additional measures have also made it possible to provide customized support to the sectors most severely affected by the pandemic, particularly the agri-food, culture, tourism, mining, forest and air transportation sectors.

7.1 Maintaining the Concerted Temporary Action Program for Businesses and the Emergency Assistance Program for Small and Medium-Sized Businesses

As soon as the pandemic started, the government deployed the Concerted Temporary Action Program for Businesses (PACTE) and the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME) to support businesses affected by the repercussions of COVID-19.⁵

— The programs have since been enhanced, particularly by the addition of the Assistance for Businesses in Regions on Maximum Alert (AERAM) component.

The government plans to increase the amounts available for both programs by introducing additional budgets of \$200 million for the PACTE and \$100 million for the PAUPME in 2021-2022.

These actions will have a financial impact of \$150 million in 2021-2022.

⁵ In 2020-2021 the government made available nearly \$3 billion through these two programs to businesses affected by the pandemic.

Assistance for Businesses in Regions on Maximum Alert

The Assistance for Businesses in Regions on Maximum Alert (AERAM) component is intended for businesses that must cease operations due to public health directives.

The AERAM of the PACTE and the PAUPME provides loan forgiveness for businesses, i.e. non-repayable financial assistance, up to \$15 000 per month and not exceeding 80% of the value of the loan received under the PACTE and the PAUPME.

The AERAM has been enhanced recently to allow businesses to continue drawing PACTE or PAUPME assistance for one to two months after resuming their activities once Public Health allows them to reopen.

7.2 Extending the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave

Last April the government introduced a tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave; it was intended for employers eligible for the Canada Emergency Wage Subsidy (CEWS).

This credit gives more financial support to eligible Québec businesses by paying all Health Services Fund contributions on the salaries of employees on paid leave.

Last December the government announced that the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave would be extended again until March 13, 2021.

Since the terms of the CEWS have been made public for the periods from March 14, 2021 to June 5, 2021, the government is announcing in Budget 2021-2022 a further extension of the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave until June 5, 2021.

The financial impact associated with these two extensions is \$21.7 million.

— The measure has had a financial impact of \$64.5 million since it started.

7.3 Providing greater flexibility in calculating paid hours for the small business deduction

SMBs may be eligible for the small business deduction (SBD), which reduces the corporate income tax rate on the first \$500 000 of taxable income.

Since January 1, 2017, companies in the service and construction sectors must have provided at least 5 500 paid hours to fully benefit from the SBD.

In June 2020 the government announced a one-time adjustment for calculating paid hours for the SBD, taking into account the forced closing of some businesses for 107 days (March 15, 2020 to June 29, 2020 inclusive) due to COVID-19.

Considering the temporary shutdown of some companies' activities in recent months, which could affect their SBD eligibility, the government is announcing greater flexibility in calculating paid hours for the SBD in Budget 2021-2022.

— For example a company whose fiscal year ends after June 30, 2020 and before July 1, 2021 will be able to benefit from the SBD if it qualified for it in the previous fiscal year; it has to apply to Revenu Québec for it.

This new flexibility, the financial impact of which is estimated at \$21.0 million over two years, will allow some profit-making companies not to lose access to the SBD despite the temporary forced closings.

Extending the startup period for current initial certificate holders as part of the tax holiday for large investment projects

The economic hardships resulting from the pandemic have forced several businesses to revise their investment project time lines.

In order to reduce the uncertainty for such companies and encourage them to go ahead with their large investments, the government is announcing in Budget 2021-2022 that the startup period will be extended by 12 months, taking it from 60 to 72 months.

The details of this measure, the financial impact of which is estimated at \$6.4 million over five years, are presented on page D.17, which is part of section 1.2 of this Budget Plan.

FINANCIAL IMPACT

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing productivity and stimulating business investment							
Connecting all Quebecers to high-speed Internet	-660.0	-595.0	—	—	—	—	-1 255.0
Encouraging businesses to adopt new technologies to increase their productivity							
– Accelerating the acquisition of new technologies by businesses	—	-13.6	-72.6	-119.7	-66.3	-17.3	-289.5
– Enhancing the tax holiday for large-scale investment projects	—	-8.0	-24.3	-55.6	-11.8	-16.8	-116.5
– Reducing the corporate tax rate on SMBs to Ontario level	—	-44.9	-71.2	-73.9	-76.9	-79.7	-346.6
Continuing to invest in strategic sectors of the Québec economy							
– Continuing to develop the battery industry	—	-5.0	-10.0	—	—	—	-15.0
– Encouraging the development of critical and strategic minerals	—	-1.6	-3.2	-4.8	-6.4	-6.4	-22.4
– Renewing the Québec Aerospace Strategy	—	-15.0	-40.0	-40.0	—	—	-95.0
– Supporting the aluminium sector	—	—	-17.5	-17.5	—	—	-35.0
Subtotal	-660.0	-683.1	-238.8	-311.5	-161.4	-120.2	-2 175.0

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Creating wealth through innovation							
Supporting the completion of innovative projects							
– Setting up the Conseil de l'innovation	—	-1.0	-2.0	—	—	—	-3.0
– Continuing to create innovation zones	—	-20.0	—	—	—	—	-20.0
– Supporting Québec's accelerators and incubators	—	-3.0	-3.0	—	—	—	-6.0
– Simplifying the university R&D tax credit	—	—	—	—	—	—	—
Investing in research infrastructure and centres							
– Investing in Québec research and innovation infrastructure	—	-4.2	-13.0	-10.1	-6.7	-4.4	-38.4
– Renewing financial support for the Institut national d'optique	-75.0	—	—	—	—	—	-75.0
– Supporting the Computer Research Institute of Montréal	-20.0	—	—	—	—	—	-20.0
Supporting innovation in strategic sectors							
– Encouraging innovation in the forest industry	—	-5.0	-10.0	—	—	—	-15.0
– Increasing funding for FPInnovations	-3.0	—	—	—	—	—	-3.0
– Encouraging the development of innovations in the tourism sector	-10.0	—	—	—	—	—	-10.0
– Extending and enhancing the Programme d'innovation en cybersécurité du Québec	-27.5	—	—	—	—	—	-27.5
Subtotal	-135.5	-33.2	-28.0	-10.1	-6.7	-4.4	-217.9

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the requalification of workers and getting them back into the labour market							
Supporting the training and requalifying of workers							
– Responding to the IT labour force needs							
▪ Supporting IT recruitment and workforce development	—	—	-20.0	—	—	—	-20.0
▪ Quickly training a skilled IT workforce	—	-7.5	-11.3	—	—	—	-18.8
▪ Implementing the Programme pour la requalification et l'accompagnement en technologie de l'information et des communications	—	—	-10.3	-4.0	—	—	-14.3
– Increasing the number of qualified daycare educators							
▪ Training more early childhood educators	—	-5.0	-10.0	—	—	—	-15.0
▪ Increasing the qualified workforce in daycare services	—	-9.0	-9.6	—	—	—	-18.6
– Enhancing and promoting worker training for community organizations	—	—	-2.0	-2.0	—	—	-4.0
– Boost labour market participation by increasing the graduation rate	—	—	-23.3	-7.5	-7.5	-7.5	-45.8
– Making it easier to access continuing education	—	-7.0	-7.0	-7.0	—	—	-21.0

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Supporting the requalification of workers and getting them back into the labour market (cont.)							
Encouraging immigrants to enter the labour market							
– Better recognition of immigrants' skills	—	-42.0	-88.0	—	—	—	-130.0
– Encouraging immigrants to move to the regions and continue their efforts to integrate based on labour market needs	—	-42.0	-15.0	—	—	—	-57.0
– Increasing support for immigrants to learn French	—	-25.0	-25.0	—	—	—	-50.0
– Encouraging the attraction and retention of foreign students	—	-2.9	-3.1	-3.1	—	—	-9.1
Subtotal	—	-140.4	-224.6	-23.6	-7.5	-7.5	-403.6
Promoting economic development in the regions							
Supporting and relaunching Québec's tourism sector							
– Stimulating private investment in the tourism sector	—	-25.0	-10.0	—	—	—	-35.0
– Promoting nature and adventure tourism							
▪ Encouraging the discovery of Québec through the Sépaq network	—	-5.0	—	—	—	—	-5.0
▪ Investing in Sépaq establishments	—	-0.9	-2.1	-2.5	-2.5	-2.5	-10.5

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting economic development in the regions (cont.)							
Supporting and relaunching Québec's tourism sector (cont.)							
– Promoting nature and adventure tourism (cont.)							
▪ Contributing to upgrading the septic systems of controlled harvesting zones and supporting the combination of services	—	–0.7	–1.0	–0.7	–0.7	–0.7	–3.8
▪ Sustaining the development of outfitters	–24.6	—	—	—	—	—	–24.6
▪ Enhancing the visitor experience in regional parks that are tourist attractions	–5.0	—	—	—	—	—	–5.0
– Galvanizing economic activity by improving tourism infrastructure							
▪ Completing the scenic route project in the Lanaudière region	—	–0.1	–0.5	–1.0	–1.2	–1.2	–4.0
▪ Reorganizing the site of the Notre Dame du Cap shrine	—	–15.6	—	—	—	—	–15.6
– Promoting Québec's tourism industry both here and throughout Canada							
▪ Supporting efforts to promote Québec as a tourist destination	–29.0	—	—	—	—	—	–29.0
▪ Encouraging festivals and tourist events	—	–10.0	–4.9	—	—	—	–14.9
▪ Breathing new life into business tourism	—	–2.5	—	—	—	—	–2.5
▪ Supporting the recovery of downtown areas	—	–25.0	—	—	—	—	–25.0

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting economic development in the regions (cont.)							
– Supporting small-scale producers of alcoholic beverages	—	-9.0	-10.0	-11.0	—	—	-30.0
Supporting the development of the forest sector							
– Supporting the construction of multi-use roads in public forests	—	-50.0	—	—	—	—	-50.0
– Protecting the production of forest seeds and seedlings	—	-10.0	-10.0	—	—	—	-20.0
– Encouraging the forest industry to become more competitive by using LiDAR data	—	-7.0	-2.0	—	—	—	-9.0
– Supporting the development and dissemination of tools and training on wood construction	-3.0	—	—	—	—	—	-3.0
– Continuing to develop a sector that exports wood construction systems	-0.2	—	—	—	—	—	-0.2
– Supporting efforts to combat the spruce budworm	-7.0	—	—	—	—	—	-7.0
– Simplifying the property tax refund for forest producers	—	-0.8	-0.7	-0.7	-0.7	-0.7	-3.6

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting economic development in the regions (cont.)							
Upgrading regional infrastructure							
– Continuing to build the three-phase electricity system	—	-5.3	-7.3	—	—	—	-12.6
– Supplying the Côte-Nord and Nord-du-Québec with liquefied natural gas	—	-10.0	-10.0	—	—	—	-20.0
– Financially supporting the extension of the natural gas distribution system	—	-3.0	-7.0	—	—	—	-10.0
– Encouraging development in the Matagami sector	—	-2.0	—	—	—	—	-2.0
– Maintaining Nunavik's marine infrastructure	—	-0.4	-0.3	—	—	—	-0.7
– Supporting the construction and renovation of municipal buildings	-0.1	-45.3	-0.3	-0.3	-0.3	-0.3	-46.6
Accentuating regional contributions to wealth creation	—	-20.0	-20.0	—	—	—	-40.0
Supporting transportation services and communities							
– Supporting airports and regional air carriers	—	-18.0	—	—	—	—	-18.0
– Increasing assistance to intercity bus carriers	—	-20.0	—	—	—	—	-20.0
Supporting the development of the bio-food sector							
– Making the creation of the Institut de technologie agroalimentaire du Québec a reality	—	-2.0	-2.0	-3.9	-3.9	-3.9	-15.7
– Promoting the mission of the Commission de protection du territoire agricole du Québec	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
– Promoting the development of the aquaculture sector	—	—	-0.1	-0.1	-0.1	-0.1	-0.4

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting economic development in the regions (cont.)							
Stimulating economic development and inclusive and diversified entrepreneurship	-23.4	—	—	—	—	—	-23.4
Contributing to the recovery by investing in the regions	—	5.5	-16.6	—	—	—	-11.1
Supporting investments in local funds	—	—	—	—	—	—	—
Subtotal	-92.3	-283.1	-105.8	-21.2	-10.4	-10.4	-523.2
Developing our economy in a sustainable way							
Protecting the environment by improving the way we manage our water							
– Optimizing waste water management	—	-0.6	-0.6	-0.6	—	—	-1.8
– Equipping Québec for better flood management	—	-2.0	-3.0	-9.0	—	—	-14.0
Implementing support measures for a sustainable recovery							
– Issuing environmental authorizations in a timely manner	—	-5.8	-7.0	-8.1	-10.1	-10.1	-41.1
– Supporting the Bureau d'audiences publiques sur l'environnement in carrying out its mandates	—	-2.7	-2.2	-2.2	-2.3	-2.3	-11.7
– Providing environmental controls and dam safety	—	-1.5	-1.5	-1.5	—	—	-4.5
– Determining the sources of atmospheric contaminants and noise pollution	—	-5.4	-5.2	—	—	—	-10.6

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Developing our economy in a sustainable way (cont.)							
Showcasing innovative solutions to address the challenges of sustainable growth							
– Supporting the rollout of Québec's first green hydrogen and bioenergy strategy	—	-20.0	—	—	—	—	-20.0
– Supporting circular economy initiatives	—	-3.0	-3.0	—	—	—	-6.0
– Promoting the development of innovative solutions to environmental challenges by supporting the Institut nordique du Québec	—	-1.0	-1.0	-1.0	—	—	-3.0
Promoting economic development through the responsible use of natural resources							
– Supporting responsible development of the mining sector	—	—	-1.0	-0.6	—	—	-1.6
– Making certain hydrocarbon wells safer	—	-10.0	—	—	—	—	-10.0
– Protecting Québec's wildlife capital	—	-6.1	-6.1	—	—	—	-12.2
Subtotal	—	-58.1	-30.6	-23.0	-12.4	-12.4	-136.5

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Promoting Québec's culture, heritage and the French language							
Promoting culture							
– Enhancing and extending the Economic Recovery Plan for the Cultural Sector	-47.0	-100.0	—	—	—	—	-147.0
– Enhancing Fête nationale du Québec activities	—	-1.0	-1.0	—	—	—	-2.0
– Making culture more accessible everywhere	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Ensuring the future of the Biosphere Museum	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Promoting our cultural heritage							
– Improving the way our built heritage is managed	—	-5.0	-7.4	—	—	—	-12.4
– Augmenting the Québec Cultural Heritage Fund	—	-5.3	-5.3	-1.8	—	—	-12.4
– Perpetuating and enhancing the Programme de soutien au milieu municipal en patrimoine immobilier	—	-6.0	-23.2	-18.4	—	—	-47.6
– Continuing to roll out the cultural infrastructure network	—	-2.0	—	—	—	—	-2.0
Defending and strengthening the status of French as the official language and common language of Québec	-16.0	-15.7	-23.3	-18.0	-15.3	-15.3	-103.6
Subtotal	-63.0	-148.0	-73.2	-51.2	-28.3	-28.3	-392.0

TABLE D.35

Financial impact of measures aimed at accelerating growth and the transition to the new economy (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Continuing to support businesses that have been affected by the pandemic							
Maintaining the PACTE and the PAUPME	—	-150.0	—	—	—	—	-150.0
Extending the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave	-12.9	-8.8	—	—	—	—	-21.7
Providing greater flexibility in calculating paid hours for the small business deduction	-16.3	-4.7	—	—	—	—	-21.0
Subtotal	-29.2	-163.5	—	—	—	—	-192.7
TOTAL	-980.0	-1 509.4	-701.0	-440.6	-226.7	-183.2	-4 040.9

Section E

SUPPORTING QUEBECERS

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SUMMARY

The Québec government is committed to taking concrete action to support Quebecers dealing with difficult situations or who have special needs. It therefore plans to continue its actions in this regard to ensure a healthy, prosperous and safe environment for all citizens.

The government must act to meet certain specific needs of Quebecers. To that end, this budget includes measures to:

- provide citizens with social and affordable housing and improve housing conditions for low-income households or households with special housing needs;
- support families in facing the challenges of parenthood by improving the offer of educational childcare services and family-work balance, among other things.

The government is also planning initiatives to protect victims and vulnerable people and to improve the justice system. In particular, these actions will:

- protect crime victims and their families and combat the sexual exploitation of minors;
- improve accessibility to the courts and combat arms trafficking in the Montréal region.

Altogether, these initiatives represent additional funding of close to a billion dollars over six years.

TABLE E.1

Financial impact of the measures to support Quebecers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Meeting the specific needs of Quebecers	-85.8	-211.3	-138.2	-47.8	-44.8	-52.6	-580.5
Protecting victims and improving the justice system	-1.4	-118.0	-87.6	-79.7	-60.0	-49.9	-396.6
TOTAL	-87.2	-329.3	-225.8	-127.5	-104.8	-102.5	-977.1

More than \$2.3 billion per year returned to Quebecers

Since fall 2018, the government has been taking concrete actions that has returned more than \$2.3 billion per year to Quebecers. These amounts have benefited seniors, workers and families in particular.

More support for seniors and caregivers

In this budget, the government is enhancing the refundable tax credit for home-support services for seniors aged 70 or older who receive such services.

Seniors will benefit from additional assistance due to the gradual increase in the rate of the home-support services credit from 35% to 40% in 2026 and from the increase in eligible rent for tax assistance to reflect rent increases in recent years.

These changes represent additional support of close to \$143 million per year when fully implemented for Québec's seniors.

In total, more than \$420 million per year will ultimately be granted to seniors and informal caregivers considering the implementation of the senior assistance amount and enhanced assistance for caregivers.

Additional assistance for workers

In December 2020, the government announced a simplified deduction for people who did telework. In their 2020 income tax returns, teleworkers can claim a \$2 deduction for each day they worked from home in 2020 because of the pandemic, up to a maximum of \$400.

This announcement returns \$44 million to teleworkers in 2020-2021.

In addition, the enhancement of the tax credit for career extension announced in Budget 2019-2020 incites individuals aged 60 and over to stay in the labour market. It provides additional assistance to workers of over \$100 million per year.

Support for families and a reduction in health care expenses

The government has reduced families' tax burden by implementing a single school tax rate and returning to a single rate for subsidized childcare services.

In addition, families benefited from an increase in their socio-fiscal transfers through the increase in family allowance and additional support for handicapped children.

Furthermore, Quebecers profited from the reduction of certain health-related expenses such as reduced parking rates at health care institutions and the reimbursement of the cost of glasses for minor children.

Altogether, these additional measures total about \$1.8 billion per year.

TABLE E.2

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

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Seniors and caregivers							
Refundable tax credit for home-support services for seniors	—	-10.5	-45.3	-83.8	-111.8	-142.8	-394.2
Senior assistance amount	-105.2	-109.1	-113.1	-117.2	-121.6	-126.2	-692.4
Quality of life of caregivers	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-240.0
Refundable tax credit for caregivers	-102.3	-104.3	-106.4	-108.5	-110.7	-114.9	-647.1
Subtotal	-247.5	-263.9	-304.8	-349.5	-384.1	-423.9	-1 973.7
Workers							
Deduction for teleworking expenses	-44.0	—	—	—	—	—	-44.0
Career extension	-105.6	-106.6	-107.7	-108.8	-109.9	-111.0	-649.6
Subtotal	-149.6	-106.6	-107.7	-108.8	-109.9	-111.0	-693.6
Families and health							
Family allowance	-765.7	-802.0	-807.8	-813.1	-816.7	-818.4	-4 823.7
Single school tax rate	-621.7	-702.3	-651.3	-601.6	-556.6	-514.5	-3 648.0
Single rate for subsidized childcare	-173.4	-179.0	-184.8	-190.7	-196.8	-203.1	-1 127.8
Support for handicapped children ⁽¹⁾	-45.5	-54.1	-58.3	-60.5	-62.7	-63.5	-344.6
Exemption for support payments in respect of dependent children	-36.2	-36.2	-36.2	-36.2	-36.2	-36.2	-217.2
See better to succeed	-36.0	-36.0	-36.0	-36.0	-36.0	-36.0	-216.0
Reduced health care institution parking fees	-120.0	-120.0	-132.0	-145.0	-159.6	-159.6	-836.2
Subtotal	-1 798.5	-1 929.6	-1 906.4	-1 883.1	-1 864.6	-1 831.3	-11 213.5
TOTAL	-2 195.6	-2 300.1	-2 318.9	-2 341.4	-2 358.6	-2 366.2	-13 880.8

(1) Addition of a second level to the supplement for handicapped children requiring exceptional care and enhancement of support for parents of handicapped children of full age.

1. MEETING THE SPECIFIC NEEDS OF QUEBECERS

The government is taking actions to concretely meet needs deemed a priority for Quebecers and communities. To that end, Budget 2021-2022 provides total funding of \$580.5 million over six years.

More specifically, the government is announcing additional funding of:

- \$408.2 million over six years to develop affordable housing;
- \$116.1 million over five years to support families by improving the childcare services offer and family-work balance;
- \$10.5 million over five years to continue efforts relating to the status of women;
- \$27.2 million in 2021-2022 to support funding of community organizations and access to their services;
- \$18.5 million over five years to support the purchase of essential products for social assistance recipients.

TABLE E.3

Financial impact of the measures to meet the specific needs of Quebecers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Providing affordable housing	-85.8	-150.9	-103.4	-23.9	-19.1	-25.1	-408.2
Supporting families	—	-22.2	-30.7	-19.5	-21.1	-22.6	-116.1
Continuing efforts relating to the status of women	—	-9.7	-0.2	-0.2	-0.2	-0.2	-10.5
Fostering the funding of community organizations and access to their services	—	-27.2	—	—	—	—	-27.2
Supporting the purchase of essential products for social assistance recipients	—	-1.3	-3.9	-4.2	-4.4	-4.7	-18.5
TOTAL	-85.8	-211.3	-138.2	-47.8	-44.8	-52.6	-580.5

1.1 Providing affordable housing

The Québec government recognizes the importance for Québec households to live in affordable housing that meets their needs. That is why Budget 2021-2022 includes funding totalling \$408.2 million to increase the affordable housing offer by 2025-2026.

These investments will help to:

- increase the offer of social and affordable housing;
- improve the housing of Quebecers;
- build more housing in the Jamésie region;
- provide emergency assistance to households and municipalities;
- broaden and enhance assistance for homes damaged by pyrrhotite.

TABLE E.4

Financial impact of the measures to provide affordable housing (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing the offer of social and affordable housing	-79.4	-109.0	-69.9	-6.8	-14.8	-24.6	-304.5
Improving the housing of Quebecers	—	-35.0	-27.0	—	—	—	-62.0
Building more housing in the Jamésie region	-6.4	-4.2	-0.3	-0.5	-0.5	-0.5	-12.4
Providing emergency assistance to households and municipalities	—	-2.7	-0.9	—	—	—	-3.6
Broadening and enhancing assistance for homes damaged by pyrrhotite	—	—	-5.3	-16.6	-3.8	—	-25.7
TOTAL	-85.8	-150.9	-103.4	-23.9	-19.1	-25.1	-408.2

Notes: The amounts earmarked for 2020-2021 and 2021-2022 will be drawn from the Contingency Fund. Appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. These appropriations do not include an amount of \$106.6 million in 2021-2022, already included in the budgetary forecasts of the Société d'habitation du Québec. Considering the funding of \$33.8 million starting in 2026-2027, the total amount invested under Budget 2021-2022 to provide affordable housing stands at \$442.0 million.

□ Increasing the offer of social and affordable housing

The government wants a greater number of low- or moderate-income households to live in housing that meets their needs.

Budget 2021-2022 provides funding of \$304.5 million by 2025-2026 to increase the offer of social and affordable housing:

- \$250 million over three years to accelerate the completion of about 5 000 social housing units that have not yet been delivered;
- \$37.6 million over four years to complete 500 new units under the AccèsLogis program;
- \$16.9 million over five years to grant new rent supplements.

TABLE E.5

Financial impact of the measures to increase the offer of social and affordable housing (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Building social housing							
– Accelerating the completion of about 5 000 already announced units ⁽¹⁾	-79.4	-106.6	-64.0	—	—	—	-250.0
– Completing 500 new units under the AccèsLogis program ⁽²⁾	—	—	-2.5	-3.3	-11.2	-20.6	-37.6
Subtotal	-79.4	-106.6	-66.5	-3.3	-11.2	-20.6	-287.6
Granting new rent supplements							
– Rent supplements in the new AccèsLogis units ⁽³⁾	—	—	—	-0.1	-0.1	-0.5	-0.7
– Private market rent supplements for people with specific needs ⁽⁴⁾	—	-2.4	-3.4	-3.4	-3.5	-3.5	-16.2
Subtotal	—	-2.4	-3.4	-3.5	-3.6	-4.0	-16.9
TOTAL	-79.4	-109.0	-69.9	-6.8	-14.8	-24.6	-304.5

(1) The Société d'habitation du Québec expects to receive \$106.6 million in 2021-2022 from the federal government. Thus, appropriations totalling \$143.4 million, namely \$79.4 million in 2020-2021 and \$64.0 million in 2022-2023, will be granted to the Ministère des Affaires municipales et de l'Habitation.

(2) Considering the funding of \$13.2 million in 2026-2027 and \$2.3 million in 2027-2028, appropriations totalling \$53.1 million will be granted to the Ministère des Affaires municipales et de l'Habitation. In addition, \$16.9 million will come from the federal government under the Canada-Québec Housing Agreement, which will bring the total cost of the new units to \$70.0 million.

(3) Considering the funding of \$1.1 million in 2026-2027, \$1.5 million in 2027-2028, \$1.6 million in 2028-2029, \$1.6 million in 2029-2030, \$1.2 million in 2030-2031 and \$0.6 million in 2031-2032, appropriations totalling \$8.3 million will be granted to the Ministère des Affaires municipales et de l'Habitation.

(4) Considering the funding of \$0.9 million in 2026-2027, appropriations totalling \$17.1 million will be granted to the Ministère des Affaires municipales et de l'Habitation.

■ **Supporting the completion of already announced community housing**

In recent years, the Québec government has announced investments for building housing under the AccèsLogis Québec program.

However, the investments initially provided have not kept up with the rise in construction costs in recent years, which had the effect of slowing down the completion of the announced housing.

In Budget 2019-2020 and Budget 2020-2021, the government invested a total amount of \$410 million to speed up this initiative.

— For instance, this funding allowed 1 759 units to be built in 2019, compared to 834 in 2018. However, the pandemic affected the progress of work in 2020, and 841 units had been built as at December 31.

Despite these significant investments, many of the units announced in the past were not yet under construction as at December 31, 2020.

■ **Accelerating the completion of about 5 000 units under the AccèsLogis Québec program**

Budget 2021-2022 is providing additional funding of \$250 million by 2022-2023 to accelerate the completion of about 5 000 units.

— Taking into account the additional funding, 2 411 units will be completed in 2021.

AccèsLogis Québec
<p>The AccèsLogis Québec program allows housing offices, housing cooperatives and non-profit organizations (hereinafter, “promoters”) to make social, community and affordable housing available to low- or moderate-income households or to people who 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). 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 needs of the target clientele and the number of rooms in the housing unit.</p> <p>A new AccèsLogis program will be announced in the coming months. It will seek to reduce completion delays and better control cost increases.</p>

■ **Completing 500 new units under the AccèsLogis program**

Completing the 5 000 units already announced allows the government to anticipate the construction of 500 new units under the AccèsLogis Québec program.

Thus, in order to provide more low- or moderate-income households with housing that meets their needs, the government is announcing funding of \$37.6 million by 2025-2026.¹

This funding will also allow the Québec government to claim part of the amounts provided in the Canada-Québec Housing Agreement.

Canada-Québec Housing Agreement
<p>On October 6, 2020, the Québec Minister of Municipal Affairs and Housing and the federal minister of Families, Children and Social Development announced the signing of the Canada-Québec Housing Agreement.</p> <p>Through this agreement, the Québec government will obtain its share of the funding, a little over \$1.8 billion over nine years.</p> <p>In return, the Québec government will have to invest an equivalent amount, bringing total investments to nearly \$3.7 billion for the same period. This funding will be used for three major initiatives to:</p> <ul style="list-style-type: none"> – finance Québec's housing priorities, which include accessibility, repairs, and the construction of affordable housing; – preserve, regenerate and increase the social and community housing stock, including units reserved for Indigenous communities in urban areas; – fund and/or enhance any program designed to increase housing affordability, paid directly to households, such as the Shelter Allowance Program. <p>Furthermore, Québec housing sector stakeholders will continue to have access to the Canada Mortgage and Housing Corporation's National Housing Co-Investment Fund. The Société d'habitation du Québec will be able to indicate which projects will be prioritized.</p>

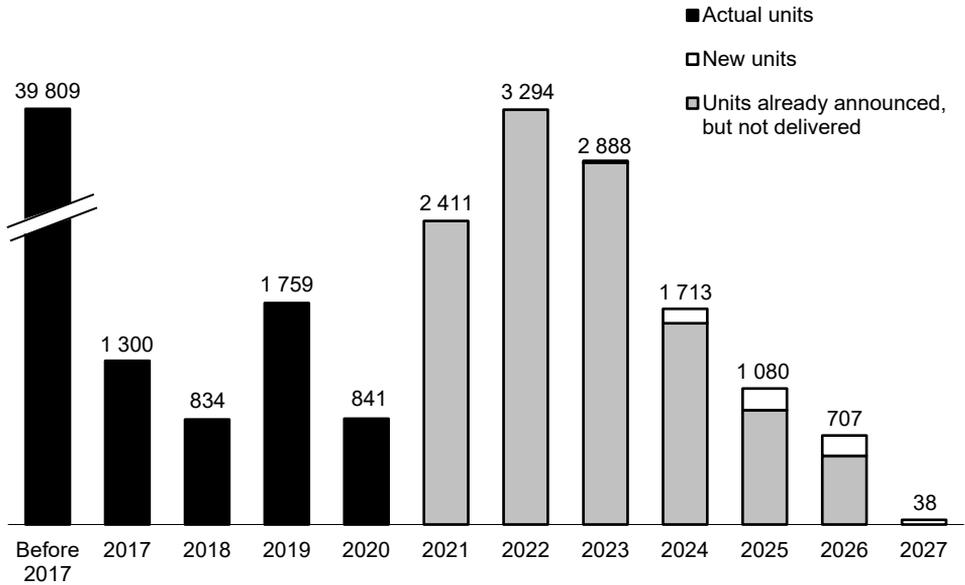
¹ This funding will bring to \$70 million the total investments planned by 2027-2028 to build 500 new units under the AccèsLogis program.

■ **Social housing stock of close to 57 000 units upon completion**

Once all the units will have been delivered, including the 5 000 units already announced and the 500 new AccèsLogis units, the social, community and affordable housing stock will reach 56 674 units.

CHART E.1

Social, community and affordable housing units built
(number of units)



Note: The data for 2021 to 2027 are projections.
Source: Société d'habitation du Québec.

■ Granting new rent supplements

The AccèsLogis Québec program provides for about 75% of the units to be occupied by households benefitting from the Rent Supplement program.

— Accordingly, 375 of the 500 new units will include a rent supplement.

For that purpose, the government is providing \$0.7 million by 2025-2026 to fund these new Rent Supplement program units.

Rent Supplement program
<p>The Rent Supplement program allows low-income households to live in housing at a lower cost. This may involve rental housing units owned by private landlords, housing cooperatives, non-profit organizations or housing bureaus.</p> <ul style="list-style-type: none"> – The rent paid is similar to that for low-rental housing, that is, 25% of the household's eligible income, plus certain charges.

■ Housing support for people with specific needs

The government is sensitive to the specific housing needs of certain people, including those who are homeless or at risk of becoming homeless, as well as young people from youth protection placement services.

In addition, the Société d'habitation du Québec, together with the Ministère de la Santé et des Services sociaux, will pay particular attention to the housing needs of women who are victims of domestic violence, either through the Rent Supplement program on the private market or through another program or service.

To assist these clientele, the government is providing \$16.2 million by 2025-2026, which will allow 400 Rent Supplement program units to be granted on the private market starting in 2021-2022.

The granting of these rent supplements will be accompanied by social support services provided by the Ministère de la Santé et des Services sociaux.

❑ Improving the housing of Quebecers

To provide improved housing conditions for low-income households or households with special housing needs, the government is announcing additional funding of \$62 million in Budget 2021-2022 to continue the home adaptation and renovation programs of the Société d'habitation du Québec. Of this total, the government is providing:

- an additional \$20 million over two years for the RénoRégion program, which provides financial assistance to low- or moderate-income owner occupants in rural areas for work to correct major defects in their home;
- an additional \$20 million over two years for the Rénovation Québec program, which financially supports municipalities that want to develop housing renovation programs in rundown residential areas;
- an additional \$20 million over two years for the Residential Adaptation Assistance Program, which is aimed at helping homeowners cover the cost of adaptations needed to make the dwelling barrier-free for persons with disabilities to enable them to stay in their home longer;
- \$2 million in 2021-2022 for the dry rot response program, to contribute financially to the work required to rehabilitate residential buildings contaminated by dry rot fungus.²

TABLE E.6

Financial impact of the measures to improve the housing of Quebecers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing the funding of the RénoRégion program	—	-11.1	-8.9	—	—	—	-20.0
Increasing the funding of the Rénovation Québec program	—	-6.9	-13.1	—	—	—	-20.0
Increasing the funding of the Residential Adaptation Assistance Program	—	-15.0	-5.0	—	—	—	-20.0
Increasing the funding of the residential dry rot response program	—	-2.0	—	—	—	—	-2.0
TOTAL	—	-35.0	-27.0	—	—	—	-62.0

² Dry rot is a type of fungus that can attack wood foundations.

❑ Building more housing in the Jamésie region

Many jobs are available in the Nord-du-Québec region, in particular in the Jamésie regional county municipality.³ However, housing in this region is limited. Many workers, particularly in the mining sector, are forced to live there on a temporary basis (fly-in-fly-out).

Furthermore, housing needs will grow in the coming years since the region's economic activity is booming and jobs available in certain sectors, such as mining and forestry, will increase.

Budget 2021-2022 includes \$12.4 million in funding by 2025-2026 to build new housing units so as to encourage the permanent settlement of workers and contribute to the region's economic growth:

- \$10.4 million over two years to build 64 rental units;
- \$2 million over five years to fund a loan of \$87.7 million to build 250 single-family homes.

TABLE E.7

Financial impact of the measures to build more housing in the Jamésie region (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Building 64 rental units in the Jamésie region	-6.4	-4.0	—	—	—	—	-10.4
Building 250 single-family homes in the Jamésie region ⁽¹⁾	—	-0.2	-0.3	-0.5	-0.5	-0.5	-2.0
TOTAL	-6.4	-4.2	-0.3	-0.5	-0.5	-0.5	-12.4

(1) Appropriations of \$0.5 million in 2026-2027, \$0.5 million in 2027-2028, \$0.5 million in 2028-2029, \$0.5 million in 2029-2030, \$0.5 million in 2030-2031 and \$7.3 million in 2031-2032 will be granted to the Ministère des Affaires municipales et de l'Habitation. Considering these amounts, the total funding under Budget 2021-2022 for this measure stands at \$11.8 million. These amounts are to fund an \$87.7-million loan. This investment is provided for in the 2021-2031 Québec Infrastructure Plan.

³ The Jamésie region includes the municipalities of Chibougamau, Label-sur-Quévillon, Chapais, Matagami and Eeyou Istchee James Bay.

□ Providing emergency assistance to households and municipalities

Many municipalities are facing a rental housing shortage. The decrease in vacancy rates, which is at 2% or under in many municipalities, is putting upward pressure on rental costs. This situation affects vulnerable households disproportionately; such households accordingly end up homeless.

— To prevent this, the government is investing \$1.6 million to award 200 Emergency Rent Supplement program units for a period of 12 months.

Some municipalities provide emergency assistance services to households that end up homeless, such as the partial reimbursement of costs for storing and transporting their belongings.

— The government will increase its support to municipalities offering these services. To that end, Budget 2021-2022 is providing additional funding of \$2 million over two years.

TABLE E.8

Financial impact of the measures to provide emergency assistance to households and municipalities (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Granting 200 units under the Emergency Rent Supplement program	—	-1.2	-0.4	—	—	—	-1.6
Providing emergency assistance to municipalities with a rental housing shortage	—	-1.5	-0.5	—	—	—	-2.0
TOTAL	—	-2.7	-0.9	—	—	—	-3.6

❑ **Broadening and enhancing assistance for homes damaged by pyrrhotite**

In recent years, close to a thousand victims of pyrrhotite have taken advantage of the government's financial support to do the work needed to ensure the integrity of their homes' foundations. However, this problem still affects many homes that will require work in the coming years.

In order to support these homeowners, Budget 2021-2022 is providing additional funding of \$25.7 million over three years. Furthermore, Québec expects the federal government to contribute financially to broadening and enhancing assistance for homes damaged by pyrrhotite, as it did in 2016.

The Minister of Municipal Affairs and Housing will release the details of this initiative at a later date.

— This new initiative will add on to the financial assistance, announced in December 2020, that covers 75% of the cost of expertise reports for owners who want to have their homes checked for the presence of pyrrhotite.

In addition, the government will make legislative amendments to improve the averaging rules for property values. The improvements are intended to address certain undesirable effects of the current rules, particularly concerning the school tax, that could arise following repairs to properties that have seen a significant drop in value, such as homes affected by pyrrhotite.

1.2 Supporting families

The government wants to improve the quality of life of Québec families, in particular through educational childcare services. The declaration of a public health emergency showed the importance of helping Quebecers better balance family and work.

Given that the labour shortage has a negative impact on the development of the educational childcare services network, the government's priority will be to increase the number of qualified educators⁴ and accelerate the creation of already announced childcare spaces.

In order to support families, the government will also invest to:

- improve the educational childcare services offer;
- support workplaces and organizations wanting to implement measures or services to foster family-work balance;
- eliminate the financial contribution from parents whose child is staying in an alternative living environment.

Overall, additional funding of \$116.1 million is provided over five years to better meet the needs of families.

TABLE E.9

Financial impact of the measures to support families (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Improving the educational childcare services offer							
Fostering the creation of new childcare spaces in home daycares ⁽¹⁾	—	-16.3	-17.9	-19.5	-21.1	-22.6	-97.4
Funding new initiatives to stimulate the offer of childcare spaces for people on non-standard work schedules ⁽¹⁾	—	-0.2	-9.5	—	—	—	-9.7
Enhancing the activities offered by community drop-in daycares ⁽¹⁾	—	-3.5	—	—	—	—	-3.5
Subtotal	—	-20.0	-27.4	-19.5	-21.1	-22.6	-110.6
Fostering family-work balance ⁽¹⁾	—	-2.2	-3.3	—	—	—	-5.5
Eliminating the financial contribution for child placement ⁽²⁾	—	—	—	—	—	—	—
TOTAL	—	-22.2	-30.7	-19.5	-21.1	-22.6	-116.1

Note: The amounts earmarked for 2021-2022 will be drawn from the Contingency Fund.

(1) Appropriations will be granted to the Ministère de la Famille.

(2) The Ministère de la Santé et des Services sociaux already has the funds required to implement the measure.

⁴ These measures are presented in the "Accelerating Growth and the Transition to the New Economy" section.

❑ Improving the educational childcare services offer

The educational childcare services network contributes positively to family-work balance and to the development of children.

The government wants to improve the childcare services offer and make it more flexible so as to meet Quebecers' varied needs.

Thus, with the goal of continuing to develop the network and improve the service offer, the government is announcing specific actions to quickly address families' needs by:

- stimulating the creation of new subsidized childcare spaces in home daycares;
- enhancing the offer of childcare spaces for people on non-standard work schedules;
- enhancing support for community drop-in daycares.

Furthermore, the labour shortage in this field is currently limiting the creation of new daycare spaces. Thus, to ensure the proper development of the educational childcare services, it is essential to train qualified educators.

As was previous presented in the “Accelerating Growth and the Transition to the New Economy” section, the government is providing:

- \$45 million to add a component to the short-term training program focusing on internships in the professions prioritized by the Commission des partenaires du marché du travail (COUD), which will be reserved for projects to train early childhood educators;
- \$18.6 million over two years to increase qualified workers in childcare services with initiatives aimed at promoting the profession of educator, supporting students in the early childhood education program and speeding up the qualification of current educators.

Creating the daycare spaces already announced

The pace of creating the announced daycare spaces has slowed down, either because the applicants have abandoned their project, or because the projects under way are significantly late. The pandemic has helped exacerbate the situation.

— Over 10 000 daycare spaces announced have still not been created.

For this reason, the government will first speed up the creation of childcare spaces that have already been announced and make sure that the new childcare services have qualified staff in sufficient numbers.

So as to more quickly create the daycare spaces, the Minister of Families announced¹ that the process for developing childcare centres (CPEs) had been reviewed and optimized, in particular by reducing the number of steps to be carried out to implement a project.

¹ *Accessibilité aux services de garde éducatifs à l'enfance – Un processus plus simple pour rendre disponibles des places plus rapidement*, [Press release], [www.quebec.ca].

■ Fostering the creation of new childcare spaces in home daycares

Currently, 23% of all home childcare providers care for more than six children.

— However, in order for home childcare providers to look after more than six children, they must have an assistant.

In order to encourage more home childcare providers to look after a greater number of children, the government will provide additional financial assistance to such providers with nine children.

— With this additional funding, almost 3 600 more children will be able to attend a home daycare.

This measure represents additional funding of \$97.4 million over five years. The Minister of Families will announce the details of this measure at a later date.

■ Funding new initiatives to stimulate the offer of childcare spaces for people on non-standard work schedules

Some parents require non-standard hours of childcare, for instance, those who work evenings, nights, or weekends. The government wants parents to benefit from a diversified, flexible service offering that fosters a family-work balance.

To better target the childcare needs of people on non-standard work schedules, the Ministère de la Famille will first conduct a market study in 2021 to identify where needs are greater.

Subsequently, the government is planning additional funding in 2022-2023 to encourage an increase in the offer of childcare spaces for people on non-standard work schedules. This will confirm interest from existing childcare services and fund new innovative projects for a year. These projects could be extended if they produce good results.

The completion of the market study and the financing of new innovative projects for one year require additional amounts totaling \$9.7 million for 2021-2022 and 2022-2023.

■ Enhancing the activities offered by community drop-in daycares

In the current context of the pandemic, the government wants to enhance support for community drop-in daycares. Such daycares provide casual childcare services to promote the participation of parents in the activities of a community organization and allow their children to socialize, which facilitates their integration in school.

Furthermore, the support to community drop-in daycares also provides parents with a break, prevents parental burnout and promotes the return to work of women who lost their jobs because of the pandemic. Access to casual childcare services is also intended to allow these women to take part in vocational training or job search activities so as to return to the labour market.

For this purpose, the government is providing temporary assistance of \$3.5 million in Budget 2021-2022 to enhance funding for community drop-in daycares.

This measure is in addition to the efforts already outlined in the action plan to address the impacts of the pandemic on women released on March 8, 2021.

❑ **Fostering family-work balance**

In addition to improving the childcare services offer, the government wants to implement measures aimed at fostering family-work balance.

The current circumstances involving lockdown measures, new teleworking habits, and the closing of schools and educational childcare services have demonstrated the importance of this issue for many parents.

The government is providing \$5.5 million for 2021-2022 to 2022-2023 to fund measures allowing a better family-work balance:

- \$3.1 million for the family-work balance program for businesses;⁵
- \$1.2 million for organizations that provide safe and adapted supervision services for students with disabilities 12 to 21 years of age who cannot stay at home on their own;
- \$1.2 million for the financial support program for activities to encourage co-parenting. This program is designed to encourage community organizations and childcare services to implement activities fostering a fairer sharing of family responsibilities between parents.

⁵ This program provides direct financial support to employers wishing to implement measures to facilitate balancing work and family life.

❑ Eliminating the financial contribution for child placement

In Québec, when a child is placed in an alternate living environment, their parents have to pay a financial contribution. The parents continue to receive the refundable tax credit granting an allowance to families⁶ provided the financial contribution is paid.

Changes to the financial contribution have been requested for a long time.

In its report on the financial contribution for the placement of minor children released in 2013, the Québec Ombudsman stated that the contribution's management framework was obsolete. The minimum amount in effect is based on the support to families that was provided in 1997.

— Although the amounts allocated to families has increased substantially over time, the minimum amount has not been indexed since 1997.

The Québec Ombudsman also found that major disparities had been observed in the application of the regulation and contribution policy from one youth centre to another. These disparities in practices were observed in billing and the negotiation of agreements with parents having difficulties paying the financial contribution.

In fact, half of families do not currently pay this contribution, which prevents them from receiving the refundable tax credit granting an allowance to families.

Thus, in response to the issues raised and to simplify administrative procedures when a child is placed in an alternative living environment, the government is announcing, in Budget 2021-2022, the elimination of the financial contribution for child placement.

⁶ The refundable tax credit granting an allowance to families is made up of the family allowance, the supplement for handicapped children, the supplement for handicapped children requiring exceptional care and the supplement for the purchase of school supplies. However, the supplement for handicapped children requiring exceptional care is not paid when a child is placed.

■ **Amending the terms of the refundable tax credit granting an allowance to families**

The refundable tax credit granting an allowance to families is designed to help families provide for their minor children.

When a child is placed up to age 18 under a *Youth Protection Act* judgment, the parents will no longer have to contribute to the cost of their child's placement. Accordingly, the three amounts related to the refundable tax credit, namely the family allowance, the supplement for handicapped children and the supplement for the purchase of school supplies will no longer be paid out.

The payment of these amounts will continue for all other placement cases, for the purpose of encouraging the child's return to the family home.

— Thus, families not currently paying the financial contribution and whose child is not placed until age 18 will now be eligible for payments under the refundable tax credit granting an allowance to families.

■ **Changes that will apply as of September 1, 2021**

The changes made to the financial contribution for child placement and to the payment of the refundable tax credit granting an allowance to families will simultaneously apply as of September 1, 2021.⁷

⁷ Implementation of this measure will require legislative and regulatory amendments.

■ Gain for parents whose child is temporarily placed

The financial contribution for the placement of a child is based on the income of the child's parents.

In the case of parents whose child is temporarily placed, the elimination of the contribution will result in a gain that will vary depending on the amount that was paid previously. Furthermore, households that did not pay the contribution before and that were therefore not eligible for family allowance will be from now on.

For illustration purposes, in the case of a seven-year-old child without a handicap who is temporarily in an alternative living environment, the gain in 2021 for the parents:

- will vary from \$267 to \$6 120, based on family income, for those who used to pay the financial contribution, since they will no longer be required to pay it;
- will be at most \$2 652 for those not paying the financial contribution, since they will from now on be eligible for the family allowance and the supplement for the purchase of school supplies.

TABLE E.10

Annual gain from the elimination of the contribution for a couple whose seven-year-old child is temporarily placed – 2021

(dollars)

Family income	Parents currently paying the contribution ⁽¹⁾	Parents not currently paying the contribution ⁽²⁾
Under \$25 000	+267	+2 652
\$50 000	+1 040	+2 652
\$75 000	+6 120	+1 673
\$100 000	+6 120	+1 118

(1) The gain shown corresponds to the financial contribution for child placement based on the parameters in effect as at January 1, 2021.

(2) The gain shown corresponds to the family allowance and supplement for the purchase of school supplies amount.

1.3 Continuing efforts relating to the status of women

Gender equality is a key Québec priority. Many government strategies and actions plans have been implemented in recent years to improve and strengthen the support provided to women. However, two of these strategies will expire in March 2021. In addition, the health crisis has had impacts on the labour shortage, in particular in support to women in vulnerable situations.

In this context, the government wants to act to better support women and organizations on the ground, in addition to promoting equality and the visibility of female models.

To that end, the government is providing additional funding of \$10.5 million to:

- extend the action to prevent and combat sexual violence and to promote gender equality;
- break the isolation of women and act on psychological distress;
- support gender-based analysis.

TABLE E.11

Financial impact of the measures to continue efforts relating to the status of women

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Extending the actions relating to sexual violence and gender equality	—	-8.4	—	—	—	—	-8.4
Breaking the isolation of women and acting on psychological distress	—	-1.1	—	—	—	—	-1.1
Supporting gender-based analysis	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
TOTAL	—	-9.7	-0.2	-0.2	-0.2	-0.2	-10.5

Note: Appropriations will be granted to the Ministère de l'Éducation. The amounts earmarked for 2021-2022 will be drawn from the Contingency Fund. This funding is on top of the \$6.4 million already held by the Secrétariat à la condition féminine to fund the continuation in 2021-2022 of measures falling under its jurisdiction.

❑ Extending the actions relating to sexual violence and gender equality

The social context has been marked by many waves of denunciation against sexual violence, which has highlighted the frequency of such violence—mainly experienced by women. In addition, the recent increase in the number of femicides in Québec demonstrates the importance of continuing to take action on violence against women and promoting greater gender equality. Many measures have been implemented in the last few years in this regard.

The Government Strategy to Prevent and Counteract Sexual Violence⁸ targets two problems, namely sexual abuse and sexual exploitation.

— This strategy includes actions on a variety of issues, such as prostitution, which exposes people to the risk of sexual exploitation, and sexuality education, which promotes gender equality.

— Altogether, \$44 million in funding has been allocated under this strategy.

The Government Strategy for Gender Equality⁹ is aimed at reducing the persistent inequalities affecting women and promoting egalitarian relationships between women and men.

— Over \$80 million has already been granted in the past five years under this strategy for the purpose of combatting inequalities, stereotypes and violence against women, while promoting gender balance in employment and gender parity.

The government recognizes the importance of continuing to fight sexual violence and supporting gender equality in order to building a fair and prosperous Québec. In Budget 2021-2022, it is therefore announcing funding of \$8.4 million to extend these two government strategies.

⁸ The Government Strategy to Prevent and Counteract Sexual Violence was released in 2016.

⁹ The Government Strategy for Gender Equality was released in 2017.

Actions to combat domestic violence

On December 3, 2020, the government released the specific action plan to prevent situations of domestic violence with a high risk of danger and increase the safety of victims.

To that end, over \$180 million will be invested over five years to implement new measures to strengthen efforts to prevent domestic violence and better support victims.

The main issue the action plan addresses is the prevention of situations with a high risk of danger, primarily spousal homicide—which claims too many victims each year in Québec, mainly women. The action plan provides for the following actions in particular:

- increase funding for emergency shelters for women and children in the context of domestic violence;
- enhance the budget of the Shelter Enhancement Program;
- consolidate the rapid intervention units used to monitor people with violent behaviours at risk of homicide and implement new units in six Québec regions;
- extend the violent partner assessment service at the interim release stage to three additional administrative regions;¹
- conduct a feasibility study on the implementation of tracking as a way to prevent spousal homicides;
- establish an emergency legal service to determine, in particular, the rights to custody of children in the context of domestic violence.

¹ The three additional administrative regions are Saguenay–Lac-Saint-Jean, Laurentides and Montérégie (southwest and northeast).

❑ **Breaking the isolation of women and acting on psychological distress**

On March 8, 2021, the government released its action plan to address the impacts of the pandemic on women.

One of the key measures of this action plan involves supporting initiatives to break the isolation of women and take action against the psychological distress experienced in the context of the crisis. This measure is in particular for women in vulnerable situations and certain community sector workers.

In light of the increased needs in the current pandemic context, the government is providing additional funding of \$1.1 million in 2021-2022 to enhance the scope of this measure and implement a greater number of initiatives.

❑ **Supporting gender-based analysis**

Another measure of the action plan to address the impacts of the pandemic on women is to make the departments and bodies more aware of its impacts on women, in particular by inciting them to make greater use of gender-based analysis.

To that end, the Secrétariat à la condition féminine will assist the various departments and bodies in implementing gender-based analysis.

— Budget 2021-2022 provides funding of \$1.0 million over five years to enhance this measure.

Gender-based analysis
<p>Gender-based analysis is an analysis approach that, applied to the projects of decision-making bodies,¹ takes into account the differentiated needs and realities of women and men, in all their diversity, to prevent the creation or reproduction of inequalities and to promote the achievement of de facto gender equality.</p> <p>By focusing on the benefits and impact of projects on women and men, gender-based analysis helps ensure that government measures fairly address both genders.</p> <p>The Secrétariat à la condition féminine is the body responsible for supporting the departments and bodies in applying this analysis approach to projects with a strategic impact on gender equality.</p>

¹ The decision-making bodies' projects to which gender-based analysis can be applied include bills or regulations, programs, action plans, policies and strategies.

Action plan to address the impacts of the pandemic on women

The action plan to address the impacts of the pandemic on women, released on March 8, 2021, will enable a rapid response to certain key issues through funding of over \$23 million.¹

The action plan has five main objectives:

- promote the economic empowerment of women and their participation in economic recovery measures;
- identify gender impacts and increase the awareness of the departments and bodies and the general public in this regard so as to mitigate the impacts of the pandemic on women;
- support family-work balance and foster the equitable sharing of additional family responsibilities brought on by the pandemic;
- increase support to vulnerable women;
- promote the paid and unpaid work of women during the pandemic.

Additional funding of \$5.6 million

Budget 2021-2022 is providing an additional \$5.6 million for measures under this action plan:

- \$1.1 million for breaking the isolation of women and acting on psychological distress;
- \$1.0 million to support gender-based analysis;
- \$3.5 million to enhance the activities offered by community drop-in daycares.

¹ These investments are funded from the appropriations already granted to the departments and bodies concerned in order to help them to enhance their measures that meet the objectives of the action plan.

1.4 Fostering the funding of community organizations and access to their services

Community organizations are an important component of Québec's social safety net. They are meeting several needs in their community and are active in a wide variety of fields.

In the context of the COVID-19 health crisis, community organizations play an essential role, in particular, by meeting the needs of Quebecers, preventing isolation, supporting vulnerable people, building public awareness and explaining public health guidelines.

For that purpose, in Budget 2021-2022, the government is providing a total of \$27.2 million in 2021-2022 to:

- increase support to certain community organizations to allow them to adjust to the current crisis;
- support volunteering;
- improve the storage infrastructure of the Food Banks of Québec network;
- make the services provided by Francophone community action organizations available to English-speaking Quebecers.

TABLE E.12

Financial impact of the measures to foster the funding of community organizations and access to their services (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing support to certain community organizations ⁽¹⁾	—	-13.2	—	—	—	—	-13.2
Supporting volunteering ⁽²⁾	—	-10.0	—	—	—	—	-10.0
Improving the storage infrastructure of the Food Banks of Québec network ⁽³⁾	—	-3.0	—	—	—	—	-3.0
Making the services provided by Francophone community action organizations available to English-speaking Quebecers ⁽⁴⁾	—	-1.0	—	—	—	—	-1.0
TOTAL	—	-27.2	—	—	—	—	-27.2

Note: The amounts earmarked for 2021-2022 will be drawn from the Contingency Fund.

(1) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale, which will distribute them among the applicable departments and bodies.

(2) Appropriations will be granted to the Ministère de l'Éducation.

(3) Appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

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

❑ **Increasing support to certain community organizations**

In a context where community organizations' self-financing activities are more difficult due to the pandemic, and where needs are high, the government wants to provide temporary assistance to these organizations to enable them to maintain or increase their services.

The government is thus providing funding of \$13.2 million in 2021-2022 to enhance financial support for eligible community organizations.

Part of the amounts will be used to temporarily boost funding to the following programs:

- the financial support program for government policy directions on community action and volunteering – promotion of rights and multisector organizations;
- the financial support program for community development corporations.

Another part of the funding will be allocated by the Secrétariat à l'action communautaire autonome et aux initiatives sociales to the various departments and bodies concerned.

The Ministère du Travail, de l'Emploi et de la Solidarité sociale will also be responsible for reporting on the use of the funding.

❑ **Supporting volunteering**

Many organizations have lost many volunteers since the beginning of the pandemic, and needs are especially acute in this crisis period.

Additional financial assistance will thus be granted to the Soutien à l'action bénévole program to provide greater support to community organizations offering services to vulnerable clientele.

In Budget 2021-2022, the government is providing funding of \$10 million in 2021-2022 for this measure.

❑ Improving the storage infrastructure of the Food Banks of Québec network

The Food Banks of Québec network is a key player in providing food assistance in Québec. It supplies close to 1 200 local organizations with food and serves a growing clientele every year.

— The pandemic has generated an increase in the use of food aid and part of this increase could endure.

The Food Banks of Québec network has been managing the Food Recovery in Supermarkets Program since 2015. This initiative was implemented to decrease the food waste of retail businesses by recovering what retailers would otherwise have discarded.

In 2019-2020, the Food Recovery in Supermarkets Program recovered 6.7 million kg of food. The Food Banks of Québec network wants to increase the number of participating supermarkets from 426 to 645 by 2025, in addition to recovering more food from producers and processors.

Investments in the network's food storage infrastructure are required to achieve this objective while increasing services to beneficiaries.

Funding of \$3 million is earmarked in 2021-2022 to improve the storage infrastructure of the Food Banks of Québec network. This funding will be used to:

- diagnose infrastructure needs;
- fund the more urgent work, which will begin in 2021-2022.

❑ Making the services provided by Francophone community action organizations available to English-speaking Quebecers

The use of English can represent a barrier for English-speaking Quebecers wanting access to certain community services or programs, especially in the regions.

The Secrétariat aux relations avec les Québécois d'expression anglaise will implement a program allowing Francophone community action organizations to extend their services to English-speaking Quebecers.

The government is providing \$1 million in 2021-2022 for this program.

Supporting community action in 2021-2022

The Québec government recognizes the contribution of community organizations to Québec's development, and it provides over \$1.3 billion in support annually to some 5 000 of them.

In Budget 2021-2022, the government is providing greater support to the community action sector through additional assistance of \$174.9 million over five years for targeted initiatives.

Of this funding, \$65.9 million is granted to that end in 2021-2022:

- \$13.2 million to temporarily increase financial support for certain community organizations to better meet the needs of the public in the context of the pandemic;
- \$10 million to enhance the Soutien à l'action bénévole program;
- \$1 million to make the services provided by Francophone community action organizations available to English-speaking Quebecers;
- \$16 million to strengthen support to community organizations in the health and social services sector;
- \$3 million to improve the food storage infrastructure of the Food Banks of Québec network;
- \$1.1 million to break the isolation of women and act on psychological distress;
- \$4 million to increase the participation of people with disabilities in recreational activities by contributing to the support offer;
- \$3.5 million to enhance the activities offered by community drop-in daycares;
- \$13.9 million to ensure stable funding of youth employment centres;
- \$0.2 million to support volunteering projects in all Québec public high schools and some adult education centres.

The targeted actions granted in 2021-2022 do not constitute a recurring increase in support for the organizations' overall mission, but rather a one-time initiative to support them in the context of the pandemic.

Towards a new action plan

The government will work on a plan to boost community action.

1.5 Supporting the purchase of essential products for social assistance recipients

When a household receiving social assistance needs to purchase certain essential products or equipment, it can take advantage of special benefits to reduce the purchase price.

The amounts of some of these special benefits have not been increased for many years, however, and the government plans to address this.

To ensure that these very low-income households can continue to benefit from products essential to their health, the government is thus providing \$18.5 million over five years in Budget 2021-2022 to:

- increase the special benefit for the purchase of infant formula;
- enhance special health benefits for social assistance programs.

TABLE E.13

Financial impact of the measures to support the purchase of essential products for social assistance recipients (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Increasing the special benefit for the purchase of infant formula	—	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
Enhancing special health benefits for social assistance programs	—	-1.2	-3.7	-4.0	-4.2	-4.5	-17.6
TOTAL	—	-1.3	-3.9	-4.2	-4.4	-4.7	-18.5

Note: Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts earmarked for 2021-2022 will be drawn from the Contingency Fund.

Increasing the special benefit for the purchase of infant formula

Social assistance recipients who are eligible for the special benefit for the purchase of infant formula pay a fixed affordable amount at the pharmacy for these products. The reduced price of the preparations is due to previous agreements between the Ministère du Travail, de l'Emploi et de la Solidarité sociale and manufacturers and pharmacists for the transfer of money in the form of a special benefit.

The amount of this special benefit has not been increased since 1994 though. So as to keep this product at a reduced price for social assistance recipients, the special benefit for the purchase of infant formula will be increased on January 1, 2022.

For that purpose, the government is providing funding of \$0.9 million over five years in Budget 2021-2022.

❑ **Enhancing special health benefits for social assistance programs**

Special health benefits are amounts that may be granted to social assistance recipients to pay for health expenses for a specific need, such as the purchase of prostheses, glasses or a respirator.

These benefits are not automatically indexed every year and some of the amounts have not been increased since 2006, which could make some essential health goods and services unaffordable for very low-income households.

Moreover, the Québec Ombudsman had already recommended, in its 2011-2012 annual report, that the special benefit amounts be revised and indexed thereafter.

For that purpose, in Budget 2021-2022, the government is providing funding of \$17.6 million over five years to:

- increase the special benefits by 20% on January 1, 2022, which will adjust the amounts to their 2006 real value;
- index these amounts annually starting January 1, 2023.¹⁰

The increase in special benefits will take into account the increase in the prices of these essential goods, which will promote the acquisition of quality equipment for social assistance recipients.

¹⁰ The indexing rate will correspond to the one used to index basic benefits for social assistance programs and the personal income tax system.

2. PROTECTING VICTIMS AND IMPROVING THE JUSTICE SYSTEM

The Québec government is acting to take care of vulnerable people and ensure a fair, modern society, which is why it is boosting support to crime victims and stepping up efforts to fight crime.

For that purpose, the government is providing over \$396 million in Budget 2021-2022:

- \$313.9 million to protect victims and vulnerable people, in particular by shoring up efforts to combat the sexual exploitation of minors and reforming the compensation of crime victims;
- \$82.7 million to improve the justice system for it to be better adapted to the reality and issues of current society, in particular by using video court appearances on weekends and statutory holidays and by reforming the police model.

TABLE E.14

Financial impact of the initiatives to protect victims and to improve the justice system (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Protecting victims and vulnerable people	—	-89.7	-67.6	-62.7	-52.0	-41.9	-313.9
Improving the justice system	-1.4	-28.3	-20.0	-17.0	-8.0	-8.0	-82.7
TOTAL	-1.4	-118.0	-87.6	-79.7	-60.0	-49.9	-396.6

2.1 Protecting victims and vulnerable people

The government wants to protect victims and vulnerable people. It therefore plans to implement specific initiatives to support citizens dealing with difficult situations.

Thus, Budget 2021-2022 provides \$313.9 million over five years to:

- combat the sexual exploitation of minors;
- add restrictions to certain tax measures;
- reform the compensation of crime victims;
- step up efforts to detect and combat sexual crimes;
- support the families of missing Indigenous children;
- combat addiction.

TABLE E.15

Financial impact of the measures to protect victims and vulnerable people (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Combatting the sexual exploitation of minors ⁽¹⁾	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
Adding restrictions to certain tax measures	—	—	—	—	—	—	—
Reforming the compensation of crime victims ^{(2),(3)}	—	-48.1	-25.1	-21.1	-12.0	-1.9	-108.2
Stepping up efforts to detect and combat sexual crimes ^{(2),(4)}	—	-0.6	-1.5	-1.6	—	—	-3.7
Supporting the families of missing Indigenous children ^{(2),(5)}	—	-1.0	-1.0	—	—	—	-2.0
Combatting addiction	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
TOTAL	—	-89.7	-67.6	-62.7	-52.0	-41.9	-313.9

(1) The amounts earmarked for 2021-2022 to 2025-2026 will be drawn from the Contingency Fund.

(2) The amounts earmarked for 2021-2022 will be drawn from the Contingency Fund.

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

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

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

The government's intention to review certain terms and conditions of the Québec Pension Plan's disability pension

The Québec Pension Plan (QPP) is not only intended to provide retirement pensions to workers in Québec. It also provides disability benefits to dispense basic financial protection against loss of work income due to disability.

During the transition from work to retirement, the purpose of paying a disability benefit is to recognize a decline in an individual's ability to work, as well as the hardship of certain jobs.

However, an assessment of the disability pension showed that changes were needed to provide disability coverage that would be better adapted to the situation of people who are entering retirement, as well as those whose disability is an obstacle to fully reintegrating into the labour market.¹

Thus, the Québec government is announcing its intention to undertake work in the coming months to identify the changes required to the QPP and to make the necessary legislative amendments so as to better reflect the reality of workers aged 60 and over who end up disabled. This work will increase the protection to workers on disability and improve their situation when they retire.

1 Retraite Québec, *Rapport d'évaluation – Prestations d'invalidité du Régime de rentes du Québec*, 2019.

❑ **Combatting the sexual exploitation of minors**

The continuation of efforts to prevent and combat sexual exploitation, of minors, in particular, is necessary for young people to develop in a safe and secure environment.

In response to the recommendations made by the Select Committee on the Sexual Exploitation of Minors in December 2020, the government is providing additional investments of \$150 million over five years in Budget 2021-2022 to develop and implement an action plan to combat the sexual exploitation of minors.

These amounts will be used, in particular, to inform and raise public awareness on this subject, to strengthen the crackdown on pimps and the accountability of client-abusers, and to support the rehabilitation of victims to break the cycle of exploitation, by implementing a number of measures:

- develop public awareness campaigns;
- strengthen the capacities of the integrated pimping enforcement team;
- enhance support for organizations that intervene with victims and client-abusers.

Select Committee on the Sexual Exploitation of Minors

For a number of years now, community workers have observed that the sexual exploitation of minors continues to be a big problem, despite efforts to tackle it, due to rapid changes in technology and the arrival of social media.

In response to this observation, the Select Committee on the Sexual Exploitation of Minors was set up in June 2019 to produce a portrait of the sexual exploitation of minors in Québec.

In its final report tabled in December 2020, the Select Committee on the Sexual Exploitation of Minors issued 58 recommendations aimed at globally:

- enhancing government action to prevent and combat sexual exploitation;
- increasing the awareness of the public and specific stakeholders about this issue;
- rescuing and supporting young victims and their families;
- promoting research and stakeholder coordination;
- holding client-abusers accountable.

❑ Adding restrictions to certain tax measures

The government wants to ensure that the distribution of content that includes explicit sexuality scenes does not benefit from tax incentives.

A number of tax incentives, particularly in the cultural sector, provide specific restrictions in this regard. Reviewing the tax legislation led to the finding that, for most tax incentives, current restrictions are already sufficient or would simply not find any application. However, for other measures, additions or adjustments are required.

As such, restrictions will be added to the following tax credits:¹¹

- scientific research and experimental development (R&D) tax credits;
- the investment and innovation tax credit (C3I);
- tax credits for the development of e-business;
- synergy capital tax credit.

In addition, adjustments will be made to the restrictions already in place with respect to the following measures:

- tax credits for multimedia titles;
- tax holiday for major investment projects.

¹¹ More information about this measure is presented in Section A of *Additional Information 2021-2022*.

❑ **Reforming the compensation of crime victims**

In the March 2020 budget, the government announced its intention to review the 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.

— To that end, investments of \$201.1 million were planned for 2020-2021 to 2025-2026.

Since then, new guidelines have been selected to review other terms, always for the purpose of better meeting victims' needs. In this regard, Bill 84, *An Act to assist persons who are victims of criminal offences and to facilitate their recovery*, was tabled in the National Assembly on December 10, 2020.

— The bill provides for the time limit to file an application to increase to three years after becoming aware of the injury. It also states that an application may be filed at any time if it relates to the commission of a criminal offence involving spousal violence, sexual violence, and violence suffered during childhood.

— It provides for current plan beneficiaries to keep their temporary total disability indemnities.

— The bill provides for the payment of death benefits to the parents of a deceased adult child and to the children of a deceased parent.

Special consultations and the detailed study of Bill 84 have shed light on the need to financially support victims who are unemployed.

In Budget 2021-2022 the government is earmarking a further \$108.2 million, bringing total funding to \$309.3 million from 2021-2022 to 2025-2026 to reform and improve the compensation for crime victims program.

❑ **Stepping up efforts to detect and combat sexual crimes**

The number of reports of sexual assault has greatly increased in Québec in recent years.

In order to support sexual assault victims, the government will increase the genetic analysis processing capacity of the Laboratoire de sciences judiciaires et de médecine légale for sexual assault cases.

To that end, the government is providing \$3.7 million over three years.

❑ Supporting the families of missing Indigenous children

The government wants to support the families of Indigenous children who went missing after being admitted to a health and social services institution from the 1950s to the 1980s.

To that end, Budget 2021-2022 provides \$2 million over two years¹² to set up a support team at the Secrétariat aux affaires autochtones tasked with helping these families search for information on the circumstances surrounding the disappearance or death of their child.

This assistance will allow culturally adapted support to be provided to families, refer these families for access to psychological help, and assist them regarding the procedures to follow to obtain information about their missing child.

Implementation of the Viens Commission and MMIWG recommendations

In Budget 2020-2021, the government announced additional investments of \$200 million over five years to implement priority measures stemming from the recommendations made by the National Inquiry into Missing and Murdered Indigenous Women and Girls (MMIWG) and the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec (Viens Commission).

The government worked in collaboration with representatives of Indigenous communities to establish the priority actions to be taken and thus determine the measures that would be implemented using these funds.

At the end of these discussions, the Minister Responsible for Indigenous Affairs, in collaboration with the Minister Responsible for the Status of Women and the ministers of Public Security, Justice, Higher Education and Health and Social Services, committed to funding totalling nearly \$80 million over five years to implement a number of initiatives:

- \$18.6 million to improve the delivery of policing services to Indigenous communities;
- \$19.2 million to improve justice services provided to First Nations people and Inuit;
- \$18.4 million for the construction of three housing centres to provide Indigenous students with affordable accommodations that meet their needs;
- 15 million to foster the cultural safety of Indigenous people in the health and social services network.

Discussions will continue in the coming months to identify other priority actions to allocate the remaining funding to.

¹² Subject to adoption of Bill 79, *An Act to authorize the communication of personal information to the families of Indigenous children who went missing or died after being admitted to an institution.*

❑ **Combatting addiction**

The negative impacts of alcohol, drug and gambling addictions on health are undeniable. In a context where the risk factors associated with addiction are often interrelated, the government will step up its efforts to combat them.

The Fonds de lutte contre les dépendances will be implemented to that end to fund initiatives for the prevention and treatment of addictions to psychoactive substances (including drugs and alcohol) and pathological gambling.

This fund will be financed in particular by the Société québécoise du cannabis, the Société des alcools du Québec and Loto-Québec. An additional \$10 million per year over five years is provided for this purpose. Legislative amendments will be necessary.

This will strengthen the effectiveness of the government's actions to combat addiction.

2.2 Improving the justice system

Québec society is constantly evolving, and it is therefore necessary for judicial and police practices to be adapted to today's reality. In particular, new technologies facilitate access to the justice system.

That is why, to improve the Québec justice system, the government will invest \$82.7 million over six years. These sums will be used to:

- allow video court appearances on weekends and statutory holidays;
- add per diem judges;
- undertake the reform of the police model;
- support the creation of the police team dedicated to combatting arms trafficking.

TABLE E.16

Financial impact of the initiatives to improve the justice system (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Allowing video court appearances on weekends and statutory holidays ⁽¹⁾	—	-7.0	-7.0	-7.0	-8.0	-8.0	-37.0
Adding per diem judges ^{(1),(2)}	-1.4	-14.3	—	—	—	—	-15.7
Undertaking the reform of the police model ⁽³⁾	—	-5.0	-10.0	-10.0	—	—	-25.0
Supporting the creation of the police team dedicated to combatting arms trafficking ⁽³⁾	—	-2.0	-3.0	—	—	—	-5.0
TOTAL	-1.4	-28.3	-20.0	-17.0	-8.0	-8.0	-82.7

Note: The amounts for 2021-2022 will be drawn from the Contingency Fund.

(1) Appropriations will be granted to the Ministère de la Justice.

(2) The amounts for 2020-2021 will be drawn from budgetary resources made available during the fiscal year.

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

Allowing video court appearances on weekends and statutory holidays

The Criminal Code provides for the appearance of a person in custody within 24 hours of their arrest.

To that end, funding of \$37.0 million has been committed by 2025-2026 to create two central hubs, at the Montréal and Québec City courthouses, for the intake and processing of requests for appearance and bail hearings on weekends and statutory holidays in order to respect rights and appearance time limits. Virtual hearings will also be used to serve all the regions from Montréal and Québec and in this way limit travel.

❑ Adding per diem judges

The delay in the judicial system caused by the current health crisis is a major issue.

With a view to judicial catch-up, \$15.7 million was earmarked to add per diem judges to the Court of Québec for a 16-month period.

❑ Undertaking the reform of the police model

The role of the police is constantly changing, and they are expected to become stakeholders invested in their communities. The police have a dual role in prevention and as the keepers of order, and most often interact with more fragile or marginalized citizens.

The current police model must be adjusted to these new realities. The government will therefore undertake a reform of the model to promote the development of best practices in police matters, better guide public policies and combat racial profiling, while ensuring the representativeness of ethnocultural communities within police forces.

This repositioning of the police model will also take into consideration various social issues, such as mental health, homelessness and addiction.

To undertake this reform, the government is providing \$25 million by 2023-2024. This reform implements one of the recommendations of the Groupe d'action contre le racisme.

Report of the Groupe d'action contre le racisme

On June 15, 2020, the Québec government set up the Groupe d'action contre le racisme, whose mandate was to identify a series of effective actions to combat racism.

After consulting organizations and experts, and doing research and analyses, the Groupe d'action tabled its report on December 14, 2020. The report includes 25 proposals for concrete actions to help Québec become a racism-free society.

The report proposes strong measures for a society without racism under the following themes:

- putting an end to cases of police discrimination;
- combatting racism in access to housing;
- combatting racism in access to employment;
- better informing Quebecers about the reality of racism;
- focusing on educating young people to eliminate racism;
- having the government set an example.

The report also recommends assertive actions to address the realities of First Nations people and Inuit.

❑ **Supporting the creation of a dedicated police team to combat arms trafficking**

The number of crimes committed with firearms has seen a sharp increase in Montréal. To reduce the accessibility to firearms on its territory, the city has deployed a police team dedicated to combatting arms trafficking. This team will improve public safety by targeting the source directly, namely firearm traffickers.

The government will help set up this new team by granting \$5 million over two years to the Ville de Montréal.

FINANCIAL IMPACT

TABLE E.17

Financial impact of the measures to support Quebecers (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Meeting the specific needs of Quebecers							
Providing affordable housing							
– Increasing the offer of social and affordable housing							
▪ Accelerating the completion of about 5 000 already announced units	-79.4	-106.6	-64.0	—	—	—	-250.0
▪ Completing 500 new units under the AccèsLogis program	—	—	-2.5	-3.3	-11.2	-20.6	-37.6
– Granting new rent supplements							
▪ Rent supplements in the new AccèsLogis units	—	—	—	-0.1	-0.1	-0.5	-0.7
▪ Private market rent supplements for people with specific needs	—	-2.4	-3.4	-3.4	-3.5	-3.5	-16.2
– Improving the housing of Quebecers							
▪ Increasing the funding of the RénoRégion program	—	-11.1	-8.9	—	—	—	-20.0
▪ Increase the funding of the Rénovation Québec program	—	-6.9	-13.1	—	—	—	-20.0
▪ Increasing the funding of the Residential Adaptation Assistance Program	—	-15.0	-5.0	—	—	—	-20.0
▪ Increasing the funding of the residential dry rot response program	—	-2.0	—	—	—	—	-2.0
– Building more housing in the Jamésie region							
▪ Building 64 rental units in the Jamésie region	-6.4	-4.0	—	—	—	—	-10.4
▪ Building 250 single-family homes in the Jamésie region	—	-0.2	-0.3	-0.5	-0.5	-0.5	-2.0
– Providing emergency assistance to households and municipalities							
▪ Granting 200 units under the Emergency Rent Supplement program	—	-1.2	-0.4	—	—	—	-1.6
▪ Providing emergency assistance to municipalities with a rental housing shortage	—	-1.5	-0.5	—	—	—	-2.0
– Broadening and enhancing assistance for homes damaged by pyrrhoite	—	—	-5.3	-16.6	-3.8	—	-25.7

TABLE E.17

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Meeting the specific needs of Quebecers (cont.)							
Supporting families							
– Improving the educational childcare services offer							
▪ Fostering the creation of new childcare spaces in home daycares	—	-16.3	-17.9	-19.5	-21.1	-22.6	-97.4
▪ Funding new initiatives to stimulate the offer of childcare spaces for people on non-standard work schedules	—	-0.2	-9.5	—	—	—	-9.7
▪ Enhancing the activities offered by community drop-in daycares	—	-3.5	—	—	—	—	-3.5
– Fostering family-work balance	—	-2.2	-3.3	—	—	—	-5.5
– Eliminating the financial contribution for child placement	—	—	—	—	—	—	—
Continuing efforts relating to the status of women							
– Extending the actions relating to sexual violence and gender equality	—	-8.4	—	—	—	—	-8.4
– Breaking the isolation of women and acting on psychological distress	—	-1.1	—	—	—	—	-1.1
– Supporting gender-based analysis	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Fostering the funding of community organizations and access to their services							
– Increasing support to certain community organizations	—	-13.2	—	—	—	—	-13.2
– Supporting volunteering	—	-10.0	—	—	—	—	-10.0
– Improving the storage infrastructure of the Food Banks of Québec network	—	-3.0	—	—	—	—	-3.0
– Making the services provided by Francophone community action organizations available to English-speaking Quebecers	—	-1.0	—	—	—	—	-1.0
Supporting the purchase of essential products for social assistance recipients							
– Increasing the special benefit for the purchase of infant formula	—	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
– Enhancing special health benefits for social assistance programs	—	-1.2	-3.7	-4.0	-4.2	-4.5	-17.6
Subtotal	-85.8	-211.3	-138.2	-47.8	-44.8	-52.6	-580.5

TABLE E.17

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Protecting victims and improving the justice system							
Protecting victims and vulnerable people							
– Combatting the sexual exploitation of minors	—	-30.0	-30.0	-30.0	-30.0	-30.0	-150.0
– Adding restrictions to certain tax measures	—	—	—	—	—	—	—
– Reforming the compensation of crime victims	—	-48.1	-25.1	-21.1	-12.0	-1.9	-108.2
– Stepping up efforts to detect and combat sexual crimes	—	-0.6	-1.5	-1.6	—	—	-3.7
– Supporting the families of missing Indigenous children	—	-1.0	-1.0	—	—	—	-2.0
– Combatting addiction	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Improving the justice system							
– Allowing video court appearances on weekends and statutory holidays	—	-7.0	-7.0	-7.0	-8.0	-8.0	-37.0
– Adding per diem judges	-1.4	-14.3	—	—	—	—	-15.7
– Undertaking the reform of the police model	—	-5.0	-10.0	-10.0	—	—	-25.0
– Supporting the creation of the police team dedicated to combatting arms trafficking	—	-2.0	-3.0	—	—	—	-5.0
Subtotal	-1.4	-118.0	-87.6	-79.7	-60.0	-49.9	-396.6
TOTAL	-87.2	-329.3	-225.8	-127.5	-104.8	-102.5	-977.1

Section F

ENSURING FAIRNESS

Summary	F.3
1. Ensuring tax fairness.....	F.5
2. Maintaining the compensation tax for financial institutions.....	F.7
3. Facilitating the return of unclaimed financial assets to right-holders.....	F.9

SUMMARY

Fairness is a prime concern for Quebecers. It is a fundamental value. Everyone must do their fair share and receive what is owed to them.

The government intends to continue its actions to ensure the integrity and fairness of the tax system. As such, it will make sure the QST is collected on foreign goods originating from distribution warehouses located in Québec and on platform-based short-term accommodations in Québec.

Also, instead of eliminating as planned the compensation tax for financial institutions as of April 1, 2024, the government will abolish the temporary surtax introduced in 2014 but make the compensation tax for financial institutions permanent.

Lastly, in keeping with legislation, when businesses have in their possession financial property (e.g. securities or pension rights) whose legitimate owner cannot be found, they must remit this property to Revenu Québec, which proceeds with its own search. The government will make sure the property is remitted to Revenu Québec and ultimately to the right-holders.

— It should be noted that when Revenu Québec cannot trace the owner, the property is liquidated and the proceeds are deposited in the Generations Fund.

All in all, the government forecasts additional revenues of \$500 million per year.

TABLE F.1

Financial impact of the measures to ensure fairness (millions of dollars)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Ensuring tax fairness	83.3	128.8	149.6	172.4	198.9	733.0
Maintaining the compensation tax for financial institutions	—	—	—	269.9	276.5	546.4
Facilitating the return of unclaimed financial assets to right-holders	12.0	19.0	237.0	257.0	25.0	550.0
TOTAL	95.3	147.8	386.6	699.3	500.4	1 829.4

1. ENSURING TAX FAIRNESS

Tax fairness is a core principle which implies that everyone pays their fair share by meeting their tax obligations. The Tax Fairness Action Plan is the Québec government's strategy for fighting tax evasion¹ and tax avoidance,² in an effort to strengthen the public's confidence in the fairness of tax laws and regulations and ensure that public services are fully funded.

In addition to continuing with the actions announced in previous budgets, the government is announcing new initiatives aimed at:

- continuing to implement the Tax Fairness Action Plan;
- ensuring information security at Revenu Québec.

The Québec government is stepping up its efforts in terms of e-commerce by taking additional measures to collect sales tax in the context of the digital economy.

Moreover, the government will invest \$77.5 million over five years, particularly on new tax audit initiatives in sectors deemed at high risk for tax evasion. Details of the Tax Fairness Action Plan initiatives are set out in *Additional Information 2021-2022*.

Net revenues from the new initiatives under the Tax Fairness Action Plan are estimated at \$733 million over five years.

TABLE F.2

Financial impact of the initiatives to ensure tax fairness (millions of dollars)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Continuing to implement the Tax Fairness Action Plan	-11.4	-12.1	-12.5	-13.0	-14.0	-63.0
Ensuring information security at Revenu Québec	-2.9	-2.9	-2.9	-2.9	-2.9	-14.5
Subtotal	-14.3	-15.0	-15.4	-15.9	-16.9	-77.5
Revenues generated by the initiatives in the Tax Fairness Action Plan	97.6	143.8	165.0	188.3	215.8	810.5
TOTAL	83.3	128.8	149.6	172.4	198.9	733.0

Note: These measures are presented in detail in *Additional Information 2021-2022*.

¹ Tax evasion is defined as all illegal steps that consist in non-reporting of legal income, concealment of illegal income or failure to obey tax rules.

² Tax avoidance corresponds to interpretations of the law that border on the illegal. The use of such procedures does not violate any particular legal rule, but it does not comply with the spirit of the law.

2. MAINTAINING THE COMPENSATION TAX FOR FINANCIAL INSTITUTIONS

As of July 1, 1992, financial institutions doing business in Québec are subject to the compensation tax for financial institutions.

The compensation tax for financial institutions has undergone several changes over the years, including the introduction of a temporary surtax in December 2014.

The plan for the next few years provided for:

- the temporary surtax introduced in 2014 to be abolished as of April 1, 2022;
- the compensation tax for financial institutions to be abolished as of April 1, 2024.

In order for financial institutions to continue contributing to the funding of public services, the government is announcing in Budget 2021-2022, the maintenance of the compensation tax for financial institutions beyond March 31, 2024.

- The rates of the compensation tax for financial institutions will be reduced as of April 1, 2022, as planned.
- Then, rather than being abolished on April 1, 2024, the compensation tax for financial institutions will be maintained and become permanent.

□ Additional revenues of approximately \$550 million

This measure will generate additional revenues for the government of approximately \$550 million over two years, as of 2024-2025.

TABLE F.3

Financial impact of maintaining the compensation tax for financial institutions (millions of dollars)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Maintaining the compensation tax for financial institutions	—	—	—	269.9	276.5	546.4

Note: This measure is presented in detail in *Additional Information 2021-2022*.

3. FACILITATING THE RETURN OF UNCLAIMED FINANCIAL ASSETS TO RIGHT-HOLDERS

Following certain events, such as a death, some beneficiaries may be entitled to receive some financial assets, without their knowledge.

- These unclaimed financial assets may be, for example, cash deposits at a financial institution, securities, an insurance policy or a pension plan.

Organizations holding these unclaimed financial assets must remit them to Revenu Québec, which then attempts to trace the owners or right-holders. To do so, not only does Revenu Québec record these assets in the register of unclaimed property, but it also uses all data at its disposal in an attempt to trace the individuals to whom the assets belong.

- However, due to disagreements regarding the interpretation of the applicable legislation, amounts that should be remitted to Revenu Québec are sometimes kept at certain institutions.

To help right-holders obtain owed property, the government intends to:

- make legislative amendments to clarify the *Unclaimed Property Act*, in particular, by specifying the criteria governing life insurance contracts;
- implement a measure that will encourage the holders in question, over a period of 18 months, to remit the unclaimed financial assets kept for several years, with no late-remittance interest or fine.

These measures will facilitate the search for owners and right-holders and will allow the recovery of \$1 billion in unclaimed financial property.

- Owners and right-holders will recover financial assets valued at \$450 million over 5 years. Most remittances will be made in 2023-2024 and 2024-2025 given the 18-month period granted as an incentive measure.
- It is estimated that unclaimed amounts—approximately \$550 million over five years—will benefit all Quebecers as they will be allocated to the Generations Fund. However, the amounts will only be deposited if Revenu Québec is unable to trace the right-holders.

TABLE F.4

**Benefits of ensuring the return of unclaimed financial assets
to right-holders**
(millions of dollars)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Remittance to right-holders	9.0	15.0	195.0	211.0	20.0	450.0
Remittance to the government (transfer to the Generations Fund)	12.0	19.0	237.0	257.0	25.0	550.0
TOTAL	21.0	34.0	432.0	468.0	45.0	1 000.0

Sources: Revenu Québec and Ministère des Finances du Québec.

FINANCIAL IMPACT

TABLE F.5

Financial impact of the measures to ensure fairness (millions of dollars)

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Ensuring tax fairness						
Ensuring collection of the QST in the context of the digital economy	97.6	143.8	165.0	188.3	215.8	810.5
Supporting Revenu Québec's new tax audit initiatives	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Assisting businesses following the reform of the Registraire des entreprises du Québec	-0.4	-1.1	-1.5	-2.0	-3.0	-8.0
Increasing efforts to combat alcohol smuggling	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Enhancing cybersecurity	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Improving the ability to detect and combat identity fraud	-1.9	-1.9	-1.9	-1.9	-1.9	-9.5
Subtotal	83.3	128.8	149.6	172.4	198.9	733.0
Maintaining the compensation tax for financial institutions	—	—	—	269.9	276.5	546.4
Facilitating the return of unclaimed financial assets to right-holders	12.0	19.0	237.0	257.0	25.0	550.0
TOTAL	95.3	147.8	386.6	699.3	500.4	1 829.4

Section G

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2021 AND 2022

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SUMMARY

The COVID-19 pandemic and the measures put in place to curb the spread of the virus pushed the global economy into a deep recession.

- The global real gross domestic product (GDP) shrank by 3.5% in 2020.¹ This is a sharper decrease than during the financial crisis of 2008-2009, when global real GDP fell by 0.1%. The U.S. economy contracted by 3.5% in 2020.
- Québec and Canada have not been spared by the public health crisis. Output contractions of 5.2% and 5.4%, respectively, were recorded for the full year.

Economies started recovering quickly in the second half of 2020 with the easing of the public health measures. However, the resurgence of the virus in a number of regions around the world temporarily halted the economic restart.

- Despite this pause, the global economy will return to growth. Real GDP is expected to increase by 5.3% in 2021.
- A significant rebound in economic activity is also expected in both Québec (+4.2%) and Canada (+4.4%).

Progress on the vaccination front signals an end to the pandemic and a sustained recovery of the economy. As a result, the sharp growth in real GDP will extend into 2022.

TABLE G.1

Economic growth

(real GDP, percentage change)

	2020	2021	2022
Québec	-5.2	4.2	4.0
Canada	-5.4	4.4	4.1
United States	-3.5	5.0	3.8
World	-3.5	5.3	4.3

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

¹ Unless otherwise indicated, this section is based on data available as at March 12, 2021.

❑ Outlook clouded by uncertainty

Current economic and financial forecasts reflect a very high level of uncertainty. Economic developments will depend on the epidemiological situation worldwide as well as future public support and recovery measures.

- In the coming months, new waves of infections could slow growth temporarily.
 - An upsurge in the number of cases of infection could prompt governments to reintroduce certain restrictions.
 - The measures could also be extended if the existing vaccines against COVID-19 are seen to be less effective against the different variants.
 - Consequently, the pace of economic growth will depend on the revival of public confidence, which itself will depend on the success of the vaccination campaigns and easing of public health measures.
- The economic recovery will also depend on the effectiveness of the recovery plans that will be introduced. Furthermore, a premature withdrawal of the support measures for households and businesses could slow down the recovery.

The forecast scenario is based on a number of assumptions.

- The Ministère des Finances du Québec projects that the vaccination campaigns in Canada and Québec should allow for the majority of the population to be immunized by fall 2021.
- Public health restrictions should remain in place until a sufficient proportion of the population has been vaccinated. The restrictions should then gradually be lifted as the spread of the virus slows down.

1. CONSEQUENCES OF THE PUBLIC HEALTH CRISIS IN QUÉBEC

1.1 An atypical recession

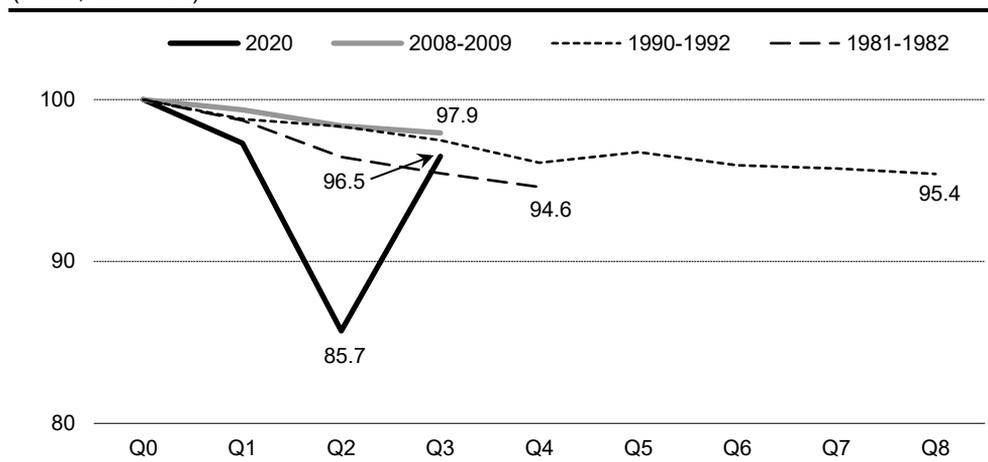
In Québec, the public health measures forced a shutdown of activities in the spring of 2020. This pause brought about a recession, that is, a decline in real GDP for at least two quarters in a row. However, this recession is very different from the others that Québec has gone through since 1981.

- It was not caused by an imbalance in the markets, such as an increase in prices, monetary tightening or excessive debt. Instead, it resulted from a temporary shutdown of the economy intended to reduce community transmission of the virus by limiting contacts among individuals. Before the pandemic, Québec's economy was going full throttle with a robust labour market.
- Nonetheless, the health crisis led to a greater decline in economic activity than that recorded during previous recessions. In total, real GDP contracted by 14.3% between the fourth quarter of 2019 and the second quarter of 2020.

Furthermore, governments took prompt action to help households and businesses during this time of upheaval. Therefore, even though the recession was of an unparalleled proportion, the restart of output happened quickly, limiting the economy's decline to two quarters. Real GDP rebounded in the third quarter of 2020, climbing from a low of 85.7% to 96.5% of the pre-pandemic level.

CHART G.1

Change in real GDP in Québec during recession periods (index, Q0 = 100)



Note: Q0 designates the quarter that corresponds to the peak of real GDP before the recession.

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

❑ A significant recovery in real GDP by industry since May

In spring 2020, the shutdown of non-essential sectors at the end of March sent a shockwave through Québec's economy.

- This closure, along with the implementation of strict public health measures, triggered a 9.4% decline in real GDP by industry in March and a 14.6% decline in April.

The start of the deconfinement process led to a rebound in GDP growth by industry in May (+11.8%). From May to November, the gradual reopening of the economy triggered six monthly increases in real GDP.

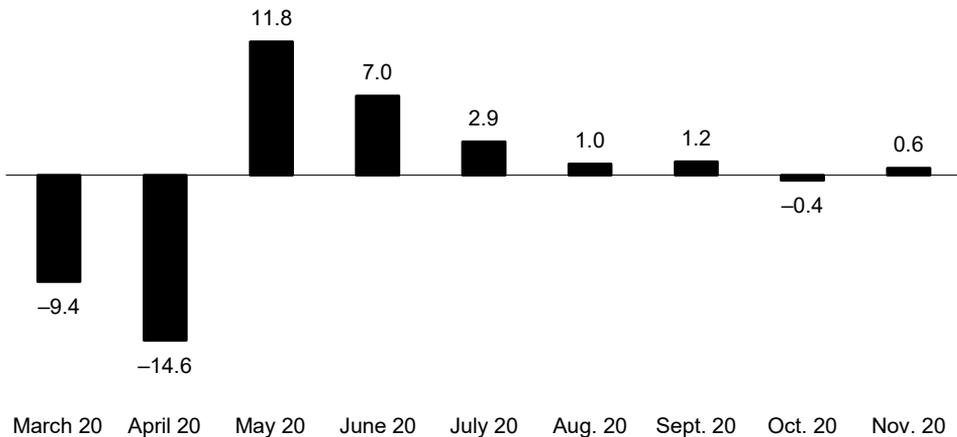
- As a result, real GDP by industry had already recovered, in November, 97.5% of the February 2020 level.

Although recovery is under way, the impact of the health crisis continues to be felt. The tightening of containment measures at the end of 2020 and beginning of 2021 will likely cause new monthly declines in output. However, the contraction is expected to be more moderate than in the first wave.

- Fewer industries were targeted by the closures and those most affected by the measures were already operating at a capacity below their potential.
- Also, businesses have adapted to the public health situation.

CHART G.2

Change in real GDP by industry in Québec (percentage change)



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

A major blow to certain industries

In Québec, real GDP by industry dropped sharply in March and April. In May, the easing of the measures triggered an increase in real GDP by industry.

However, the impacts of the pandemic vary significantly among industries.

- Several industries have already exceeded the output levels of February 2020.
 - This is the case, in particular, in the areas of finance, insurance and real estate (102.2%) as well as in professional, scientific and technical services (101.7%).
- However, the recovery is slower in sectors that are most affected by the public health measures, which are generally the most labour-intensive industries.
 - In November, real GDP in the accommodation and food services industry stood at 59.4% of the February level. For information, culture and recreation, this ratio was 87.0%.

Sectors most affected by the public health measures may not return to normal until the spread of the virus has been controlled. The need to maintain distancing measures will keep these industries from operating at their full potential for the coming months.

Rate of recovery in real GDP by industry

(per cent)

	November level compared to February
Agriculture and natural resources	103.0
Public services	95.1
Construction	98.6
Manufacturing	98.0
Trade	103.4
Transportation and warehousing	83.4
Finance, insurance and real estate	102.2
Professional, scientific and technical services	101.7
Business services	91.0
Educational services	95.2
Health care and social assistance	101.1
Information, culture and recreation	87.0
Accommodation and food services	59.4
Other services (except public administrations) ⁽¹⁾	91.0
Public administrations	97.7
ALL INDUSTRIES	97.5

(1) Other services include, in particular, services provided for private households by self-employed workers relating to tasks primarily concerned with the operation of the household, personal services such as hair care and esthetic services as well as funeral services, repair and maintenance—for example, for motor vehicles—and religious activities.

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

1.2 The labour market was badly hit

As in Canada and Ontario, Québec's labour market was badly hit by the public health measures implemented in early 2020.

- Between February and April, employment fell by 19.0% in Québec. This is a bigger drop than in Ontario (-14.4%) and Canada (-15.6%).
 - The public health measures put in place in Québec were more restrictive than elsewhere in Canada.
- During the same period, Québec's unemployment rate climbed by 13.1 percentage points, reaching 17.6% in April 2020. That was the highest rate of all the provinces. By comparison, May's unemployment rate peaked at 13.5% in Ontario and 13.7% in Canada.

Since May, the resumption of activities has driven a 19.5% increase in employment in Québec.

- In February 2021, the employment level stood at 96.8% of the pre-pandemic level. For the same period, Ontario's employment level was 95.9% of what it was in February 2020, and Canada's was 96.9%.

Furthermore, since the peak in April 2020, Québec's unemployment rate has dropped 11.2 percentage points, to 6.4% in February 2021. This is the lowest level across all Canadian provinces (9.2% in Ontario and 8.2% in Canada).

- The lower unemployment rate in recent months is partly attributable to the decline in the activity rate. Québec's activity rate decreased from 64.8% in February 2020 to 63.6% in February 2021. Certain people left the labour force over the past year due to difficulty finding a job and the support measures provided by governments.
- Declines in activity rates have also been observed in Canada (from 65.5% in February 2020 to 64.7% in February 2021) and Ontario (from 65.1% to 64.4%).

TABLE G.2

Change in employment

(thousands, unless otherwise indicated)

	Québec		Canada		Ontario	
	Change	%	Change	%	Change	%
Between February and April 2020	-825.9	-19.0	-2 988.7	-15.6	-1 081.2	-14.4
Between April 2020 and February 2021	687.3	19.5	2 389.6	14.8	775.9	12.1
Between February 2020 and February 2021	-138.6	-3.2	-599.1	-3.1	-305.3	-4.1
Recovery rate in February 2021 relative to the February 2020 level (%)	—	96.8	—	96.9	—	95.9

Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Job losses were concentrated in low-wage industries

The majority of job losses were in industries most affected by the public health measures, that is, accommodation and food services, information, culture and recreation, as well as other services.

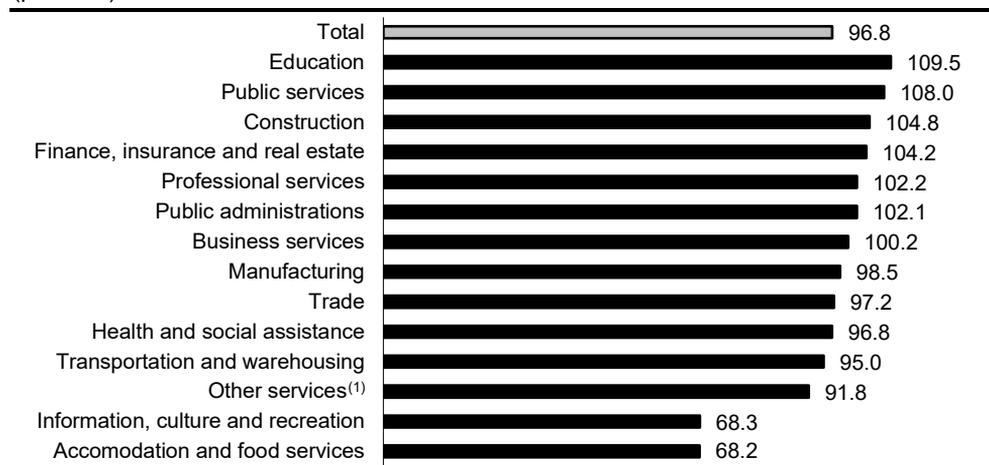
- Between February and April, more than 220 000 jobs were lost in these three industries, or 26.7% of all jobs lost during this period. In 2019, these industries represented only 14.1% of total employment.
- Despite the labour market's recovery since May, employment in these sectors continue to lag significantly behind.
 - In February 2021, the employment level in these sectors reached 74.9% of the February 2020 level. Excluding these industries, the employment level had exceeded the pre-pandemic level (100.4% of the February 2020 level).

These three industries generally offer less-skilled jobs and the proportion of part-time jobs (33.2% in 2019) is higher than in all sectors (19.0%). Consequently, they are lower-paying jobs.

- In 2019, the average weekly wage for workers in these industries was lower than that for all other wage earners.

CHART G.3

Proportion of jobs in February 2021 relative to February 2020 (per cent)



(1) Other services include, in particular, services provided for private households by self-employed workers relating to tasks primarily concerned with the operation of the household, personal services such as hair care and esthetic services as well as funeral services, repair and maintenance—for example, for motor vehicles—and religious activities.

Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Young people have been hardest hit by the job losses

Québec's good economic conditions before the pandemic created a sustained demand for workers.

- In particular, in 2019, Québec had the highest employment rate for young people aged 15 to 24 (64.2%) of all the provinces (57.8% in Canada).
- It was similar for the employment rate for women aged 15 to 64 (74.1% compared to 71.2% in Canada).

The pandemic disrupted the labour market. Young workers and women have been harder hit by the job losses. A higher number of young people and women are employed in sectors most affected by the public health measures.

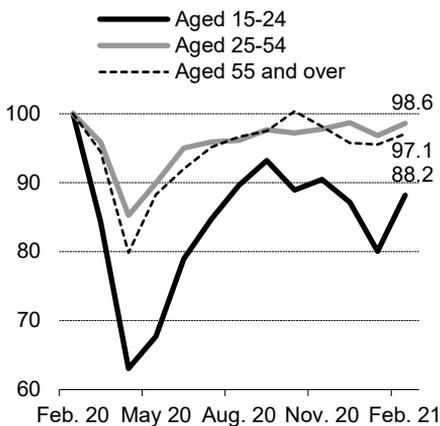
- In 2020, 65.8% of job losses for young people were in the industries related to accommodation and food services, information, culture and recreation, as well as other services. This proportion was 57.0% for women.

In February 2021, the employment level for young people stood at 88.2% of the pre-pandemic level. The employment level for women aged 15 to 64 stood at 96.1% of the February 2020 level. For men, the rate was 97.9%.

- Despite these difficulties, Québec's employment rate in February 2021 for young people (58.7%) and for women aged 15 to 64 (72.3%) was higher than in Canada as a whole (52.0% and 68.8%, respectively).

CHART G.4

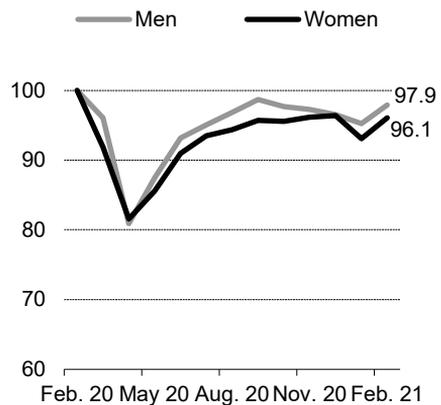
Employment trends in Québec by age group
(index, February 2020 = 100)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.5

Employment trends in Québec's population aged 15 to 64, by sex
(index, February 2020 = 100)



Sources: Statistics Canada and Ministère des Finances du Québec.

1.3 An output gap to be filled

Despite the ongoing restart, the public health crisis will have a lasting impact on the economy and employment.

- Labour-intensive sectors will be slower to pick up.
- Worldwide, several economies will not run at full capacity due to supply chain disruptions.
- Furthermore, the downturn in non-residential investment during the crisis could slow productivity growth.

Real GDP is currently not expected to return to its fourth quarter 2019 level before the fourth quarter of 2021. Employment is not expected to recover to its pre-pandemic level before the second quarter of 2022.

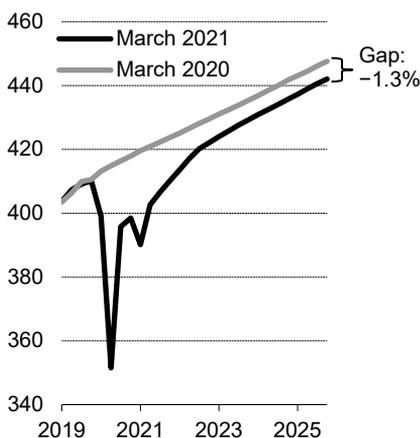
The shock triggered by the COVID-19 pandemic could drive major economic changes and create a permanent decrease in output that would be hard to recover.

- In 2025, Québec's real GDP will be 1.3% below the level forecast for the same period in Budget 2020-2021. Nominal GDP growth will be 2.2% lower. In Canada, real GDP and nominal GDP gaps will be 1.9% and 2.0%, respectively, with the March 2020 forecast scenario.

The government's desire to attain growth above 2% in 2023-2024 and 2024-2025 is in line with the objective to quickly eliminate the output gap.

CHART G.6

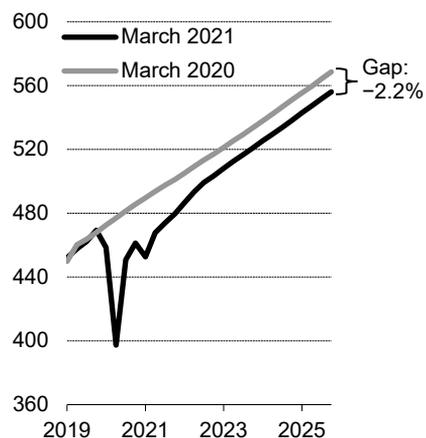
Real GDP forecast for Québec
(billions of chained 2012 dollars)



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

CHART G.7

Nominal GDP forecast for Québec
(billions of dollars)



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

❑ Continuing efforts to increase Québec's economic potential

The government is maintaining its objectives of creating wealth and increasing the potential of the economy.

To ensure a sustained recovery, Québec must have full labour force participation.

- In 2019, the employment rate for the population aged 15 and over had reached a peak at 61.5%. Then, due to the public health crisis, this rate fell to a record low of 50.1% in April 2020. Despite climbing to 59.5% in February 2021, the employment rate stands below the pre-pandemic level.
- The recovery of jobs lost in 2020 is expected to lead to a significant increase in the employment rate from 2021 to 2023 (+2.1% annual average).

The economic recovery and increase in potential will also depend on productivity gains.

- Due to the public health crisis, productivity declined by 0.4% in 2020. The restart of the economy will result in a rebound in productivity. It is expected to grow, on average, by 1.3% per year from 2021 to 2023.
- In the medium term, the improvement in productivity will be the main driver of real GDP growth.

Once the virus is under control, the sustained recovery of the economy will be essential for fully leveraging output capacities. Growth in economic potential will also contribute to an improvement in the standard of living for all Quebecers.

TABLE G.3

Contribution of economic growth factors

(average annual percentage change and contribution in percentage points)

	2009-2018	2019	2020	2021-2023	2024-2025
Real GDP	1.5	2.7	-5.2	3.4	1.5
Growth factors (contribution)					
Pool of potential workers ⁽¹⁾	0.2	0.4	-0.1	-0.1	-0.1
Employment rate ⁽²⁾	0.7	1.6	-4.8	2.1	0.4
Productivity ⁽³⁾	0.7	0.6	-0.4	1.3	1.1
STANDARD OF LIVING⁽⁴⁾	0.7	1.5	-6.0	2.8	0.9

Note: Totals may not add due to rounding.

(1) Population aged 15 to 64.

(2) The employment rate corresponds to the total number of workers in proportion to the population aged 15 to 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 and Ministère des Finances du Québec.

❑ Standard of living and productivity gaps in need of closing

In Québec, the standard of living defined by real GDP per capita rose significantly in 2019. It increased by 1.5% in Québec compared to increases of 0.4% in Canada and Ontario.

This improvement narrowed standard of living gaps. Despite this good performance, however, gaps remain.

— In 2019, the standard of living was 16.6% higher in Canada than in Québec. It was 14.5% higher in Ontario than in Québec.

Productivity gains, measured by real GDP per job, are crucial to increasing Quebecers' standard of living. However, Québec trails Canada and Ontario in productivity.

— In 2019, Canada's productivity was 17.0% higher than Québec's. Québec's gap with Ontario was 14.4%.

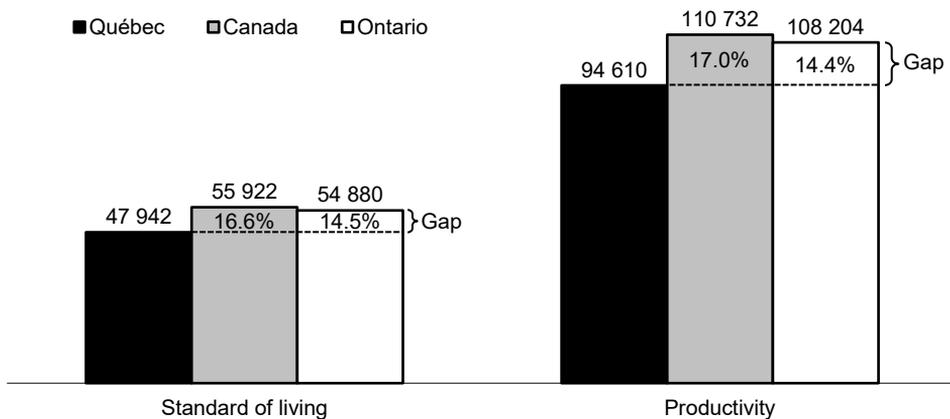
The productivity gap can be closed by increasing non-residential business investment, a key determinant of future economic growth.

In the coming years, changes in the standard of living will be substantially impacted by the current pandemic. However, the gaps with Ontario and Canada are expected to continue to narrow.

CHART G.8

Standard of living and productivity, 2019

(in chained 2012 dollars and gap in percentage points)



Note: Standard of living as measured by real GDP per capita and productivity as measured by real GDP per job.
Sources: Statistics Canada and Ministère des Finances du Québec.

■ Québec must catch up to Ontario in business investment

Québec has yet to achieve its full potential on the business investment front. In 2019, non-residential business investment stood at \$12 641 per private-sector job. This was less than in Ontario (\$14 275 per private-sector job) and Canada (\$17 912 per private-sector job).

— Québec therefore had, in 2019, an under-investment of \$1 634 per private-sector job compared to Ontario. Consequently, if Québec wants to achieve the same level of investment per private-sector job as in Ontario, Québec businesses need to increase their investments by nearly \$5 billion. This represents an increase of nearly 13%.

The gap between Québec and Ontario is primarily due to an under-investment in machinery and equipment, the key determinant of productivity.

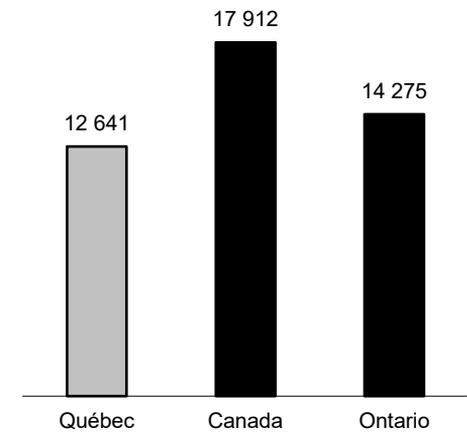
— In 2019, the level of Québec's business investment in machinery and equipment lagged behind Ontario by \$963 per private-sector job.

The gap between Québec and Ontario was narrower for the other investment components, that is, non-residential structures and intellectual property products.

CHART G.9

Non-residential business investment per private-sector job, 2019

(in current dollars)

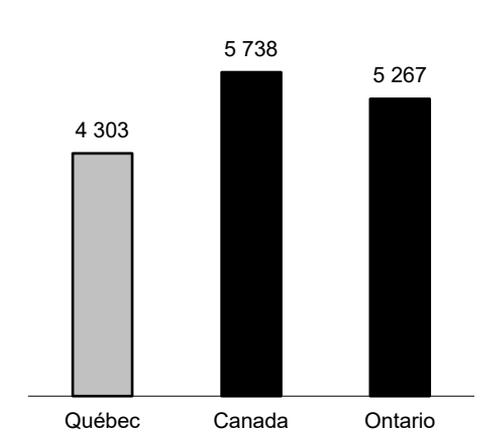


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.10

Investment in machinery and equipment per private-sector job, 2019

(in current dollars)



Sources: Statistics Canada and Ministère des Finances du Québec.

2. THE ECONOMIC SITUATION IN QUÉBEC

2.1 The economy returns to growth

After significant contractions in economic activity in March and April of 2020, Québec's economy has started growing again. Real GDP is forecast to grow by 4.2% in 2021 and 4.0% in 2022.

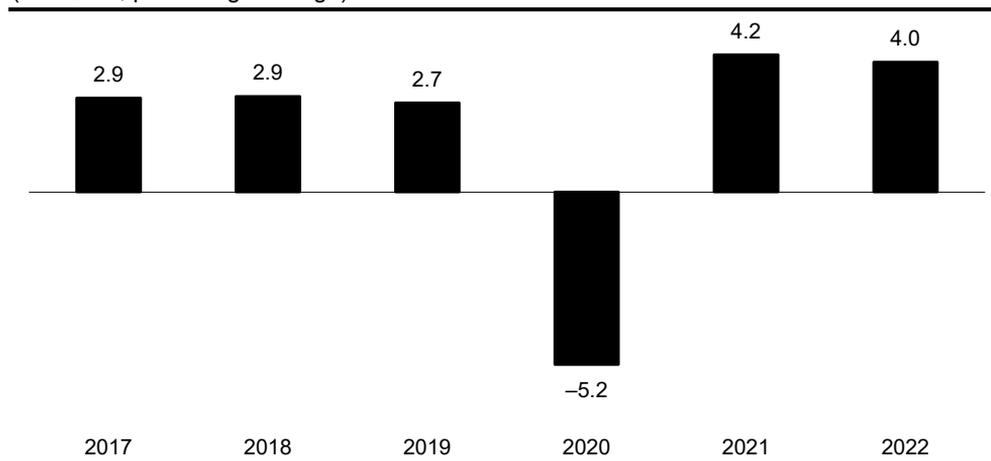
- Although recovery is under way, the impact of the public health crisis continues to be felt. The changes in the virus and the application of stricter measures at the end of 2020 and beginning of 2021 will temporarily slow down the economy's restart in the first quarter.
 - However, the forecast quarterly decline will be smaller than that of spring 2020. In particular, the public health restrictions are more targeted than during the first wave and businesses have adapted to them. Furthermore, the generous support programs already in place will mitigate the decline in real GDP in the first quarter of 2021.
- In subsequent quarters, economic growth will remain high while the restrictions will be eased. Real GDP growth will also be supported by the announced recovery plans.

Québec's economy will quickly return to its cruising speed. Progress with vaccinations will make it possible to continue easing the public health measures.

- The coming immunity of a significant proportion of the population makes it possible to foresee a sustained recovery of all economic activities.

CHART G.11

Economic growth in Québec (real GDP, percentage change)



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

Repercussions of the second wave on the Québec economy

In March 2020, the pandemic brought a stop to all non-essential activities. A sharp interruption in output occurred in several sectors, including construction, manufacturing, educational services, accommodation and food services as well as trade. This suspension in activities resulted in a 9.4% decline in output in March, and 14.6% in April.

- Despite a substantial recovery in growth in May (+11.8%), real GDP decreased by 11.9% in the second quarter of 2020, constituting the largest quarterly decline since compilation of these statistics began in 1981.

While the second wave of infections has forced certain businesses to reduce or cease activities, it will not result in as great a contraction of real GDP as in spring 2020.

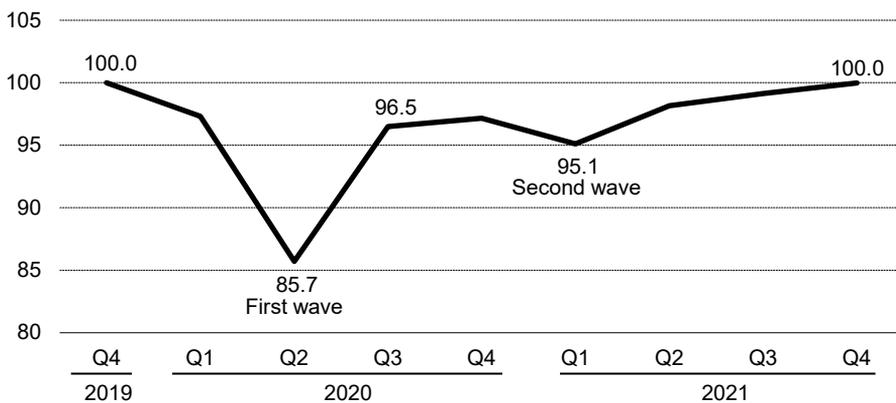
- Industries most affected by the public health measures have already been operating at a capacity considerably below their full potential. For their part, the construction and manufacturing sectors have been able to continue their operations.
- Also, businesses have adapted to the public health situation. For example, they have already invested in the tools and equipment needed for teleworking.
- Businesses have also already developed replacement solutions for continuing to provide their services, particularly with the implementation of online shopping and in-store pick up.

During the first wave, real GDP had dropped to 85.7% of its pre-pandemic level. The second wave will cause a more moderate decline in output than the first wave.

- In the first quarter of 2021, real GDP is expected to stand at 95.1% of its pre-pandemic level and then gradually increase as activities resume. At the end of 2021, output will have returned to the pre-recession level.

Changes in Québec's economic activity

(real GDP, index, 4th quarter of 2019 = 100)



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

2.2 Domestic demand, the linchpin of the recovery

All components of real GDP will pick up in 2021 and 2022. Households, businesses and governments will support the recovery of economic activity.

- Household consumption and residential investment will increase. They will be supported, in particular, by the recovery of the labour market, credit conditions that will continue to be accommodative and savings accumulated over recent quarters.
- Non-residential business investment is expected to pick up. The reduction in uncertainty resulting from the easing of the public health measures, the governments' recovery measures, and the increased demand for goods and services is expected to encourage businesses to implement their investment plans.
- The recovery plans will support the growth in investments and public spending. Furthermore, the different levels of government will continue to support businesses as well as household income through transfer payments. However, this public assistance is not recorded as government spending in calculating GDP.

The external sector will slow the growth of the economy. Exports will pick up, but at a slower pace than imports.

- In 2020, the decline in imports (–13.7%) was greater than that of exports (–10.5%). Consequently, a larger rebound is projected for imports in 2021 and 2022. They will be spurred by robust domestic demand.

TABLE G.4

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

	Change			Contribution		
	2020	2021	2022	2020	2021	2022
Domestic demand	-3.9	5.0	4.0	-4.1	5.2	4.2
– Household consumption	-5.4	5.0	4.3	-3.2	3.0	2.6
– Residential investment	1.0	5.5	0.9	0.1	0.4	0.1
– Non-residential business investment	-9.7	6.3	5.3	-0.8	0.5	0.4
– Government spending and investment	-0.4	4.7	3.8	-0.1	1.3	1.0
External sector	—	—	—	2.1	-2.3	-1.1
– Exports	-10.5	3.1	4.5	-4.8	1.4	1.9
– Imports	-13.7	7.9	6.2	6.9	-3.6	-3.0
Inventories	—	—	—	-3.1	1.2	0.8
REAL GDP	-5.2	4.2	4.0	-5.2	4.2	4.0

Note: Totals may not add due to rounding.

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

Other possible economic forecast scenarios

The economic forecast scenario helps the Québec government establish the budgetary framework. The assumptions retained reflect as closely as possible the economy's current situation and expected changes.

However, economic forecasts currently reflect a very high level of uncertainty. In the coming quarters, economic developments will depend on several factors, such as the epidemiological situation and the future recovery measures.

Therefore, two other forecast scenarios were developed to illustrate the sensitivity of forecasts to that uncertainty. While the analysis focuses on changes in real GDP based on the different scenarios, the assumptions regarding economic outlook affect all the components of the forecast, including nominal GDP and employment.

Optimistic scenario

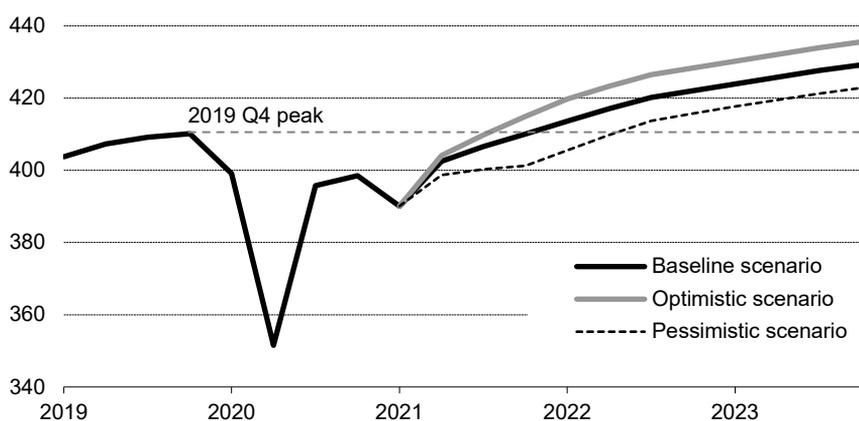
The optimistic scenario reflects a stronger economic recovery than the one forecast in the baseline scenario.

- For example, household and business confidence could improve faster than expected.
- Households that accumulated considerable savings during the pandemic might, therefore, significantly increase their consumption expenditures. Businesses might be willing to invest more to increase their productivity and meet the increased consumer demand.

Compared to the baseline scenario, economic growth would be 0.6 percentage points higher in 2021, and 0.9 points in 2022. In the optimistic scenario, Québec's real GDP would, by 2023, reach the level forecast for the same period in Budget 2020-2021 (+1.5% compared to the baseline scenario). The pandemic would therefore not have resulted in a loss of output in the medium term.

Change in real GDP based on the different scenarios

(billions of chained 2012 dollars)



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

Other possible economic forecast scenarios (cont.)

Pessimistic scenario

The pessimistic scenario reflects a weaker economic recovery in the short term than the one in the baseline scenario.

- Households and businesses could be more cautious and their confidence could take longer to recover.
- They could decide to postpone part of their consumption and investment expenditures, which would lead to a less vigorous economic recovery in the short term.

Compared to the baseline scenario, economic growth would be lower by 1.3 percentage points in 2021 and 0.6 points in 2022, but higher by 0.2 points in 2023. In 2023, the loss of output compared to the baseline scenario would be 1.5%.

- Note that in the baseline scenario, the output gap in 2023 would be –1.5% compared to Budget 2020-2021.

Comparison of forecasts based on various economic scenarios

(annual percentage change)

	Pessimistic scenario	Baseline scenario	Optimistic scenario
Real GDP			
2021	2.9	4.2	4.8
2022	3.4	4.0	4.9
2023	2.2	2.0	2.0
Nominal GDP			
2021	4.5	6.0	6.7
2022	5.2	5.8	6.9
2023	4.1	3.8	3.8
Jobs			
2021	3.0	3.6	3.9
2022	1.2	1.8	2.4
2023	0.8	0.7	0.7

Note: Figures have been rounded.

Source: Ministère des Finances du Québec.

2.3 The labour market has started to recover

After a historic annual decline of 208 500 jobs on average in 2020, job creation will gain momentum. Increases of 148 900 jobs in 2021 and 75 500 jobs in 2022 are expected, for respective gains of 3.6% and 1.8%.

- Labour market improvement will be supported by the recovery of economic growth.
- Furthermore, mass vaccination is expected to lead to an easing of public health measures, which will support the recovery of jobs in sectors harder hit by the pandemic.

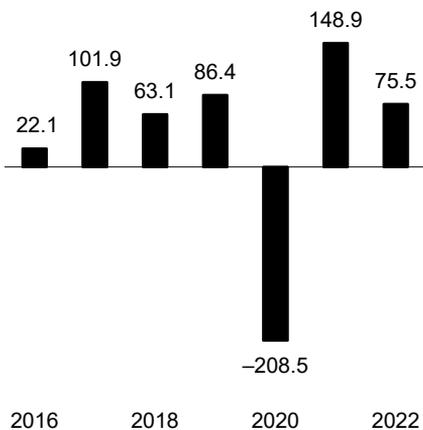
The unemployment rate is expected to drop from 8.9% on average in 2020 to 6.4% in 2021 and 6.0% in 2022.

- Despite this drop, the unemployment rate will remain above its pre-pandemic level (5.1% on average in 2019).

To ensure an economic recovery, Québec must have full labour force participation. The Québec government must help the unemployed to go back to work and promote the requalification and skills upgrading of workers.

CHART G.12

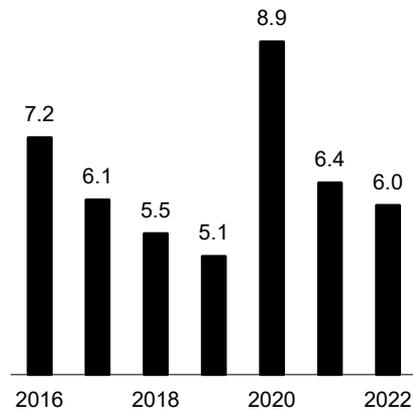
Job creation in Québec
(annual average, thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.13

Unemployment rate in Québec
(annual average, per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.4 Household consumption is central to the recovery

Household spending will spur the economic recovery. It will grow by 5.0% in 2021 and 4.3% in 2022 in real terms, after a pullback of 5.4% in 2020.

— These increases will be supported, in particular, by savings accumulated during the past few quarters (see box on page G.22). In addition, pent-up demand during the pandemic, renewed job creation and credit conditions that continue to be accommodative will support household consumption.

The pandemic and lockdowns have changed consumption habits.

— Historically, spending on goods and services followed a comparable trajectory. In 2020, though, purchases of goods grew (+1.5%), while purchases of services plunged (−11.6%).

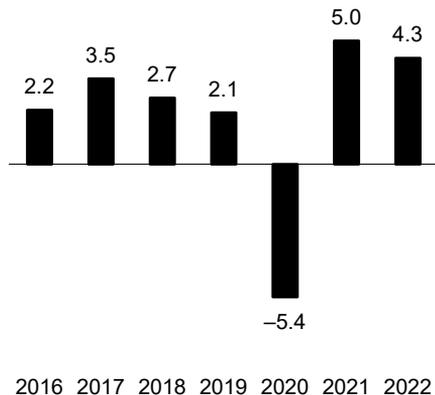
— The purchase of goods was continued online during the periods that non-essential businesses shut down.

— During these periods, spending on services fell sharply. The health measures restricted the offer of many services that could not easily be delivered or consumed through e-commerce.

— In 2021 and in 2022, spending on goods will continue to grow, while spending on services will increase by an average of about 6.5% per year.

CHART G.14

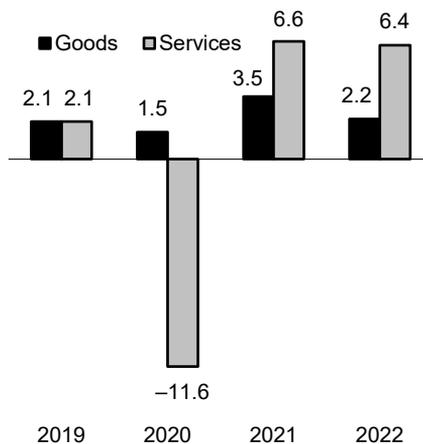
Household consumption expenditure in Québec
(percentage change, in real terms)



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

CHART G.15

Consumption expenditure for goods and services in Québec
(percentage change, in real terms)



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

Households are well placed to support the recovery

Overall, the financial situation of households remained favourable in 2020. Quebecers' disposable income improved considerably, despite the decrease in employment.

- Wages and salaries rose 0.3% for the entire year. Meanwhile, household disposable income jumped 10.7%.
- This strong growth was primarily due to the generous income support measures granted by the various levels of government to offset lost wages.

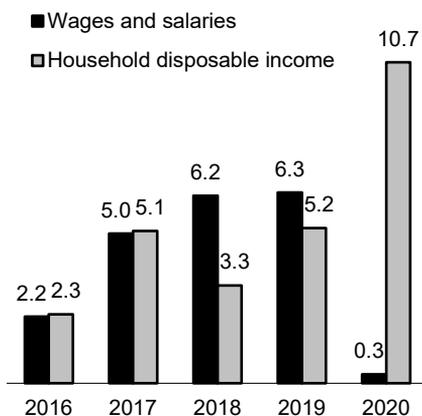
In addition, households changed their spending habits during the pandemic. The temporary closure of non-essential businesses reduced the availability of goods and services and limited consumption expenditures.

Income growth, combined with decreased consumption, resulted in a significant increase in savings.

- The savings rate rose from 6.8% in 2019 to 20.0% in 2020, a record high since 1981, the year Québec's economic accounts started to be compiled.
- The amount of savings accumulated by households in 2020 was 13.1% of Québec GDP in 2020 (3.9% in 2019).

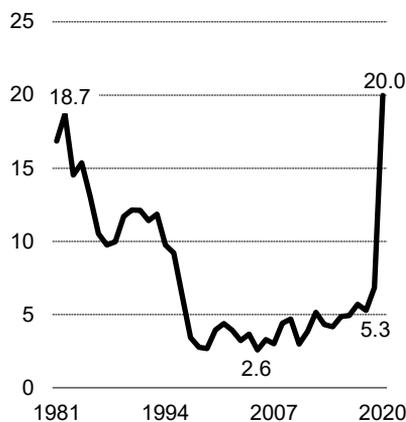
These savings will drive the growth in consumer spending in the coming years. Households will therefore provide significant support to the economic recovery.

Wages and salaries and household disposable income in Québec
(percentage change, in nominal terms)



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

Household saving rate in Québec
(per cent)



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

2.5 A surprisingly strong real estate market

The real estate market performed well over the past few months. Residential investment (+1.0%) is the only major component of real GDP that increased in 2020.

Residential investment was supported by a vibrant resale market, leading to an increase in ownership transfer cost expenses (+16.4%). In addition, housing starts were on average 54 100 units, the highest level since 2004 (58 400).

— This good performance is mainly due to low mortgage rates and changes in housing needs resulting from the pandemic. The additional savings resulting from increased transfers from governments and reduced consumption also drove residential investment.

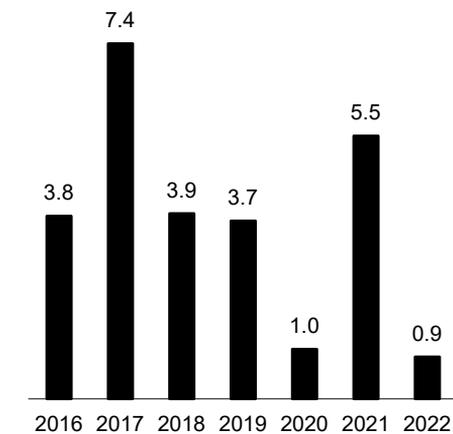
The real estate market will remain a source of growth for the economy in the coming years. Residential investment is projected to grow by 5.5% in 2021 and 0.9% in 2022, in real terms.

— The number of housing starts is forecast at 50 400 units in 2021 and 48 800 in 2022, higher than the average level over the last ten years.

— However, the increase in real estate prices, the end of payment deferrals, the increase in interest rates and the temporary decrease in immigration could limit the residential sector's activity.

CHART G.16

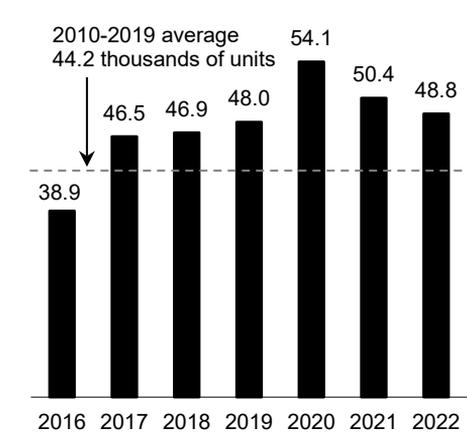
Residential investment in Québec (percentage change, in real terms)



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

CHART G.17

Housing starts in Québec (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

The pandemic did not dial down the heat of the residential market

While the pandemic paralyzed the residential market in March and April 2020, this sector was surprisingly robust in 2020.

- Housing starts rose 12.7%, reaching an average of 54 100 units.
- Resale market transactions climbed 16.9% to 113 000 units sold, a record.

The market was very active, with many home buyers participating.

- The strong housing demand, which predates the pandemic, was not held back. Also, the government assistance programs, low interest rates and deferred mortgage payments limited households' financial difficulties and contributed to the booming residential market. Reductions in consumption also freed up liquidity that was partly used for residential investment.
- The pandemic also changed housing preferences. Many households chose to move up the purchase of their first home, or decided to buy a home better suited to their needs.

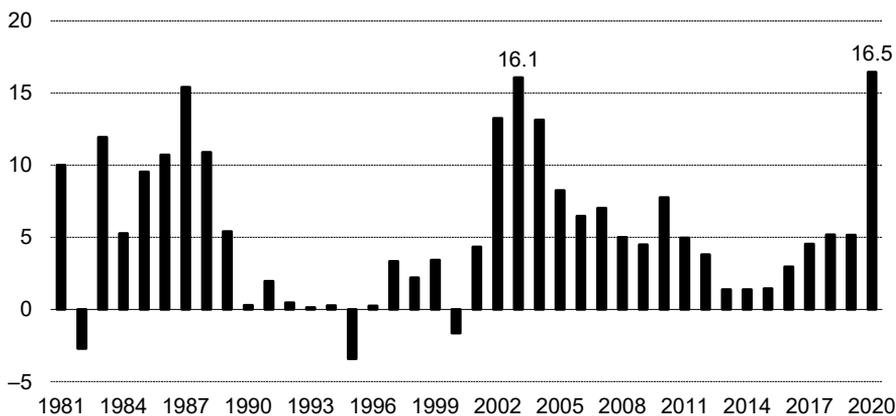
The number of available properties proved to be insufficient to absorb the increase in potential buyers.

- New property listings fell by 5.4% in 2020—the sixth annual pullback in a row.

This situation led to a tightening of the market and an increase in prices.

- The sales-to-new listings ratio (SNLR) shows the balance between short-term demand and supply. When the ratio exceeds 0.55, the market is considered a sellers' market. In 2020, the SNLR was 0.86.
- The average price of resale properties jumped 16.5% in Québec in 2020, the biggest annual increase ever recorded.

Average property resale price in Québec (percentage change)



Source: Haver Analytics.

2.6 Businesses will drive the recovery

After a decline of 9.7% in 2020, non-residential business investment is projected to grow by 6.3% in 2021 and 5.3% in 2022. The progress with vaccination is expected to support business leader confidence in the coming months and assist the recovery of investment.

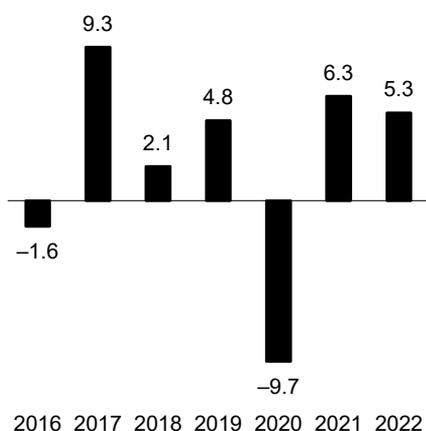
All of the investment components are expected to recover:

- the upturn in demand for goods and services will put pressure on production capacity, which should support machinery and equipment purchases;
- non-residential construction spending will be boosted by low interest rates and the recovery of economic growth;
- the digital transition should favourably affect business spending in intellectual property products.

However, the degree of uncertainty remains high, which could delay the comeback of investment.

CHART G.18

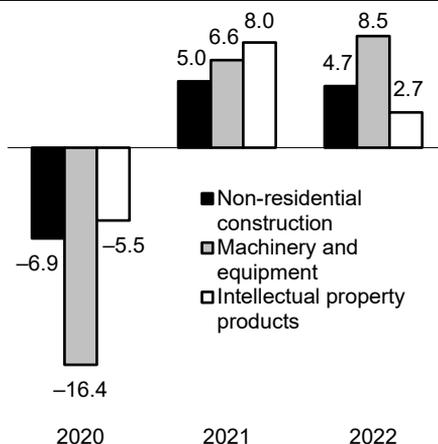
Non-residential business investment in Québec
(percentage change, in real terms)



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

CHART G.19

Components of 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.

Québec leads in investment intentions for 2021

The most recent Statistics Canada Capital and Repair Expenditures Survey (CAPEX) shows that businesses and governments intend to increase their investments in Québec in 2021.

The value of total non-residential investment in Québec is projected to rise to \$48.3 billion in 2021,¹ up 10.9% (-4.9% in 2020).

– Québec saw the highest increase in investment intentions among the Canadian provinces in 2021.

The value of total non-residential investment in Canada is expected to reach \$266.2 billion in 2021, up 7.0% (-9.2% in 2020).

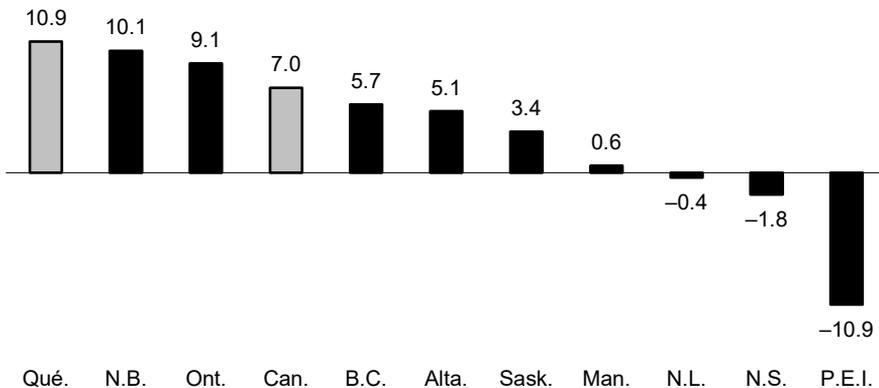
The investment outlook for 2021 is positive for seven of ten Canadian provinces, including Québec (+10.9%), New Brunswick (+10.1%) and Ontario (+9.1%), which have posted larger increases than the Canadian average.

According to the survey, the main investment categories will rise in Québec in 2021:

- investment in non-residential construction should climb by 14.1%, to \$32.0 billion;
- investment in machinery and equipment should grow by 5.0% in 2021, to \$16.3 billion.

In Québec, major public transit projects explain part of this growth.

Total non-residential investment by province, outlook for 2021 (percentage change, in nominal terms)



Source: Statistics Canada.

¹ The statistics from the Capital and Repair Expenditures Survey (CAPEX) for 2020 represent preliminary estimates. For 2021, they are investment intentions.

The liquidities made available to businesses are expected to support a rebound in investment

Some businesses were hard hit by the pandemic. Those in sectors affected by the public health measures had to slow or temporarily cease their activities during the lockdowns.

To assist them, governments quickly set up many support programs.

- The assistance granted to businesses was significant. In the second quarter of 2020, the value of production subsidies granted by governments to businesses was greater than the indirect tax they paid on production, such as property taxes and payroll taxes. This is a first since these statistics started to be released in 1981.

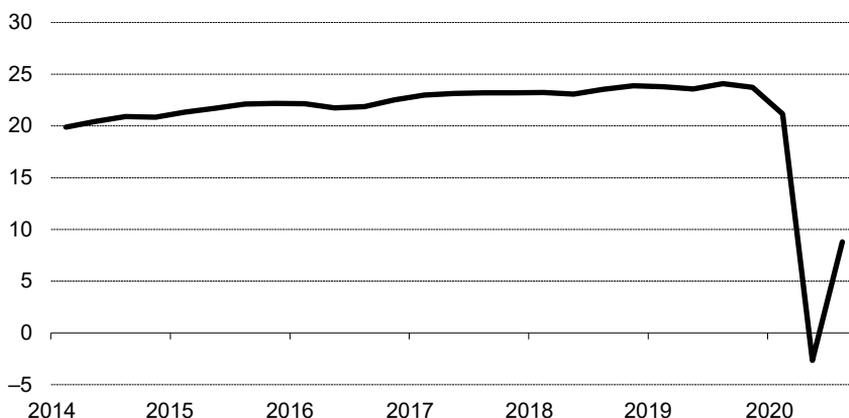
The measures put in place to financially assist businesses mitigated the impact of the health crisis on the entire economy.

- These measures saved a good number of jobs.
- They also prevented an increase in businesses bankruptcies.
- In this way, government assistance protected the economy's productive capital to prevent temporary production losses from becoming permanent.

The liquidities made available to businesses will support a rebound in investment and accordingly, the economic recovery.

Taxes less production subsidies in Québec

(billions of dollars)



Source: Institut de la statistique du Québec.

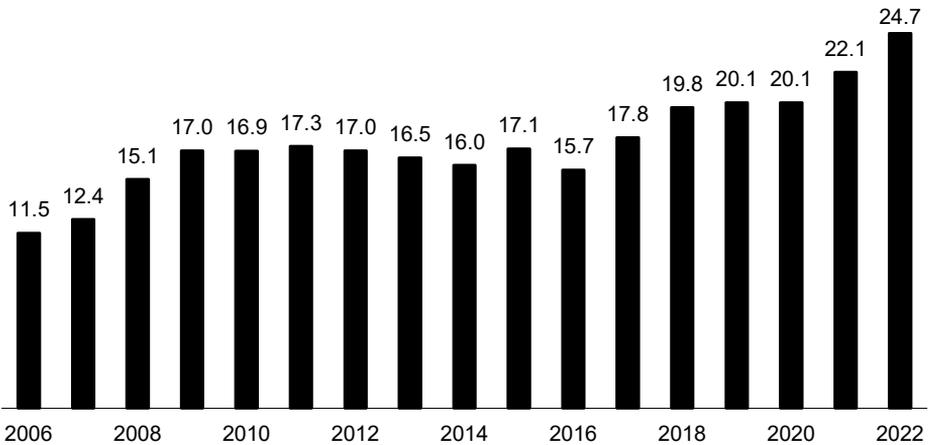
2.7 Government investment is at record highs

Governments will increase their investment level significantly in 2021 and 2022. Governments will implement major recovery plans in the coming years. Accordingly, public investment is projected to grow by 10.0% in 2021 and 11.5% in 2022, to a total of \$24.7 billion in nominal terms in 2022.

- The Québec government will deploy considerable resources to foster the recovery of the economy, in particular by boosting investments under the Québec Infrastructure Plan (QIP). The QIP makes it possible to add infrastructure and upgrade infrastructure with an asset maintenance deficit.
- In Budget 2021-2022, the Québec government is announcing a \$4.5-billion increase in investments under the 2021-2031 QIP.
- This increase will raise the total investments from \$130.5 billion to \$135.0 billion over ten years.
- The federal government's Investing in Canada program and the increase in investments in major Québec cities including Montréal, Québec and Laval, will also support the growth in government investments.

CHART G.20

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.

2.8 Resumption of trade

Québec's volume of trade with its economic partners shrank in 2020. Exports were down 10.5% and imports 13.7%.

— The temporary closure of many businesses and the collapse in world trade disrupted global supply chains, fanning the decline in Québec trade.

In 2021 and 2022, the economic recovery will fuel an increase in both exports and imports. International supply chains will recover and foreign demand will strengthen.

In Québec, export growth should be weaker than that of imports.

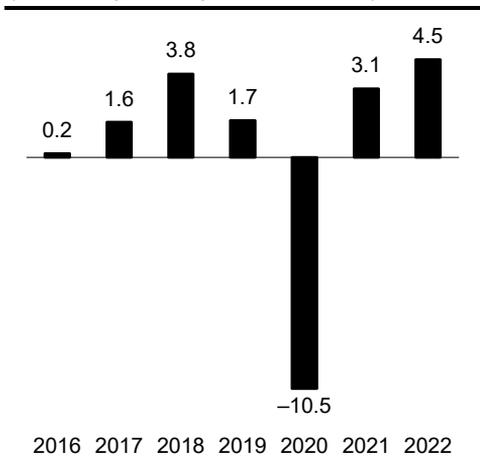
— In 2020, the decline in imports was greater than that of exports. Accordingly, imports are expected to experience a bigger rebound, boosted by a strong increase in domestic demand.

— In addition, the Canadian dollar's appreciation should foster imports, but will also affect the international competitiveness of Québec businesses' goods and services, which will limit exports.

The external sector will slow the growth of the economy in 2021 and in 2022.

CHART G.21

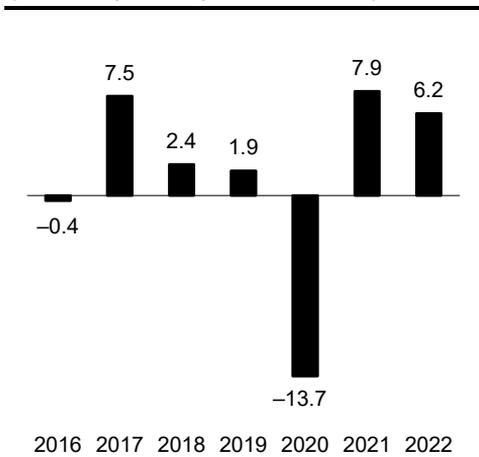
Québec exports (percentage change, in real terms)



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

CHART G.22

Québec imports (percentage change, in real terms)



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

2.9 Robust growth in nominal GDP

Nominal GDP, which measures the value of output by taking into account the price effect, will increase by 6.0% in 2021 and 5.8% in 2022. These robust increases are due to the upturn in economic activity and to GDP prices, which will rise by 1.7% in 2021 and 1.8% in 2022.

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;
- the terms of trade, which can be measured by the ratio of export prices to import prices.

The government's main tax bases will increase significantly.

- Wages and salaries will surge from 0.3% in 2020 to 6.0% in 2021 and 3.5% in 2022, buoyed by the vibrant labour market.
- The net operating surplus of corporations will post a gain of 2.2% in 2021 after a decline of 5.3% in 2020. In 2022, the net operating surplus is expected to decrease by 3.8%, as the various subsidy programs for businesses end.
- Nominal consumption will increase by 7.0% in 2021 and 6.2% in 2022. Excess savings, pent-up demand and the increase in wages and salaries will help spur household spending.

TABLE G.5

Nominal GDP growth in Québec (percentage change)

	2020	2021	2022
Real GDP	-5.2	4.2	4.0
Prices – GDP deflator	1.3	1.7	1.8
NOMINAL GDP	-4.0	6.0	5.8

Note: Totals may not add due to rounding.

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

2.10 Strengthening of inflation

The pandemic had major repercussions on inflation as measured by the CPI. Overall, the CPI grew only 0.8% in 2020. Excluding food and energy, two volatile components of the index, prices increased by 1.3%.

- The price of goods declined by 0.4%. The increase in prices for most of the components was offset by the 14.6% decline in gasoline prices.
- The price of services grew 2.0%. Some service businesses had to assume additional costs, in particular to purchase protective equipment. These costs were passed on to consumers.

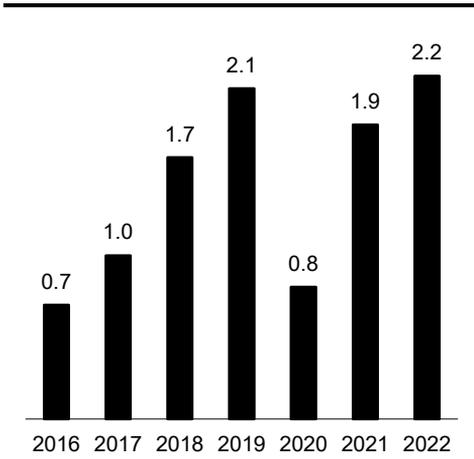
CPI growth should strengthen in the coming years. Rising oil prices, increased demand for goods and services, and wage and salary growth are expected to support the increase in the CPI. Accordingly, inflation is forecast to trend near the Bank of Canada's 2% inflation target.

- This 2% target is the midpoint of a target range of 1% to 3%. The target is expressed in terms of the annual change in total CPI. The Bank of Canada is also monitoring a series of core inflation measures that give it a better picture of the underlying inflation trend by ignoring transitory fluctuations.
- In 2021, the Bank of Canada will renew its agreement with the federal government on the inflation target, as it does every five years. At the same time, it may review its monetary policy framework.

CHART G.23

Québec consumer price index

(percentage change)

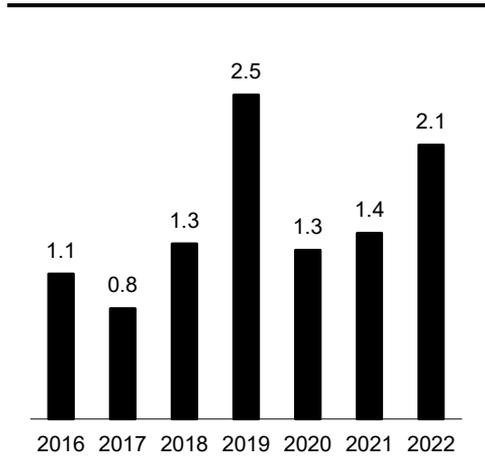


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.24

Québec consumer price index excluding food and energy

(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

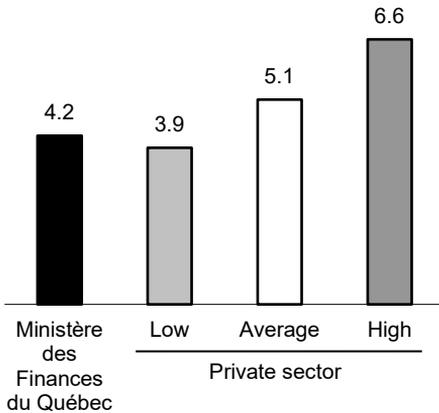
2.11 Comparison with private-sector forecasts

For 2021, the Ministère des Finances du Québec projects a weaker economic recovery (+4.2%) than that expected by private sector forecasters (+5.1%).

For 2022, the Ministère des Finances du Québec expects slightly stronger growth in economic activity (+4.0%) than the average private sector forecast (+3.8%).

CHART G.25

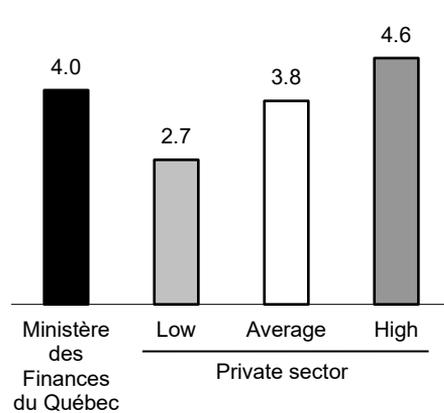
Economic growth in Québec, 2021
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 12, 2021, which includes the forecasts of 11 private sector institutions.

CHART G.26

Economic growth in Québec, 2022
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 12, 2021, which includes the forecasts of 11 private sector institutions.

TABLE G.6

Québec's economic outlook – Comparison with the private sector
(percentage change)

	2020	2021	2022	2023	2024	2025	Average 2021-2025
Real GDP							
Ministère des Finances du Québec	-5.2	4.2	4.0	2.0	1.5	1.5	2.6
Private sector average	—	5.1	3.8	2.1	1.7	1.6	2.8
Nominal GDP							
Ministère des Finances du Québec	-4.0	6.0	5.8	3.8	3.3	3.3	4.4
Private sector average	—	7.4	5.8	4.2	3.7	3.6	4.9

Note: Averages may not add due to rounding.

Source: Ministère des Finances du Québec summary as at March 12, 2021, which includes the forecasts of 11 private sector institutions.

TABLE G.7

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

	2019	2020	2021	2022	2023	2024	2025
Output							
Real GDP	2.7	-5.2	4.2	4.0	2.0	1.5	1.5
Nominal GDP	4.3	-4.0	6.0	5.8	3.8	3.3	3.3
Nominal GDP (billions of dollars)	460.4	442.0	468.4	495.7	514.6	531.8	549.5
Components of GDP (in real terms)							
Final domestic demand	2.3	-3.9	5.0	4.0	2.0	1.3	1.1
– Household consumption	2.1	-5.4	5.0	4.3	2.0	1.4	1.4
– Government spending and investment	1.7	-0.4	4.7	3.8	1.6	0.8	0.3
– Residential investment	3.7	1.0	5.5	0.9	1.7	0.5	0.4
– Non-residential business investment	4.8	-9.7	6.3	5.3	3.7	2.8	2.6
Exports	1.7	-10.5	3.1	4.5	3.1	3.2	2.9
Imports	1.9	-13.7	7.9	6.2	3.0	2.5	1.9
Labour market							
Population (thousands)	8 502	8 575	8 593	8 660	8 727	8 791	8 841
Population aged 15 and over (thousands)	7 001	7 054	7 087	7 135	7 197	7 259	7 310
Jobs (thousands)	4 308	4 100	4 248	4 324	4 352	4 370	4 386
Job creation (thousands)	86.4	-208.5	148.9	75.5	28.4	17.2	16.8
Unemployment rate (per cent)	5.1	8.9	6.4	6.0	5.8	5.7	5.5
Other economic indicators (in nominal terms)							
Household consumption	3.7	-4.3	7.0	6.2	3.8	3.1	3.0
– Excluding food expenditures and shelter	3.2	-8.6	8.3	7.4	3.9	3.0	2.9
Housing starts (thousands of units)	48.0	54.1	50.4	48.8	48.5	46.9	45.4
Residential investment	7.1	7.8	10.6	3.2	3.9	2.7	2.6
Non-residential business investment	7.5	-8.8	7.4	6.3	4.7	4.1	4.2
Wages and salaries	6.3	0.3	6.0	3.5	3.2	3.1	3.1
Household income	5.5	6.2	1.6	2.7	3.5	3.3	3.4
Net operating surplus of corporations	-0.2	-5.3	2.2	-3.8	4.6	3.9	3.7
Consumer price index	2.1	0.8	1.9	2.2	2.0	2.0	2.0
– Excluding food and energy	2.5	1.3	1.4	2.1	1.9	1.8	1.8

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

3. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

Global economic growth will strengthen in 2021 and 2022 after a record decline in real GDP of 3.5% in 2020. The fiscal and monetary measures implemented by the authorities, vaccination efforts and the gradual easing of restrictions will spur the recovery. The recovery will be synchronized in most economies, including in Canada and the United States, Québec's main trading partners.

3.1 The economic situation in Canada

□ The economic recovery is under way

After a contraction in economic activity of 5.4% in 2020, Canada's real GDP should increase by 4.4% in 2021 and 4.1% in 2022.² All the provinces will experience renewed growth in 2021.

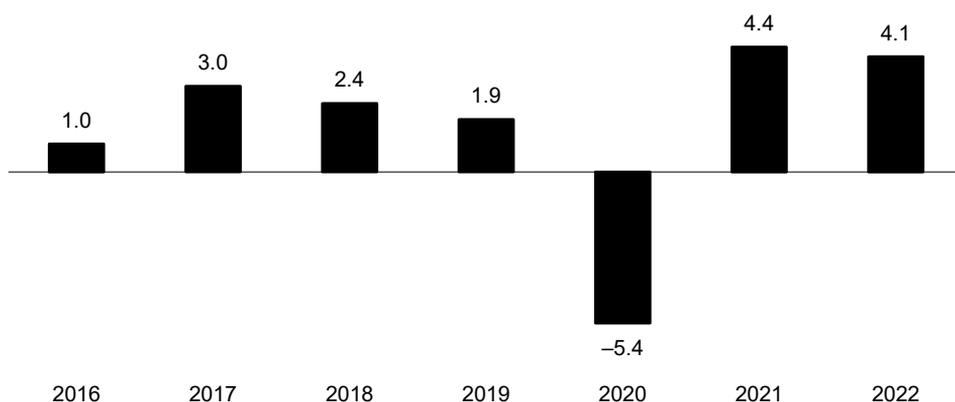
The rebound in the Canadian economy will be slightly stronger than Québec's, where growth is expected to stand at 4.2% in 2021 and 4.0% in 2022.

— Despite more restrictive measures in Québec in March and April 2020, there was a bigger decline in real GDP in Canada (-5.4%) than in Québec (-5.2%) in 2020. Oil prices, which reached record lows, compounded difficulties in oil-producing provinces, while the Québec economy showed resilience in response to the health crisis. Accordingly, the recovery in 2021 and 2022 is expected to be slightly stronger in Canada.

CHART G.27

Economic growth in Canada

(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

² The Ministère des Finances du Québec is assuming that the Canadian government's economic recovery plan will stand at \$70 billion over three years.

□ Domestic demand will drive the recovery

Like in Québec, domestic demand will be the main driver of Canada's economic growth. As a result:

- consumption is forecast to post large gains. Households will be able to use part of the savings accumulated since the start of the pandemic. In addition, job creation will fuel growth in wages and salaries;
- residential investment will remain robust, supported by low interest rates, changing housing needs and an improved labour market;
- non-residential business investment will pick up, supported by the increase in demand for goods and services and the rise in oil prices;
- total government spending will see renewed growth. In particular, the various levels of government will want to restart the economy through infrastructure investments.

The external sector will not contribute to the increase in real GDP.

- Exports will be supported by the recovery in global economic activity, particularly in the United States.
- Imports will rebound more than exports though. Import growth will be supported by domestic demand and the appreciation of the Canadian dollar.

TABLE G.8

Real GDP and its major components in Canada (percentage change and contribution in percentage points)

	Change			Contribution		
	2020	2021	2022	2020	2021	2022
Domestic demand	-4.5	4.0	3.8	-4.5	4.0	3.8
– Household consumption	-6.1	4.1	4.3	-3.4	2.3	2.4
– Residential investment	3.9	4.9	0.1	0.3	0.4	0.0
– Non-residential business investment	-11.6	5.6	8.0	-1.3	0.6	0.8
– Government spending and investment	-0.3	3.2	2.2	-0.1	0.8	0.6
External sector	—	—	—	0.7	-0.5	-0.1
– Exports	-9.8	5.7	5.7	-3.1	1.7	1.8
– Imports	-11.3	7.6	5.9	3.8	-2.3	-1.8
Inventories	—	—	—	-1.6	0.9	0.4
REAL GDP	-5.4	4.4	4.1	-5.4	4.4	4.1

Note: Totals may not add due to rounding.

Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Household consumption, a key factor in the recovery

Governments' assistance measures supported the increase in Canadian household income last year. Despite the loss of 986 400 jobs in 2020, household disposable income rose 10.0%, which is the largest gain since 1981 (15.9%). This increase in disposable income, coupled with the pullback in consumption, led to a substantial accumulation in savings.

These excess savings and pent-up demand will help spur household spending. Furthermore, employment income will keep pace with the recovery of job creation. Accordingly, household spending will grow by 4.1% in 2021 and 4.3% in 2022.

❑ A resilient real estate market

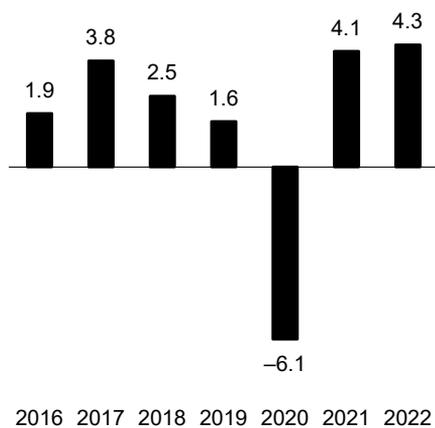
Despite a sluggish real estate market last spring, residential investment was up by 3.9% in 2020. The Québec and Ontario markets in particular posted remarkable performances.

The increase in residential investment will continue in 2021, with an anticipated increase of 4.9%. This growth will be supported by the upturn in the labour market, high level of household savings, changing buyer preferences and low financing costs.

In 2022, the impact of changes in housing needs on demand should fade. In addition, the temporary decrease in immigration and the decrease in accessibility will curtail the increase in residential investment.

CHART G.28

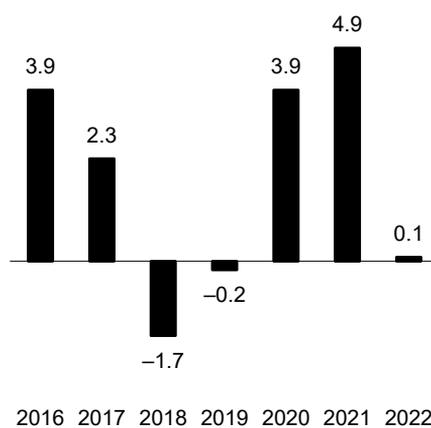
Household consumption expenditure in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.29

Residential investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Upturn in business investment

Non-residential business investment will pick up in 2021 and 2022.

- Production capacity pressures are likely to intensify under an increase in domestic and international demand. Moreover, the maintenance of accommodative credit conditions is expected to support investment.
- Higher oil prices and the ongoing construction of oil and gas transportation infrastructure (respectively the expansion of the Trans Mountain oil pipeline and the Coastal GasLink gas pipeline) are expected to drive energy investment.
 - Despite the anticipated rebound, oil sector investment will remain lower than its pre-pandemic level by about 3.6% in 2022.

❑ Acceleration in trade

Exports are forecast to increase by 5.7% annually in 2021 and in 2022. This increase is essentially due to the recovery in global economic activity, particularly in the United States.

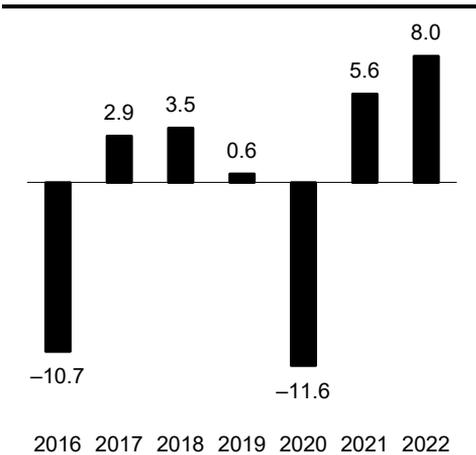
- The extent of the rebound will be offset by moderate demand for oil and by certain pandemic-related constraints that will still be there in 2021, in particular for travel. In addition, the Canadian dollar's appreciation will limit the growth of exports.

Import growth will be supported by strong domestic demand and by the appreciation in the exchange rate, which reduces the cost in Canadian dollars of foreign goods and services.

CHART G.30

Non-residential business investment in Canada

(percentage change, in real terms)

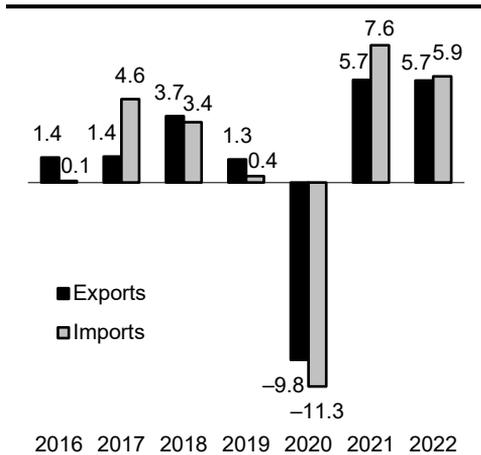


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.31

Canadian exports and imports

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

3.2 The economic situation in the United States

❑ Fiscal stimulus packages will support the economic recovery

After shrinking 3.5% in 2020, the worst year since 1946, U.S. real GDP is expected to rebound and grow by 5.0% in 2021 and 3.8% in 2022.

The turnaround in economic growth will primarily be supported by domestic demand, which will benefit from the adoption of fiscal stimulus packages by the federal government and by the ongoing vaccination of the population.

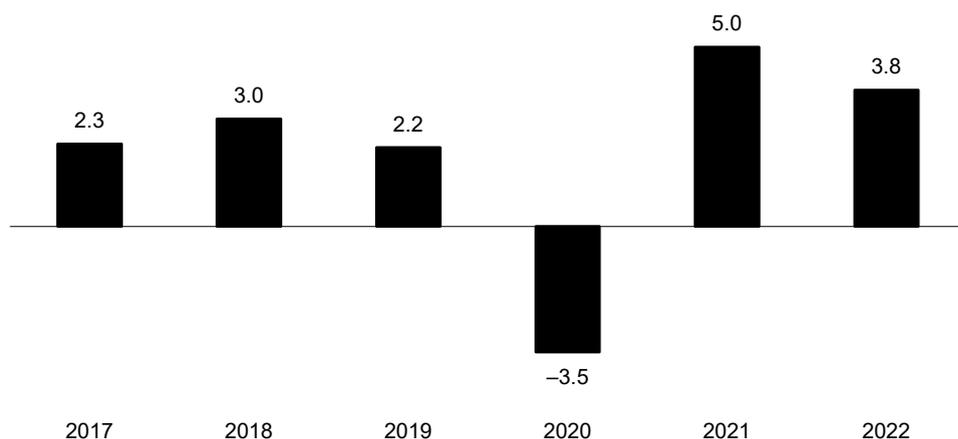
- The U.S. Congress first adopted a US\$900 billion stimulus package last December, and then approved the new Biden administration's US\$1.9 trillion stimulus plan on March 10. These packages are expected to stimulate U.S. economic growth over the next two years.
- Vaccination of the population is making rapid progress. As at March 11, 64.1 million Americans had received at least their first dose of the vaccine, equivalent to 19.2% of the U.S. population, and the number of new daily infections had dropped to its lowest level since October 2020.

These positive developments will lead to a strong acceleration in economic growth beginning in spring 2021.

The economic outlook in the United States nevertheless remains uncertain, and despite the recent improvement in the epidemiological situation, the arrival of new variants of the virus poses a risk to the economic recovery.

CHART G.32

Economic growth in the United States (real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

Significant support from the fiscal stimulus packages

In December 2020, the U.S. Congress approved a fiscal stimulus package of more than US\$900 billion, or 4.4% of GDP, in response to the deterioration of the epidemiological situation last fall.

- The package included, in particular, direct payments of US\$600 to individuals with an annual income below US\$75 000, extension of the special unemployment insurance programs, which, among other things, expands eligibility to cover self-employed workers, and funds for small businesses.

On March 10, the U.S. Congress also adopted the Biden administration's US\$1.9 trillion stimulus package (9.1% of GDP). The economic forecast for the United States takes this package into account. However, its economic impact will remain limited by public health conditions.

- The Biden administration's package includes direct payments of US\$1 400 per individual, bringing the total amount paid to US\$2 000, taking into account the December stimulus package, as well as financial assistance for state and local governments, and for the vaccination campaign.

The different stimulus packages adopted up to now total US\$6.0 trillion, or nearly 30% of GDP.

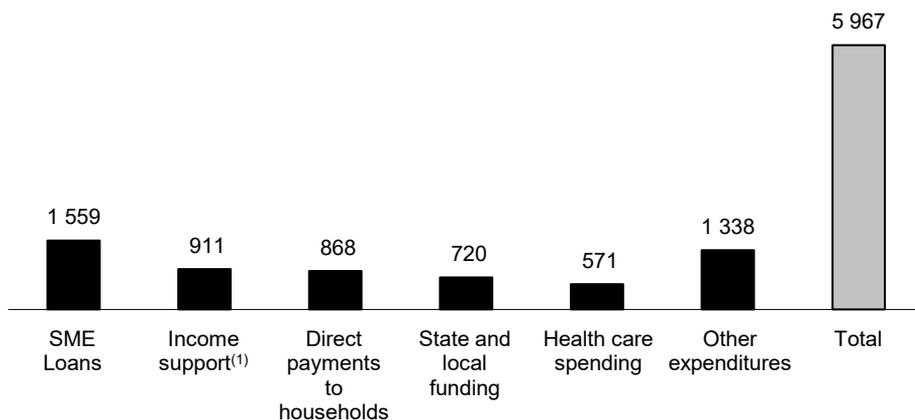
Reduced multiplier effects

The Congressional Budget Office (CBO) has estimated that due to the public health measures that limit economic activity, the multiplier effects of government expenditures are currently lower than in normal recessions.

- In this context, while the federal government's response was necessary for the recovery, the economic impact of the new stimulus packages will be more limited than the effects of the packages adopted during previous recessions.

Amounts allocated in the stimulus packages adopted since the beginning of 2020

(billions of U.S. dollars)



(1) Income support includes, in particular, enhancement of the unemployment insurance program.

Sources: Committee for a Responsible Federal Budget and Ministère des Finances du Québec.

❑ Household consumption and residential investment will be key drivers of the economic recovery

After decreasing by 3.9% in 2020, household consumption expenditure is expected to increase by 5.3% in 2021 and 4.2% in 2022. It will be supported by fiscal measures and by the gradual lifting of public health restrictions, which will allow, in particular, for a substantial spending recovery in the service sector, where greater social proximity is necessary.

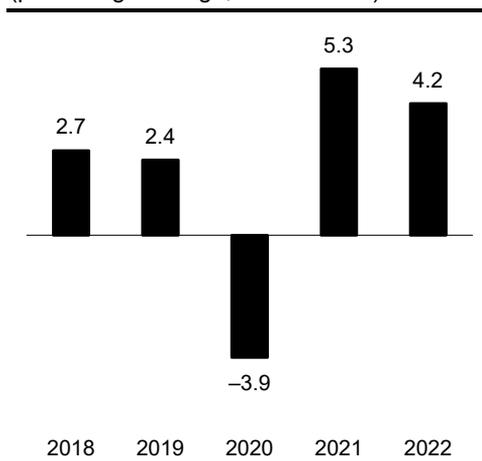
- First, putting money into consumers' wallets through the federal government's stimulus packages will result in a significant increase in disposable income, on top of the already high level of savings.
- Second, continued improvement in the epidemiological situation is expected to lead to a recovery in the service sector, where spending is still 7.1% below the February 2020 level, while spending on durable goods (+18.4%) and non-durable goods (+6.1%) have increased.

At the same time, the strength of the residential sector will continue, supported by low mortgage rates, improved household finances due, notably, to government transfers and changes in housing needs.

- Residential investments, which increased by 6.0% in 2020 despite the pandemic, are expected to grow by 14.5% in 2021 and 4.7% in 2022.
- Also, housing starts are expected to reach 1.45 million units in 2021 and 1.48 million in 2022, the highest since 2006.

CHART G.33

Consumption expenditure in the United States (percentage change, in real terms)

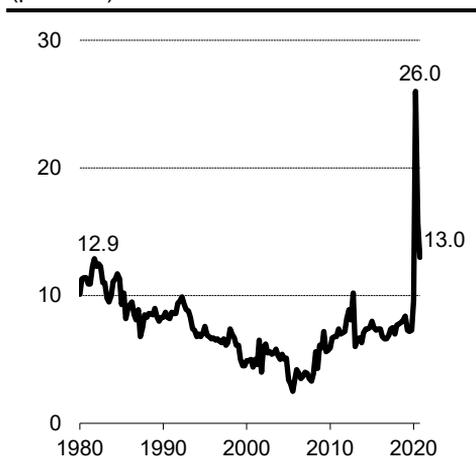


Sources: IHS Markit and Ministère des Finances du Québec.

CHART G.34

Savings rate in the United States

(per cent)



Source: IHS Markit.

Unequal effects on the labour market

The COVID-19 pandemic caused considerable disruption to the U.S. labour market. More than 22 million jobs were lost between February and April 2020, while the unemployment rate jumped to a record high of 14.8%.

As in Québec, however, the effects on the labour market were unequal in the United States. Lower-income workers were harder hit as the public health measures primarily targeted lower-paying industries.

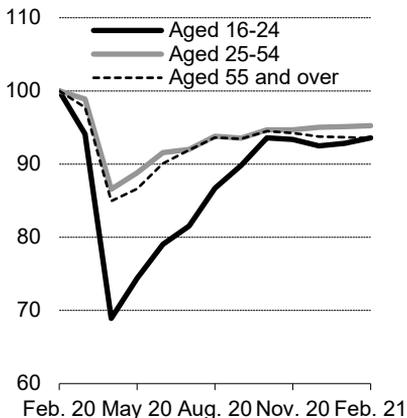
- With young people and women representing a larger proportion of the workers in these sectors, these two groups have been the most affected by the pandemic.
- In February 2021, employment for women stood at 94.3% of the February 2020 level, compared to 95.0% for men. For young people aged 16 to 24, this proportion stood at 93.6% (95.3% for people aged 25 to 54).

Furthermore, the pandemic had indirect effects on the labour market due to, among other things, remote schooling and the associated family responsibilities. This situation led to a reduction in labour market participation by individuals who have children, particularly among women.

- According to a study by the Federal Reserve Bank of San Francisco, 700 000 women who have at least one child left the labour market to carry out family responsibilities, which had a negative impact of 0.5 percentage point on the total participation rate for women.

Employment by age group in the United States

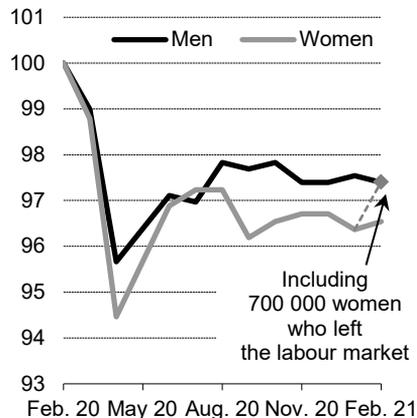
(index, February 2020 = 100)



Sources: IHS Markit and Ministère des Finances du Québec.

Participation rate by sex in the United States

(index, February 2020 = 100)



Sources: IHS Markit and Ministère des Finances du Québec.

□ Rebound in business investment and the external sector

After a 4.0% decline in 2020, business investment is projected to grow by 6.1% in 2021 and 4.6% in 2022.

- Growth in business investment will mainly be driven by a strong rebound of 12.6% in investments in machinery and equipment in 2021, supported by a robust manufacturing sector.
- However, the downturn in investments in the energy sector will continue in 2021 with a 14.9% decline, while oil production is expected to decrease before starting to grow again in 2022.

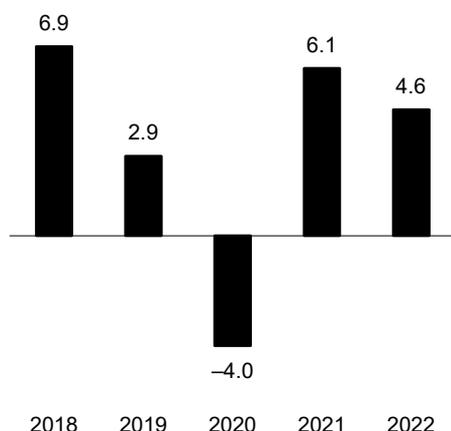
The upturn in business investment will lead to an increase in imports of 11.3% in 2021 and 4.1% in 2022 (-9.3% in 2020). Businesses will need to rebuild their inventories to meet the robust domestic demand.

Exports, for their part, are projected to expand by 5.3% in 2021 and 5.0% in 2022 (-13.0% in 2020), supported by the recovery in global economic activity and the restart of production capacities in the United States.

- In this context, the level of imports is expected to increase more than that of exports over the next two years, which will increase the trade deficit. The external sector is therefore expected to have a negative impact on economic growth.

CHART G.35

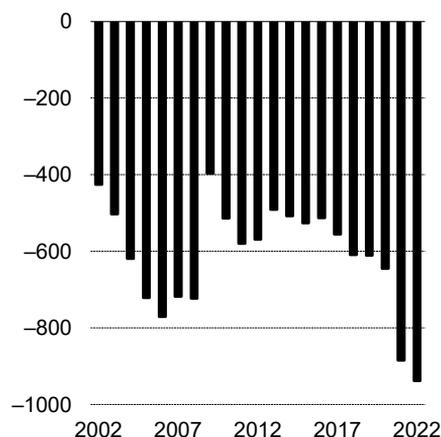
Non-residential business investment in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART G.36

Trade balance in the United States (billions of U.S. dollars, in nominal terms)



Sources: IHS Markit and Ministère des Finances du Québec.

4. THE GLOBAL ECONOMIC SITUATION

❑ Global growth driven by progress on the vaccination front and by support measures

The world health situation linked to COVID-19 had deteriorated at the end of 2020 due to an upsurge in the number of cases of infection, mainly in Europe and North America, and the emergence of new variants of the virus in some countries.

The upsurge in cases forced several governments to maintain or reintroduce containment measures, such as in Japan, the United Kingdom, Germany and France as well as in Canada and certain U.S. states.

After a difficult end to 2020 and a similar start to 2021, marked by signs of a slowdown, a recovery is expected for the rest of 2021.

Global real GDP is therefore expected to grow by 5.3% in 2021 and 4.3% in 2022, after the decline in 2020 (-3.5%), the worst since World War II.

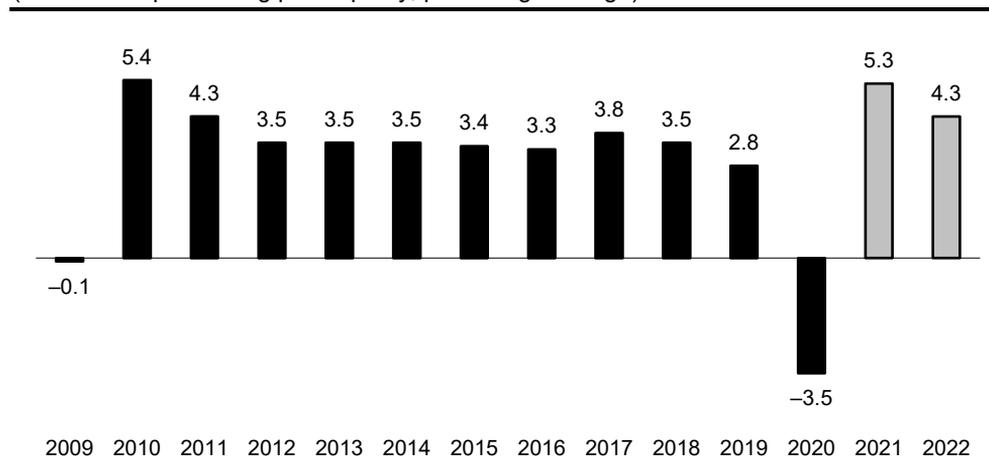
— The recovery will be supported by major fiscal and monetary measures implemented by the authorities, by the vaccination efforts and by the gradual lifting of restrictions on movement.

However, the global economic outlook remains uncertain. It could be revised upward or downward as the risks evolve, particularly in relation to progress with vaccinations, changes in the virus and variants as well as changes in government measures.

CHART G.37

Global economic growth

(real GDP in purchasing power parity, percentage change)



Sources: Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE G.9

Outlook for global economic growth
(real GDP, annual percentage change)

	Weight ⁽¹⁾	2020	2021	2022
World⁽²⁾	100.0	-3.5	5.3	4.3
Advanced economies⁽²⁾	43.1	-4.7	4.3	3.7
Québec	0.3	-5.2	4.2	4.0
Canada	1.4	-5.4	4.4	4.1
United States	15.9	-3.5	5.0	3.8
Euro area	12.5	-6.6	4.2	4.0
– Germany	3.5	-4.9	3.7	3.6
– France	2.4	-8.1	5.6	3.8
– Italy	2.0	-8.9	4.5	3.6
United Kingdom	2.4	-9.9	4.3	5.5
Japan	4.0	-4.8	2.8	2.0
Emerging and developing economies⁽²⁾	56.9	-2.6	6.0	4.7
China	17.3	2.3	8.2	5.5
India ⁽³⁾	7.1	-8.0	9.5	6.1

(1) Weight in global GDP in 2019.

(2) Data based on purchasing power parity.

(3) For the fiscal year (April 1 to March 31).

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

An employment crisis caused by COVID-19

The public health crisis had major impacts on the world's labour market in 2020 after significant restrictions were imposed to limit infection.

Record job losses that primarily penalize women and young people as well as certain sectors

In the second quarter of 2020, in the Organisation for Economic Co-operation and Development area, the proportion of working-age people who have a job (64.8%) dropped to its lowest level since the third quarter of 2011. It remained 2.2 percentage points below the pre-pandemic level in the following quarter.

The International Labour Organization (ILO) estimates that in 2020, 8.8% of work hours worldwide were lost compared to the fourth quarter 2019.

- These losses in hours worked, never before seen, were equivalent to 255 million full-time jobs. They were about four times higher than those recorded during the 2008-2009 financial crisis.

The lost work hours came from two components in almost equal proportions: the reduction of work hours within jobs (4.5%) and jobs losses (4.3%), which totalled 114 million.

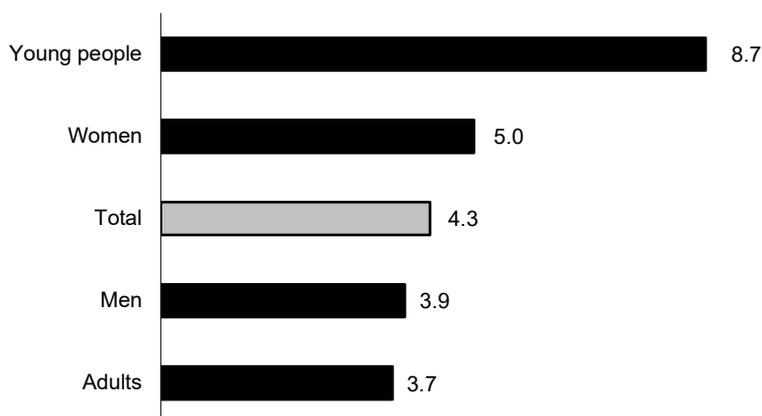
Job-loss percentages were higher for women (5.0%) and young people under age 25 (8.7%) than for men (3.9%) and people aged 25 and over (3.7%).

- The risk of leaving the labour market is higher for women than men, and a large number of young people who are unemployed or who were supposed to enter the labour market have simply stopped actively looking for work or delayed their entry into the market.

Furthermore, according to the ILO, there were massive job losses in at-risk sectors, such as accommodation and food services, trade and manufacturing, in the second and third quarters. The two groups of workers are over-represented among the workers in these sectors, which make up 38% of the global workforce.

Scale of job losses worldwide by sex and age

(per cent, 2020)



Source: International Labour Organization.

❑ A recovery of economic activity coloured by uncertainty

Business closures and restrictions on movement have contributed to record contractions in economic activity in certain countries and to unprecedented job losses worldwide in 2020.

The global economy has started to recover from the recession recorded in the first half of 2020. In the third quarter:

- real GDP of the countries in the Organisation for Economic Co-operation and Development (OECD) grew on average by 42.3% at a quarterly annualized rate, after a decline of 7.3% in the first quarter and a brutal 35.8% drop in the second quarter;
- merchandise trade, industrial production and investment have returned to growth.

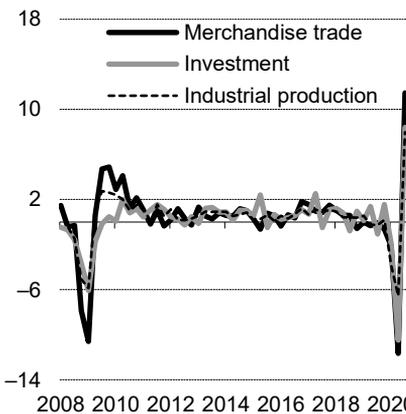
Despite these promising signs, the high level of inactivity and unemployment as well as the sharp increase in debt and deficits are among the sources of uncertainty. Changes in the economic situation will depend on the public health situation.

- After a large wave of infection and the emergence of new variants of the virus in some countries at the end of 2020, the public health situation is improving in several countries.
- The public health measures and progress with the vaccination campaign seem to be the main factors contributing to a decrease in new infections in several countries and regions, especially in the United States and the United Kingdom.
- However, changes in the variants and their response to the vaccines are a major source of uncertainty.

CHART G.38

Trade, industrial production and investment

(quarterly percentage change)

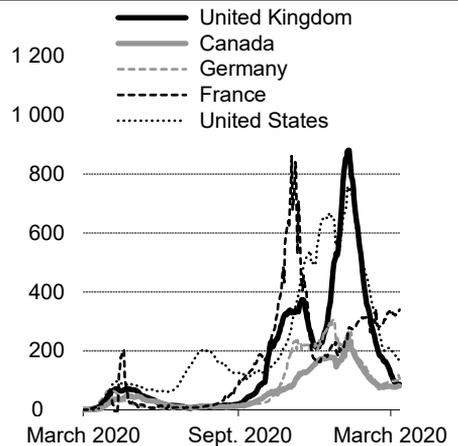


Sources: OECD, CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

CHART G.39

New COVID-19 infections as at March 11

(daily new cases per million population, 7-day moving average)



Source: Our World in Data.

Vaccination campaign

The global economic recovery that is taking shape will depend on, among other things, the speed of the vaccination campaign and the efficacy of the vaccines and treatments.

Vaccinations are speeding up

Since the launch of the COVID-19 vaccination campaign in December, more than 120 countries have started vaccinating their populations. Most countries have given priority to certain groups, in particular people who are most vulnerable.

- As at March 11, more than 200 million people had received at least one of the 335.4 million vaccine doses distributed. The pace of vaccination has accelerated since December when 5.4 million people had received one of the 10.0 million doses distributed.
- The share of the global population having received a first dose of a vaccine has reached 2.6%. Israel ranks first (59.1%) and is followed, in particular, by the United Kingdom (34.0%) and the United States (19.2%).

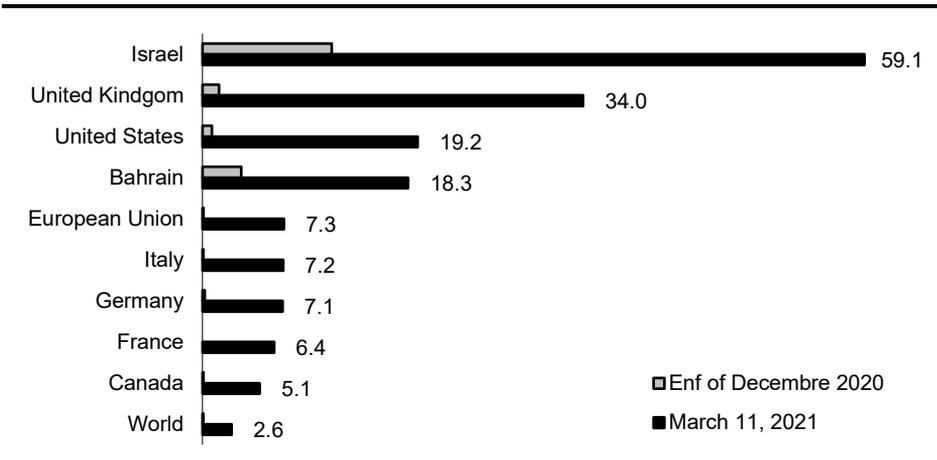
Many experts are expecting the speed of the vaccination campaign to pick up, in Canada for example, in the coming months, and some are anticipating a large-scale global rollout between the end of 2021 and 2022.

- Moreover, governments are ramping up their efforts with laboratories to obtain the vaccine doses needed to achieve herd immunity among the global population. According to the World Health Organization, herd immunity will be reached when a large share of the population has been vaccinated.

Concern started growing early in the year regarding the spread of new variants of the virus. How these variants respond to the vaccines will influence the economic outlook.

Share of the population having received at least one vaccine dose

(per cent, as at March 11, unless otherwise indicated)



Note: The most recent data date from March 6 for Canada and March 10 for the United Kingdom.

Sources: Our World in Data and Government of Canada.

❑ Major economies are expected to return to growth

In advanced economies, after a sharp contraction of 4.7% in 2020, real GDP is expected to grow by 4.3% in 2021 and 3.7% in 2022.

- Growth will be supported by the recovery plans implemented, particularly in the United States, Japan and Europe.
- An easing of the lockdown measures in a majority of countries as the vaccination campaign progresses will also foster the recovery of domestic demand.

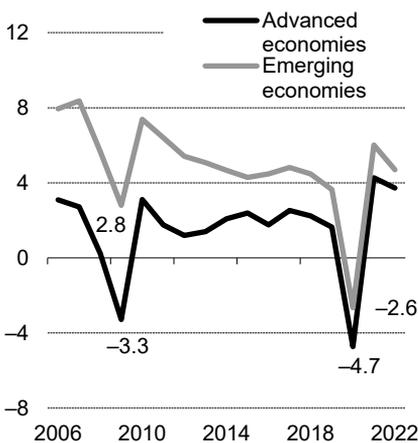
Emerging and developing economies are expected to grow by 6.0% in 2021 and 4.7% in 2022, after a contraction of 2.6% in 2020. However, according to the World Bank, the economic blow caused by the pandemic may have erased at least ten years of per capita income gains in more than a quarter of these economies last year.

- The strong performance of the Chinese economy as well as the rebound in the prices of oil, metals and other commodities will benefit countries producing those commodities.
- China is the only major economy to have avoided a contraction in GDP in 2020 (+2.3%). It was nevertheless its weakest growth since 1976.
- Growth in China is expected to accelerate to 8.2% in 2021 and stand at 5.5% in 2022. However, the strengthening of the economic recovery in 2021 will mainly depend on the budgetary policy, the performance of exports and the vigour of the labour market.

CHART G.40

Economic growth in advanced and emerging economies

(real GDP, percentage change, data based on purchasing power parity)

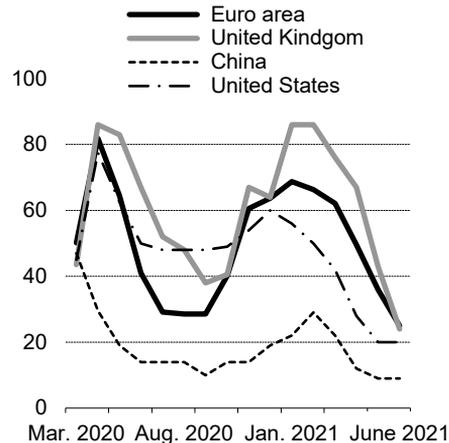


Sources: Statistics Canada, International Monetary Fund, IHS Markit, Bloomberg, Datastream, Eurostat and Ministère des Finances du Québec.

CHART G.41

Containment indexes as at March 10, 2021

(index, 0 indicating no restrictions and 100 indicating tight restrictions)



Source: IHS Markit.

The economy helped by government measures

Governments have introduced numerous emergency measures to finance the health sector and mitigate the economic impacts of the public health crisis. The International Monetary Fund (IMF) estimates that, at the end of December 2020, budgetary measures amounted to roughly US\$14.0 trillion globally (15.8% of global GDP).

- Measures were in the form of, on the one hand, additional spending or foregone revenue (US\$7.8 trillion) and, on the other hand, loans, guarantees and equity injections by the public sector (US\$6.0 trillion).
- They included unemployment benefits, wage subsidies, cash assistance for businesses, temporary tax cuts or deferrals as well as direct health spending, such as expenditures for vaccine and treatment research.
- The size and nature of the measures vary across countries. The strongest measures have been taken by advanced economies (US\$11.8 trillion).

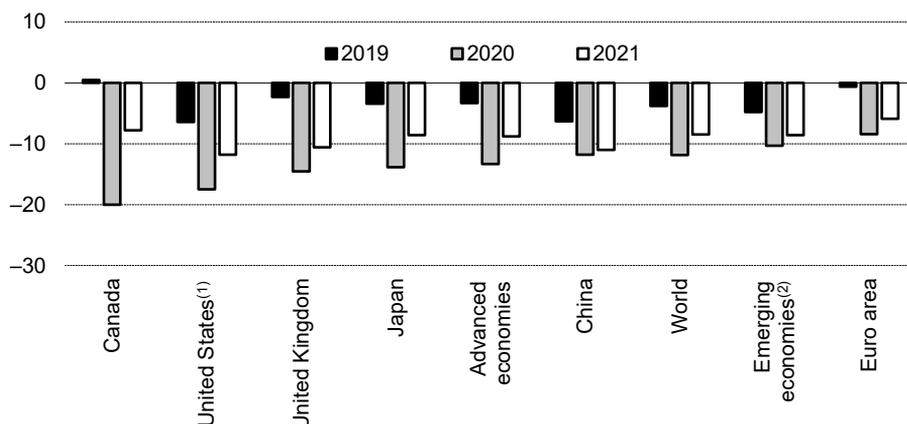
In addition to short-term support, certain countries have announced measures to restart their economy and support production capacities after the pandemic. Green investments and the digital transformation are among the measures announced by the European Union and the United Kingdom.

According to the IMF, revenues will rise and expenditures will decline automatically with the economic recovery.

- Despite the new measures announced by certain governments, the average budgetary deficit is expected to decrease worldwide to 8.5% of GDP in 2021, compared to a large deficit of 11.8% of GDP in 2020.
- Public debt is forecast to increase modestly, after reaching 97.6% of GDP in 2020, and then stabilize in the medium term. However, debt ratios will generally remain higher than their pre-pandemic levels.

Budgetary balance worldwide and in certain economies

(percentage of GDP)



(1) In the Fiscal Monitor report published in January, the IMF took into account the support provided in March and April to households, firms, and state and local governments, and the December 2020 federal fiscal stimulus package.

(2) The deficits of middle-income economies have also been taken into account.

Source: International Monetary Fund.

5. DEVELOPMENTS IN FINANCIAL MARKETS

□ Financial markets stimulated in expectation of a robust economic recovery

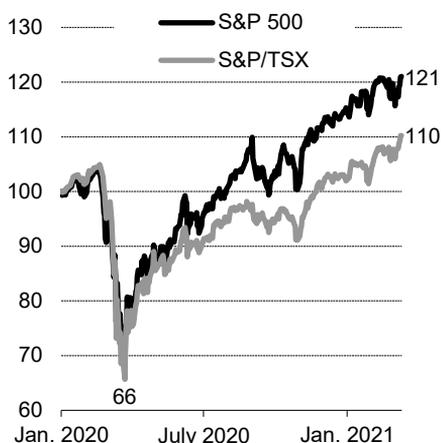
The sentiment on international financial markets has remained optimistic in recent months. The positive developments in relation to the COVID-19 vaccines as well as the economic recovery plans adopted or proposed by governments have buoyed investors' appetite for risk. Thus:

- the major North American market indexes have continued to climb and set new records in March;
- bond yields have increased significantly in the major advanced economies, particularly the United States and Canada;
- several currencies, including the Canadian dollar, have continued to appreciate against the U.S. dollar.

Furthermore, prices for commodities, particularly oil, have increased sharply due primarily to the expectations for a robust recovery of the global economic activity in the next few years.

CHART G.42

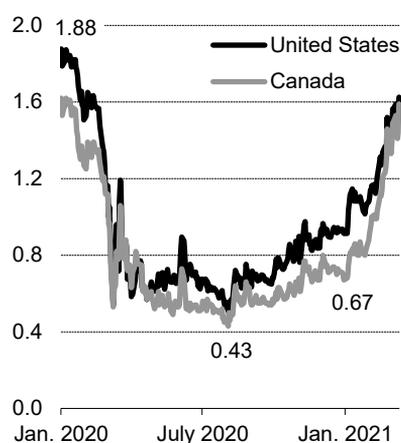
U.S. and Canadian stock markets (indexes, January 2, 2020 = 100)



Note: Most recent data as at March 12, 2021.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART G.43

Yield on 10-year federal bonds (per cent)



Note: Most recent data as at March 12, 2021.
Sources: Statistics Canada and Bloomberg.

❑ Federal Reserve: no key interest rate hike before 2023

In the United States, the key interest rate has been in the target range of 0.0%-0.25% since March 2020. The U.S. Federal Reserve reiterated in January that it will wait, in particular, for inflation to rise above 2% for some time before it starts to raise interest rates.

— In this context, a hike in the key interest rate is not expected in the United States before 2023.

Furthermore, the U.S. Federal Reserve is continuing its asset purchases, to the tune of at least US\$120 billion a month, to support the recovery. The Federal Reserve has indicated it will continue purchasing at this pace until there is a substantial improvement in the economic situation, in both the labour market and inflation.

❑ Bank of Canada: no policy interest rate change until 2023

Canada's policy interest rate has also remained unchanged at 0.25% since March 2020. The Bank of Canada has stated that it will keep the policy rate at the effective lower bound until the inflation target is sustainably achieved. It reiterated in March that this will not happen before 2023.

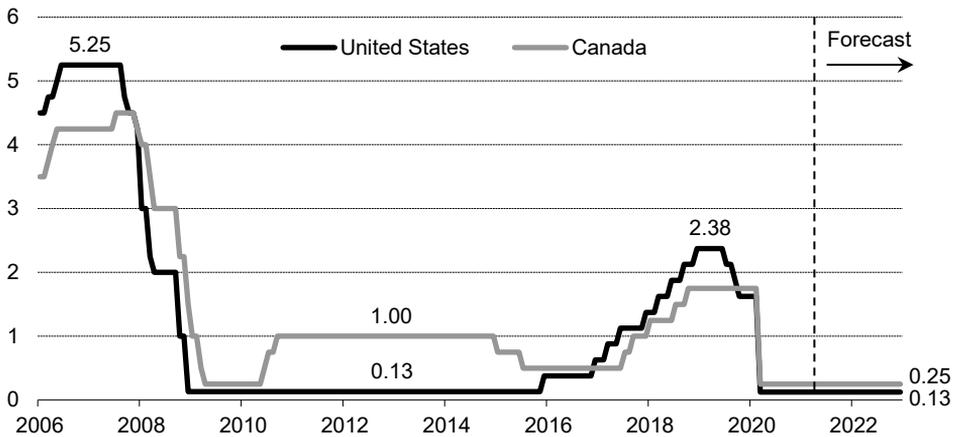
— The Bank of Canada is therefore expected not to change its policy interest rate until 2023.

The Bank of Canada is continuing its quantitative easing program, to the tune of at least \$4 billion per week. It will adjust its program as it continues to gain confidence in the strength of the recovery.

— The Bank of Canada is therefore expected to slow the pace of its purchases in 2021.

CHART G.44

Key interest rates in the United States and Canada (federal fund target rate⁽¹⁾ and overnight rate target, per cent)



(1) Midpoint of the target range.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

□ Bond yields continue to rise

Bond yields have been trending upward since November, with the trend getting stronger since the beginning of 2021, particularly in North America. In Canada, the yield on 10-year federal government bonds increased from 0.7% on average in November to 1.4% in March.

This increase reflects, on the one hand, a more favourable outlook for economic growth for the coming years, due, in particular, to the positive developments on the vaccination front over recent months.

— On the other hand, the large economic recovery plans adopted or proposed by governments, particularly the U.S. government, drove inflation expectations in the financial markets and supported long-term interest rates.

In the coming years, bond yields are expected to continue increasing gradually. Furthermore, a stronger-than-forecast economic recovery or a stronger positive impact of the adoption of recovery plans could lead to a faster increase in bond yields.

— However, the quantitative easing programs of the major central banks, the search for yield and the high level of uncertainty around the future economic situation are expected to continue driving demand for bonds, limiting the potential for increases in long-term yields.

□ The Canadian dollar close to 80 U.S. cents

The Canadian dollar has appreciated over the last few months, rising from 76 U.S. cents in November to close to 80 U.S. cents in March.

— This increase reflects in part the U.S. dollar's broad-based depreciation in connection with the global economic recovery. The sharp increase in commodity prices also supported the Canadian dollar over the past few months.

The Canadian currency is expected to remain strong over the coming months. After, the Canadian dollar is expected to stabilize at 80 U.S. cents.

TABLE G.10

Canadian financial markets

(average annual percentage rate, unless otherwise indicated, end-of-year data in brackets)

	2020	2021	2022
Overnight rate target	0.5 (0.3)	0.3 (0.3)	0.3 (0.3)
3-month Treasury bills	0.4 (0.1)	0.1 (0.2)	0.3 (0.4)
10-year bonds	0.7 (0.7)	1.4 (1.5)	1.6 (1.7)
Canadian dollar (in U.S. cents)	74.6 (78.6)	79.8 (80.9)	80.6 (80.0)
U.S. dollar (in Canadian dollars)	1.34 (1.27)	1.25 (1.24)	1.24 (1.25)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

Oil prices influenced by the evolution of the pandemic

Oil prices rose in recent months, as the average price of WTI oil stood at US\$64 per barrel in March, a record high since April 2019. The price of Western Canada Select oil stood, on average, at US\$52 per barrel in March, after having reached a record low of US\$7 in April 2020.

The increase in oil prices was driven primarily by:

- financial markets' optimism for a global economic recovery, the lifting of public health restrictions around the world and the positive developments around vaccines;
- continued efforts by the Organization of the Petroleum Exporting Countries (OPEC) and its partners to limit their production, and the reduction in global oil inventories.

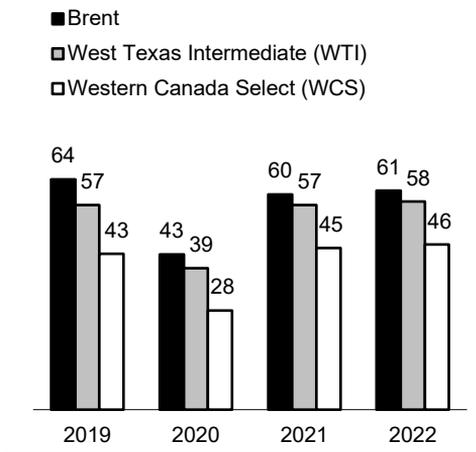
These factors will continue to influence oil prices over the next few months.

Furthermore, there is still considerable uncertainty regarding future prices. The continuation by several countries of restrictions on movement, possible delays in vaccination campaigns as well as the prospect of an adjustment in the global supply could limit the increase in oil prices.

CHART G.45

Brent, WTI and WCS oil prices

(U.S. dollars per barrel)

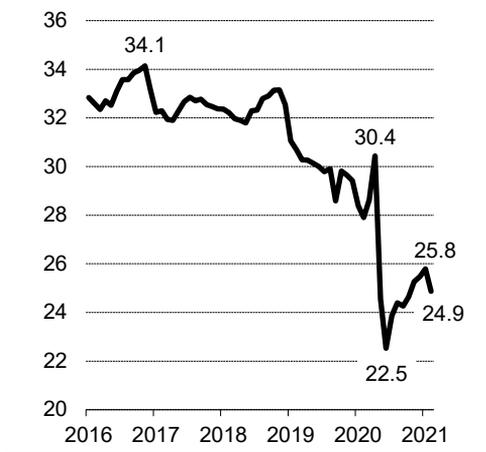


Sources: Bloomberg and Ministère des Finances du Québec.

CHART G.46

Oil production of OPEC member countries

(millions of barrels per day)



Source: Bloomberg.

6. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts in Québec's Budget 2021-2022 are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy.

- The pandemic represents the biggest source of uncertainty.
- Other risks can also impact the real estate sector and the financial markets, and could change the growth outlook.

□ **Progress with the vaccination campaign and the evolution of the pandemic**

The global outlook could be revised upward or downward as the pandemic evolves and in relation to progress with the vaccination campaign.

- An increase in variants, which would limit the vaccines' efficacy, is one of the risks.
 - Currently, the World Health Organization expects that the COVID-19 vaccines that are being developed or have been approved will provide a degree of protection against the new variants.
- Global economic growth could be weaker in the case of slower progress than forecast with the vaccination campaign, which began in December and is being conducted differently from one country to the next.
 - Greater difficulty in controlling the pandemic, due, for example, to the increase in variants, or a more pessimistic view of the situation, could trigger greater caution on the part of households and businesses. They could decide to postpone their consumption and investment expenditures.
- On the other hand, the efficient and widespread rollout of the vaccines earlier than forecast as well as increased confidence in the economic outlook represent positive developments for global growth.
 - Conditions would then be conducive to a renewal of household and business confidence.
 - This renewed confidence could result in a higher-than-forecast increase in consumption and investments. In particular, households might be quicker than expected to spend the savings accumulated during the pandemic. This additional increase in demand would support investments and economic growth.

❑ **More positive impacts than forecast of the economic recovery plans in the United States**

The U.S. Congress adopted a US\$1.9 trillion economic recovery plan in March. This stimulus package is on top of those adopted in the United States since the start of the pandemic.

— The positive impacts of the economic recovery plans could be greater than forecast if the public health measures are eased faster, which would lead to stronger growth in U.S. real GDP. Canada's and Québec's economies would also feel the positive effects of more vigorous growth in the United States.

❑ **Possible correction in real estate prices in Québec and Canada**

The current boom in the real estate market in Canada and Québec increases the risk of an overvaluation of prices in certain cities.

— The number of buyers remains high and the supply appears to be insufficient for absorbing the demand. This imbalance continues to apply pressure on prices, which are reaching record highs.

— The strength of this market is supporting economic growth.

— There could be a correction in real estate prices in reaction to an increase in mortgage rates or a demand that is running out of steam following the current buying wave. That could spur a faster slowdown than forecast in residential investment and curb economic growth as a result.

❑ **Potential disruptions in the financial and oil markets**

There has been a strong sentiment of optimism on the international financial markets since the start of the year. This has been reflected in the high equity market levels, sharp increase in bond yields, significant rise in the prices of oil and other commodities and the appreciation of several currencies against the U.S. dollar.

— A rapid and sudden change in investor perception about the future economic and financial situation could lead to disruptions in the financial markets. That could result in a loss of confidence in the economic recovery as well as a halt in the recovery.

6.1 Analysis of sensitivity to economic variables

Economic forecasts take into account certain components of uncertainty. If those components materialize, they can cause results to differ from the forecasts.

□ Sensitivity of Québec's GDP to external variables

The Québec economy is very open in terms of trade. Québec's economic variables are therefore influenced by many external factors.

— The most important of these factors are related to the economic activity of Québec's main trading partners, the United States and Canadian provinces.

■ Effects of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression³ model 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, according to the same model, 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 2017, exports to Ontario accounted for more than 58% of Québec's interprovincial exports. The estimated effects for Ontario and the United States are not cumulative.

TABLE G.11

Impact of external shocks on the growth rate of Québec's real GDP

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, Statistics Canada, Ontario Ministry of Finance, IHS Markit, Bloomberg and Ministère des Finances du Québec.

³ 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 H

QUÉBEC'S FINANCIAL SITUATION

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SUMMARY

In Budget 2021-2022, the government sets out its budgetary guidelines, reports on its efforts to overcome the public health crisis and presents its plan to return to the prosperity and growth that characterized Québec a year ago.

Budget 2021-2022 presents:

- measures totalling \$2.9 billion in 2020-2021 and \$5.2 billion in 2021-2022, aimed at:
 - strengthening our health care system,
 - supporting educational success and youth,
 - accelerating growth and the transition to the new economy,
 - supporting Quebecers,
 - ensuring fairness;
- a budgetary deficit of \$15.0 billion in 2020-2021 and \$12.3 billion in 2021-2022;
 - Use of the stabilization reserve reduces the 2020-2021 budgetary deficit to \$6.2 billion.
- stable funding for the government's main priorities:¹
 - spending on health care and social services will grow by 5.8% in 2021-2022 and 4.0% thereafter,
 - spending on education and higher education will grow by, respectively, 4.6% and 8.2% in 2021-2022, and 3.0% thereafter;
- a provision of \$1.3 billion for economic risks and other support and recovery measures in 2021-2022 and 2022-2023, \$750 million in 2023-2024 and \$500 million annually thereafter;
- the seven-year path to a balanced budget, that is, the elimination of a \$6.5-billion structural deficit in 2027-2028.
 - Offsetting measures for the budgetary deficit will be implemented once Québec returns to full employment.
 - The government wishes to suspend the effects of the *Balanced Budget Act* in order to gradually reduce the deficit without adversely affecting services to Quebecers and a sustainable recovery of economic growth.

1 Spending growth ensuring stable funding is established before taking into account support and recovery measures implemented to fight COVID-19.

1. QUÉBEC'S BUDGETARY SITUATION

In 2021-2022, the budgetary balance after deposits of dedicated revenues in the Generations Fund and recording of a provision for risks is a deficit of \$12.3 billion.

- Revenue stands at \$122.6 billion.
- Portfolio expenditures, or expenditures tied to the delivery of public services, total \$116.9 billion.²
- Debt service amounts to \$8.6 billion.
- Exceptional support and recovery measures implemented to fight COVID-19 amount to \$4.3 billion in additional spending.
- The change in the application of the accounting standard respecting transfer payments³ increases expenditure by \$732 million.
- A provision of \$1.3 billion is included in the financial framework to mitigate potential economic risks and fund additional support and recovery measures.
- Deposits of dedicated revenues in the Generations Fund total \$3.1 billion.

² Portfolio expenditures are expenditures before taking into account support and economic recovery measures implemented to fight COVID-19 and before the change in application of the accounting standard respecting transfer payments.

³ The impact of the change in the application of this standard to the government's financial statements as at March 31, 2021, is explained in the appendix to section I, "The Québec Government's Debt".

TABLE H.1

Québec's budget – March 2021
(millions of dollars)

	2021-2022
Revenue	
Own-source revenue	95 668
% change	6.3
Federal transfers	26 899
% change	-11.1
Total revenue	122 567
% change	1.9
Expenditure	
Portfolio expenditures	-116 858
% change	5.4
Debt service	-8 613
% change	12.4
Total expenditure	-125 471
% change	5.9
COVID-19 support and recovery measures	-4 284
Change in application of the accounting standard respecting transfer payments	-732
Provision for economic risks and other support and recovery measures	-1 250
SURPLUS (DEFICIT)	-9 170
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	-3 080
BUDGETARY BALANCE⁽¹⁾	-12 250

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

1.1 Recent developments in the budgetary situation

Since March 2020, the economic slowdown and the initiatives put in place to fight COVID-19 have led to significant unfavourable adjustments to the government's financial situation.

These unfavourable adjustments amount to \$15.0 billion in 2020-2021, \$12.3 billion in 2021-2022 and \$8.5 billion in 2022-2023.

Despite encouraging signs leading to positive adjustments to the economic and budgetary situation since November 2020, Québec's economy remains very uncertain due to the ongoing COVID-19 pandemic, forcing the government to implement additional initiatives to overcome the public health crisis and ensure a sustainable economic recovery.

TABLE H.2

Adjustments to the financial framework since March 2020

(millions of dollars)

	2020-2021	2021-2022	2022-2023
BUDGETARY BALANCE⁽¹⁾ – MARCH 2020	—	—	—
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	–3 659	–2 527	–1 364
– Other revenue	–719	–68	–222
Subtotal	–4 378	–2 595	–1 586
Revenue from government enterprises	–826	–457	–134
Subtotal – Own-source revenue	–5 204	–3 052	–1 720
Federal transfers	4 582	606	–371
Subtotal – Revenue	–622	–2 446	–2 091
Portfolio expenditures	545	–1 058	–901
Debt service	601	17	–317
Subtotal – Expenditure	1 146	–1 041	–1 218
Deposits of dedicated revenues in the Generations Fund	–285	–50	145
TOTAL ADJUSTMENTS RELATED TO THE ECONOMIC AND BUDGETARY SITUATION	239	–3 537	–3 164
JUNE AND NOVEMBER 2020 INITIATIVES⁽²⁾	–10 504	–1 427	–511
MARCH 2021 INITIATIVES			
Strengthening our health care system	–1 706	–2 915	–1 406
Supporting educational success and youth	–80	–521	–392
Accelerating growth and the transition to the new economy	–980	–1 509	–701
Supporting Quebecers	–87	–329	–226
Ensuring fairness	—	95	148
Subtotal	–2 853	–5 179	–2 576
TOTAL INITIATIVES	–13 357	–6 606	–3 087
Eliminating the shortfall to be offset planned in Budget 2020-2021 ⁽³⁾	—	–125	–250
Change in application of the accounting standard respecting transfer payments	–632	–732	–749
Provision for economic risks and other support and recovery measures	–1 250	–1 250	–1 250
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	–15 000	–12 250	–8 500
Use of the stabilization reserve ⁽⁴⁾	8 760	—	—
BUDGETARY BALANCE⁽¹⁾ – MARCH 2021	–6 240	–12 250	–8 500

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

(2) A recap of the June and November 2020 initiatives is presented in the box on page H.11.

(3) Elimination of the shortfall to be offset that was planned to ensure Budget 2020-2021 is balanced. The forecast shortfall to be offset is presented on page A.21 of Budget 2020-2021.

(4) The stabilization reserve is adjusted downward by \$3.2 billion due to the change in application of the accounting standard respecting transfer payments (see appendix to section I for details).

□ Adjustments related to the economic and budgetary situation

An upward adjustment of \$239 million in 2020-2021 and downward adjustments of \$3.5 billion and \$3.2 billion, respectively, in 2021-2022 and 2022-2023, are provided in the financial framework compared to March 2020. These adjustments are explained, in particular, by:

- a decrease in own-source revenue excluding revenue from government enterprises of \$4.4 billion in 2020-2021, \$2.6 billion in 2021-2022 and \$1.6 billion in 2022-2023;
 - This adjustment is explained primarily by the decrease in the tax bases for personal income tax, corporate taxes and the sales tax due to the impact of the public health crisis on level of economic activity.
- a decrease of \$826 million in revenue from government enterprises in 2020-2021, \$457 million in 2021-2022 and \$134 million in 2022-2023 due in particular to the temporary closure of Loto-Québec's casinos and gaming halls, as well as to the decrease in electricity sales in Québec and in Hydro-Québec's net exports;
- an increase in federal transfer revenues of \$4.6 billion and \$606 million in 2020-2021 and 2021-2022, respectively, followed by a shortfall of \$371 million in 2022-2023;
 - The upward adjustments in 2020-2021 and 2021-2022 stem, in particular, from the Safe Restart Agreement signed with the federal government, the agreement for essential workers and the addition of the COVID-19 Resilience Infrastructure Stream to the bilateral infrastructure program.
 - The downward adjustment in 2022-2023 is explained by lower equalization revenue due to a relative improvement in Québec's economic situation compared to the rest of Canada.
- a change in portfolio expenditures:⁴
 - a decrease of \$545 million in 2020-2021 mainly due to the slowdown in government activities since the beginning of the year in reaction to the crisis, the downward adjustment in spending in various bodies funded in part by revenues from duties, permits and other fees, and an adjustment to the pace of infrastructure projects,
 - an increase of \$1.1 billion in 2021-2022 and \$901 million in 2022-2023, explained, in particular, by an adjustment to the pace of certain infrastructure projects and compliance with the government's spending growth commitment;

⁴ Portfolio expenditures are expenditures before taking into account support and economic recovery measures implemented to fight COVID-19 and before the change in application of the accounting standard respecting transfer payments.

- a decrease of \$601 million in debt service in 2020-2021 and \$17 million in 2021-2022.
- Although the budgetary deficit forecast raises the debt level, the increase is more than offset by the drop in interest rates. For 2022-2023, debt service is adjusted upward by \$317 million mainly due to the increase in the debt level.

□ Budget 2021-2022 initiatives

In this budget, the government is providing initiatives of \$5.2 billion for 2021-2022, that is:

- \$2.9 billion to strengthen our health care system;
- \$521 million to support educational success and youth;
- \$1.5 billion to accelerate growth and the transition to the new economy;
- \$329 million to support Quebecers;
- \$95 million in revenue to ensure fairness.

The total cost of the initiatives since Budget 2020-2021 is \$13.4 billion in 2020-2021, \$6.6 billion in 2021-2022 and \$3.1 billion in 2022-2023.

Recap of June and November 2020 initiatives

In the November 2020 *Update on Québec's Economic and Financial Situation* and in the June 2020 *Québec's Economic and Financial Situation 2020-2021*, the government announced \$10.5 billion of investments in 2020-2021, \$1.4 billion in 2021-2022 and \$511 million in 2022-2023. The government used these investments to introduce initiatives for:

- strengthening our health care system and address the second wave of the COVID-19 pandemic;
- supporting Quebecers and our economy to better deal with the new reality of the labour market, lost income and access to certain services;
- restarting the economy through concrete actions aimed at accelerating infrastructure investments, promoting reintegration into the labour market, stimulating economic growth, ensuring a greener recovery and encouraging Québec and local production.

June and November 2020 initiatives

(millions of dollars)

	2020-2021 ⁽¹⁾	2021-2022	2022-2023
Strengthening our health care system	-4 861	—	—
Supporting Quebecers and our economy	-5 048	-449	-237
Restarting the economy	-595	-978	-274
TOTAL	-10 504	-1 427	-511

(1) The amount of the initiatives in 2020-2021 takes into account a \$10-million reassessment of the financial impact of certain measures.

❑ Other adjustments

The adjustments for 2021-2022 and 2022-2023 take into account the elimination of the shortfall to be offset that was planned to ensure Budget 2020-2021 is balanced.⁵

As well, Budget 2021-2022 takes into account the financial impact of the change in application of the accounting standard respecting transfer payments recommended by the Auditor General of Québec. This change leads to an increase in spending of \$632 million, \$732 million and \$749 million, respectively, in 2020-2021, 2021-2022 and 2022-2023.

The financial framework also contains a \$1.3 billion provision in 2020-2021, 2021-2022 and 2022-2023 to mitigate potential economic risks and to fund additional support and recovery measures.

— Although the fiscal year ends March 31, 2021, the provision planned for 2020-2021 covers the risks associated with the uncertainty concerning the upcoming monthly budget monitoring and factors that could arise between now and the publication of Public Accounts 2020-2021.

Lastly, the use of the entire stabilization reserve in 2020-2021 allows a reduction of the budgetary deficit to \$6.2 billion.

Change in application of the accounting standard respecting transfer payments

In order to comply with the recommendation made by the Auditor General of Québec, the government is changing the application of the accounting standard respecting transfer payments.

Budget 2021-2022 therefore includes the financial impact of this change in the government's budgetary framework.

An annual average financial impact of \$639 million has been built into the financial framework for 2020-2021 to 2025-2026 to reflect application of the revised standard. This concerns the construction projects of municipalities and charter universities in particular.

Note that these are not new expenditures but expenditures that, in line with the previous practice, were built into the financial framework over a much longer period. An equivalent drop in expenditures is forecast for the years after 2025-2026.

Additional information is presented in the appendix to section I, "The Québec Government's Debt."

⁵ The forecast shortfall to be offset is presented on page A.21 of Budget 2020-2021.

Adjustments to the financial framework since November 2020

The financial framework provides for maintaining the budgetary deficit of \$15.0 billion before use of the stabilization reserve in 2020-2021, as presented in the November 2020 *Update on Québec's Economic and Financial Situation*.

- The overall improvement in the economic and budgetary situation results in a favourable adjustment of \$735 million.
- Due to developments in the public health crisis, the government is funding \$2.9 billion of additional initiatives, and the change in application of the accounting standard respecting transfer payments results in a \$632-million increase in expenditure.
- These adjustments are offset by using \$2.8 billion of the provision for economic risks and other support and recovery measures.

Adjustments to the financial framework since November 2020

(millions of dollars)

	2020-2021
BUDGETARY BALANCE⁽¹⁾ – NOVEMBER 2020	-15 000
ECONOMIC AND BUDGETARY SITUATION	
Own-source revenue excluding revenue from government enterprises	1 238
Revenue from government enterprises	382
Federal transfers	-22
Portfolio expenditures	-410
Debt service	-92
Other	-361
TOTAL ADJUSTMENTS RELATED TO THE ECONOMIC AND BUDGETARY SITUATION	735
INITIATIVES	
Strengthening our health care system	-1 706
Supporting educational success and youth	-80
Accelerating growth and the transition to the new economy	-980
Supporting Quebecers	-87
Ensuring fairness	—
TOTAL MARCH 2021 INITIATIVES	-2 853
Change in application of the accounting standard respecting transfer payments	-632
Provision for economic risks and other support and recovery measures	2 750
BUDGETARY BALANCE⁽¹⁾ – MARCH 2021	-15 000

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before use of the stabilization reserve.

1.2 Detailed adjustments for 2020-2021

Budget 2021-2022 presents detailed adjustments in revenue and expenditure for 2020-2021 since March 2020.

The economic and budgetary situation leads to a \$239-million positive adjustment to the budgetary balance in 2020-2021.

Initiatives and other components of the financial framework, excluding use of the stabilization reserve, lead to unfavourable adjustments of \$15.2 billion for the same year. These adjustments are explained by:

- a \$371-million decrease in own-source revenue;
- an increase in portfolio expenditures of:
 - \$1.1 billion to implement new budgetary initiatives,
 - \$11.9 billion for exceptional support and recovery measures implemented to fight COVID-19,
 - \$632 million due to the change in application of the accounting standard respecting transfer payments;
- the recording of a \$1.3-billion provision for economic risks and other support and recovery measures.

Taking the sum of these adjustments into account, the budgetary balance is a deficit of \$15.0 billion in 2020-2021.

- When use of the \$8.8-billion stabilization reserve is included, the budgetary deficit is reduced to \$6.2 billion.

TABLE H.3

Adjustments to the 2020-2021 financial framework since March 2020
(millions of dollars)

	2020-2021				March 2021
	March 2020	Adjustments		Total	
		Economic and budgetary situation	Initiatives and other adjustments		
Own-source revenue					
Tax revenue	75 171	-3 659	-368	-4 027	71 144
Other revenue	15 618	-719	-3	-722	14 896
Subtotal	90 789	-4 378	-371	-4 749	86 040
Revenue from government enterprises	4 814	-826	—	-826	3 988
Total own-source revenue	95 603	-5 204	-371	-5 575	90 028
Federal transfers	25 692	4 582	—	4 582	30 274
Revenue	121 295	-622	-371	-993	120 302
Portfolio expenditures	-110 300	545	-1 066	-521	-110 821
Debt service	-8 266	601	—	601	-7 665
Expenditure	-118 566	1 146	-1 066	80	-118 486
COVID-19 support and recovery measures	—	—	-11 920	-11 920	-11 920
Change in application of the accounting standard respecting transfer payments	—	—	-632	-632	-632
Provision for economic risks and other support and recovery measures	—	—	-1 250	-1 250	-1 250
SURPLUS (DEFICIT)	2 729	524	-15 239	-14 715	-11 986
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	-2 729	-285	—	-285	-3 014
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	—	239	-15 239	-15 000	-15 000
Use of the stabilization reserve	—	—	8 760	8 760	8 760
BUDGETARY BALANCE⁽¹⁾	—	239	-6 479	-6 240	-6 240

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

❑ Own-source revenue excluding revenue from government enterprises

For 2020-2021, own-source revenue excluding revenue from government enterprises shows a downward adjustment of \$4.7 billion, to \$86.0 billion, compared to the March 2020 forecast.

— Hard-hit by the economic slowdown in Québec due to the COVID-19 pandemic, all sources of own-source revenue have been adjusted downward.

TABLE H.4

Adjustments in own-source revenue excluding revenue from government enterprises

(millions of dollars)

	2020-2021
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2020	90 789
Tax revenue	
Personal income tax	–219
Contributions for health services	–441
Corporate taxes	–545
School property tax	–183
Consumption taxes	–2 639
Subtotal	–4 027
Other revenue	
Duties and permits	–265
Miscellaneous revenue	–457
Subtotal	–722
Total adjustments	–4 749
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2021	86 040

(1) Own-source revenue excluding revenue from government enterprises.

■ Tax revenue

For 2020-2021, revenue from personal income tax is adjusted downward by \$219 million compared to the March 2020 forecast.

- This decrease is explained by the downward adjustment of salaries and wages by 4.5 percentage points compared to the March 2020 forecast.
- The impact of this adjustment is reduced by the additional taxes collected from individuals on income support measures, including the Canada Emergency Response Benefit (CERB).

Contributions for health services are adjusted downward by \$441 million for 2020-2021, reflecting weaker-than-expected growth in wages and salaries in 2020 in relation to the March 2020 forecast.

- The adjustment also takes into account the impact of the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave.

Revenue from corporate taxes is adjusted downward by \$545 million in 2020-2021 compared to the March 2020 forecast. This decrease stems from the downward adjustment of 4.2 percentage points in the net operating surplus of corporations in 2019 and 8.9 percentage points in 2020.

Revenue from the school property tax is adjusted downward by \$183 million in 2020-2021 compared to the March 2020 forecast. This adjustment is explained by the reduction in the tax rate following implementation of a single school tax rate on July 1, 2020.

Revenue from consumption taxes, which is derived mainly from the Québec sales tax, is adjusted downward by \$2.6 billion in 2020-2021.

- This adjustment is explained, in particular, by the -8.6% change in household consumption⁶ in 2020, or a downward adjustment of 11.9 percentage points compared to the March 2020 forecast, which is slightly offset by the upward adjustment of 3.7 percentage points to residential construction in 2020.

⁶ Household consumption excluding food expenditures and shelter.

■ Other revenue

Revenue from duties and permits is adjusted downward by \$265 million in 2020-2021 due, in particular, to the lower-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission (GHG) allowances (carbon market).

Miscellaneous revenue is adjusted downward by \$457 million in 2020-2021 due, in particular, to lower-than-expected revenue for certain non-budget-funded bodies and bodies in the health and social services and education networks. The adjustment is also explained by lower-than-expected interest revenue and revenue from the sale of goods and services by government departments.

□ Revenue from government enterprises

For 2020-2021, revenue from government enterprises is adjusted downward by \$826 million, to \$4.0 billion.

This decrease is explained primarily by the impact of COVID-19, in particular, on the results of:

- Loto-Québec, stemming from the temporary closure of lottery sales terminals, casinos, gaming halls and video lottery terminals;
- Hydro-Québec, due, in particular, to the decrease in the demand for electricity in Québec and in the value of net electricity exports.

This downward adjustment is partly offset by:

- exceptional growth in revenue from Investissement Québec stemming from an increase in the value of the securities in its portfolio due to the rapid stock market recovery;
- an increase in revenue from other government enterprises due mainly to the reclassification of the Electricity Discount Program for Consumers Billed at Rate L under expenditure rather than as a decrease in revenue.

TABLE H.5

Adjustments to revenue from government enterprises

(millions of dollars)

	2020-2021
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2020	4 814
Hydro-Québec	-621
Loto-Québec	-974
Société des alcools du Québec	-21
Investissement Québec	537
Société québécoise du cannabis ⁽¹⁾	10
Other ⁽²⁾	243
Total adjustments	-826
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2021	3 988

(1) Revenues are allocated to the Cannabis Sales Revenue Fund.

(2) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire and Capital Financière agricole.

□ Federal transfers

In 2020-2021, revenue from federal transfers stands at \$30.3 billion, or \$4.6 billion more than forecast in the 2020-2021 budget.

This upward adjustment is explained mainly by the revenue from other transfer programs, which was \$4.5 billion higher than expected.

— This higher revenue stems primarily from the safe restart (\$3 076 million), essential workers (\$661 million) and safe return to school (\$432 million over two years, including \$302 million in 2020-2021) agreements signed with the federal government for the implementation of measures to address the pandemic.

TABLE H.6

Adjustments to federal transfer revenues (millions of dollars)

	2020-2021
FEDERAL TRANSFERS – MARCH 2020	25 692
Equalization	—
Health transfers	31
Transfers for post-secondary education and other social programs	9
Other programs, including:	4 542
– <i>the Safe Restart Agreement</i>	3 076
– <i>the Essential Workers Support Fund</i>	661
– <i>the Safe Return to School Fund</i>	302
Total adjustments	4 582
FEDERAL TRANSFERS – MARCH 2021	30 274

□ Portfolio expenditures

For 2020-2021, portfolio expenditures before taking into account COVID-19 support and economic recovery measures and the change in application of the accounting standard respecting transfer payments, amount to \$110.8 billion, an upward adjustment of \$521 million compared to the March 2020 forecast.

The adjustment is mainly attributable to:

- new initiatives in Budget 2021-2022 that are not COVID-19 support and recovery measures, that is, \$660 million to connect all Quebecers to high-speed Internet and \$406 million for other initiatives;
- the slowdown in government activities and postponement of initiatives in the March 2020 budget, which amount to \$545 million, due to efforts deployed in response to the public health crisis.

When the \$11.9 billion in COVID-19 support and recovery measures are added, along with the \$632 million associated with the change to the application of the accounting standard respecting transfer payments, portfolio expenditures amount to \$123.4 billion.

TABLE H.7

Adjustments to portfolio expenditures

(millions of dollars)

	2020-2021
PORTFOLIO EXPENDITURES – MARCH 2020	110 300
Connecting all Quebecers to high-speed Internet	660
Other initiatives that are not COVID-19 support and recovery measures	406
Slowdown in government activities and postponement of initiatives due to the pandemic	-545
Total adjustments	521
PORTFOLIO EXPENDITURES – BEFORE COVID-19 SUPPORT AND RECOVERY MEASURES AND CHANGE IN APPLICATION OF THE STANDARD RESPECTING TRANSFER PAYMENTS	110 821
COVID-19 support and recovery measures	11 920
Change in application of the accounting standard respecting transfer payments	632
PORTFOLIO EXPENDITURES – MARCH 2021	123 373

❑ Debt service

For 2020-2021, debt service is adjusted downward by \$601 million, to \$7.7 billion.

- Interest on the direct debt is \$857 million lower as a result of historically low interest rates. The decrease in interest rates led, in particular, to gains on disposal of assets held by the Ministère des Finances. The downward adjustment in 2020-2021 due to these amounts stands at \$723 million.
- The \$256-million upward adjustment in interest on the liability for retirement plans and other employee future benefits stems from lower investment income from the Retirement Plans Sinking Fund (RPSF). The income of the RPSF is applied against debt service.⁷

TABLE H.8

Adjustments to debt service (millions of dollars)

	2020-2021
DEBT SERVICE – MARCH 2020	8 266
Interest on the direct debt ⁽¹⁾	–857
Interest on the liability for retirement plans and other employee future benefits ⁽²⁾	256
Total adjustments	–601
DEBT SERVICE – MARCH 2021	7 665

(1) Interest on the direct debt includes the income from 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. The forecast for this income may be adjusted upward or downward since it is closely tied to changes in interest rates.

(2) This correspond 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.

⁷ In 2019-2020, the RPSF posted a negative return of 2.92% due to the stock market decline in March 2020. However, a return above the expected long-term return is forecast for 2020-2021 because of the market rebound.

2. RETURN TO A BALANCED BUDGET

Despite encouraging signs, Québec's economy remains uncertain due to the ongoing pandemic. The priority remains managing the public health crisis and restarting the economy.

The government wants to ensure a sustainable economic recovery before implementing a plan to balance the budget.

— Consequently, offsetting measures for the budgetary deficit will be implemented once Québec returns to full employment.

The government wishes to suspend the effects of the *Balanced Budget Act* as of 2021-2022 in order to gradually reduce the deficit without hindering services to Quebecers or a sustainable recovery of economic growth.

— Legislative amendments will therefore be proposed to avoid setting in motion provisions that have different implications for Budget 2021-2022, such as obligations to:

- table a plan to restore fiscal balance;
- implement offsetting measures for overruns during the fiscal year covered by the budget.

Fiscal balance is expected to be restored by 2027-2028.

2.1 Preparing for a return to a balanced budget

The following principles will underpin the return to a balanced budget:

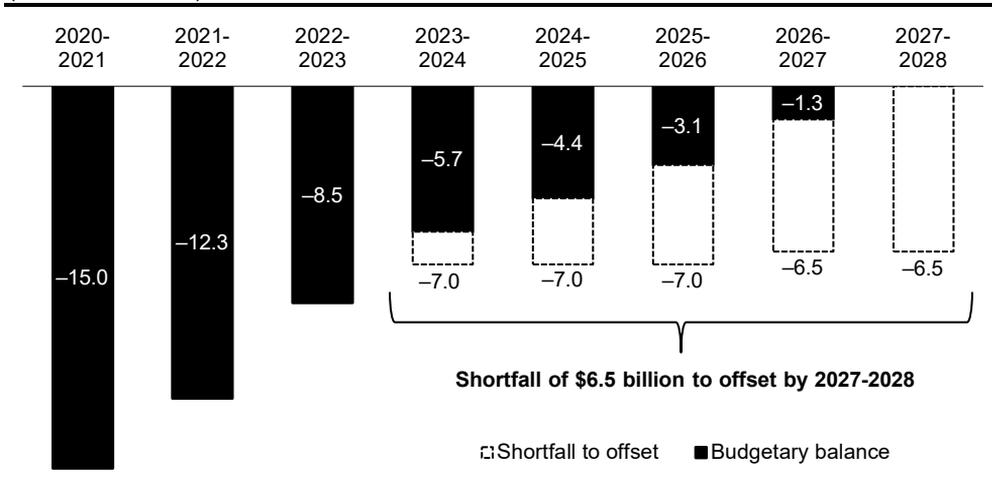
- the government's commitment not to increase the tax burden;
- growth in expenditure linked to growth in revenue;
- acceleration of economic growth;
- an increase in federal contributions for health care spending.⁸

The financial framework provides for a shortfall to be offset, illustrating the gains needed to restore fiscal balance in 2027-2028.

- A shortfall to be offset that will increase by \$1.3 billion per year for five years as of 2023-2024 is therefore planned to offset the structural shortfall between revenue and expenditure stemming from the current crisis.
- This shortfall represents an average annual difference of less than 1% of revenue or expenditure as of 2023-2024.

CHART H.1

Change in budgetary balance – Returning to a balanced budget (billions of dollars)



⁸ Québec is asking the federal government to increase the Canada Health Transfer to 35% of health care spending by provinces and territories. No revenue associated with this request was built into the financial framework. For additional information, see the budget paper entitled *Towards increased federal health funding: Increasing the Canada Health Transfer* published in conjunction with the 2021-2022 budget plan.

Uncertainty that could generate additional own-source revenue over the forecast period

Own-source revenue forecasts excluding revenue from government enterprises reflect as faithfully as possible the current economic situation and expected developments in the economy. However, these forecasts are clouded by uncertainty.

- In the coming quarters, revenue will depend on several factors, particularly the epidemiological situation and future recovery measures.

A more optimistic economic forecast scenario was developed by the Ministère des Finances to illustrate how forecasts are inherently uncertain. This scenario reflects a stronger economic recovery than the one forecast in the baseline scenario.¹

- Compared to the baseline scenario, nominal GDP growth would be 0.7 percentage points higher in 2021, and 1.1 percentage points higher in 2022.

According to the overall sensitivity analysis drawn up by the Ministère des Finances, a variation of 1 percentage point in nominal GDP has an impact of approximately \$800 million on own-source revenue.

- Consequently, an improvement in the economic outlook could facilitate the return to balanced public finances with additional revenues of \$560 million in 2021-2022 and \$1.4 billion per year as of 2022-2023.

Impact of an optimistic economic scenario on own-source revenue

(annual percentage change, unless otherwise indicated)

	2021- 2022	2022- 2023	2023- 2024
Nominal GDP⁽¹⁾			
Optimistic scenario	6.7	6.9	3.8
Baseline scenario	6.0	5.8	3.8
Difference	0.7	1.1	—
Impact on own-source revenue (\$million)⁽²⁾			
	560	1 440	1 440

Note: Own-source revenue excluding government enterprises.

(1) Nominal GDP in calendar years.

(2) Cumulative impact on own-source revenues.

¹ For more information, see page G.18 of the *Québec Budget Plan – March 2021*.

2.2 Multi-year financial framework

Budget 2021-2022 presents the outlook for Québec's revenue and expenditure until 2027-2028, outlook on which the path to a balanced budget is based.

□ Budgetary outlook

Revenue reaches \$122.6 billion in 2021-2022, an increase of 1.9%. Growth will be 3.2% in 2022-2023.

Expenditure increases by 5.9% in 2021-2022, to \$125.5 billion. Growth will be 2.5% in 2022-2023.

Deposits of dedicated revenues in the Generations Fund are \$3.1 billion in 2021-2022 and will reach \$3.2 billion in 2022-2023.

The financial framework provides for a \$1.3 billion provision for economic risks and other support and recovery measures in 2021-2022 and 2022-2023.

A budgetary deficit of \$12.3 billion is forecast for 2021-2022 and \$8.5 billion for 2022-2023.

— More specifically, for 2021-2022 and 2022-2023, initiatives since Budget 2020-2021 will amount to \$6.6 billion and \$3.1 billion, respectively.

In 2027-2028, the financial framework incorporates a \$6.5 billion shortfall to offset in order to balance the budget.

— A gradual reduction in the deficit is planned over the horizon of the financial framework by taking into account an increasing shortfall to be offset of \$1.3 billion per year for five years beginning in 2023-2024.

— The *Balanced Budget Act* will also be amended to enable the government to gradually eliminate the deficit and balance the budget in 2027-2028.

— A balanced budget, within the meaning of public accounts, excluding deposits of dedicated revenues in the Generations Fund and before taking into account the provision for economic risks and other support and recovery measures, will be achieved in 2024-2025.

TABLE H.9

Multi-year financial framework
 (billions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028
Revenue								
Personal income tax	35.2	35.9	37.3	38.9	40.4	42.0	43.7	45.3
Contributions for health services	6.5	6.8	7.0	7.1	7.3	7.5	7.7	7.8
Corporate taxes	8.0	8.0	8.5	8.3	8.8	9.1	9.6	9.9
School property tax	1.2	1.1	1.2	1.3	1.4	1.5	1.5	1.6
Consumption taxes	20.3	23.3	24.7	25.6	26.4	27.2	27.9	28.7
Duties and permits	4.4	4.9	4.7	4.9	4.9	5.1	5.2	5.3
Miscellaneous revenue	10.5	11.0	11.5	12.1	12.7	13.0	13.5	14.1
Government enterprises	4.0	4.7	5.4	5.8	5.9	5.8	6.1	6.3
Own-source revenue	90.0	95.7	100.3	104.1	107.8	111.2	115.1	119.0
% change	-1.9	6.3	4.8	3.8	3.6	3.1	3.6	3.3
Federal transfers	30.3	26.9	26.2	26.8	26.4	27.0	27.5	27.9
% change	20.0	-11.1	-2.8	2.4	-1.3	2.0	2.1	1.5
Total revenue	120.3	122.6	126.4	130.8	134.3	138.1	142.7	146.9
% change	2.8	1.9	3.2	3.5	2.6	2.9	3.3	3.0
Expenditure								
Portfolio expenditures	-110.8	-116.9	-119.6	-123.8	-126.6	-130.5	-134.9	-139.2
% change	4.1	5.4	2.3	3.5	2.3	3.1	3.4	3.2
Debt service	-7.7	-8.6	-9.0	-9.0	-9.4	-9.3	-9.1	-9.2
% change	-0.1	12.4	4.5	-0.1	4.8	-1.3	-2.2	1.3
Total expenditure	-118.5	-125.5	-128.6	-132.7	-136.0	-139.8	-144.0	-148.4
% change	3.9	5.9	2.5	3.3	2.5	2.8	3.0	3.1
COVID-19 support and recovery measures	-11.9	-4.3	-1.2	-0.1	—	—	—	—
Change in application of the accounting standard respecting transfer payments	-0.6	-0.7	-0.7	-0.5	-0.6	-0.6	-0.1	0.4
Provision for economic risks and other support and recovery measures	-1.3	-1.3	-1.3	-0.8	-0.5	-0.5	-0.5	-0.5
Shortfall to be offset	—	—	—	1.3	2.6	3.9	5.2	6.5
SURPLUS (DEFICIT)	-12.0	-9.2	-5.3	-1.9	-0.3	1.1	3.2	4.9
BALANCED BUDGET ACT								
Deposits of dedicated revenues in the Generations Fund	-3.0	-3.1	-3.2	-3.8	-4.1	-4.2	-4.5	-4.9
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE								
	-15.0	-12.3	-8.5	-5.7	-4.4	-3.1	-1.3	—
Use of the stabilization reserve	8.8	—	—	—	—	—	—	—
BUDGETARY BALANCE⁽¹⁾	-6.2	-12.3	-8.5	-5.7	-4.4	-3.1	-1.3	—

Notes: The data as of 2026-2027 are projections as opposed to forecasts.

Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

☐ 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 stood at \$8.8 billion.⁹ It will be used in its entirety in 2020-2021 to reduce the budgetary deficit within the meaning of the *Balanced Budget Act*.

TABLE H.10

Stabilization reserve

(millions of dollars)

Fiscal year	Opening balance	Allocations	Uses	Balance, end of year
2015-2016	—	2 003	—	2 003
2016-2017	2 003	2 146	—	4 149
2017-2018	4 149	721	—	4 870
2018-2019	4 870	4 413	—	9 283
2019-2020	9 283	—	-523	8 760
2020-2021	8 760	—	-8 760	—

Stabilization reserve

The stabilization reserve facilitates the government's multi-year budget planning since it can be used if the budgetary balance is 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, as generated surpluses are used to reduce the debt. In other words, the stabilization reserve is not money in the bank.

In 2020-2021, the government is using the stabilization reserve to reduce the budgetary deficit within the meaning of the *Balanced Budget Act*. Accordingly, using the reserve increases the debt.

⁹ The stabilization reserve is adjusted downward by \$3.2 billion due to the change in application of the standard respecting transfer payments. The appendix to section I, "The Québec Government's Debt", details the impact of this change in application to the government's financial statements.

3. REVENUE AND EXPENDITURE FORECASTS

Budget 2021-2022 presents the detailed change in revenue and expenditure, that is, the three-year outlook for 2020-2021 to 2022-2023.

TABLE H.11

Change in revenue and expenditure (millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Revenue				
Own-source revenue excluding revenue from government enterprises	86 040	91 010	94 887	
% change	-1.5	5.8	4.3	2.8
Revenue from government enterprises	3 988	4 658	5 401	
% change	-9.8	16.8	16.0	6.9
Federal transfers	30 274	26 899	26 158	
% change	20.0	-11.1	-2.8	1.2
Total revenue	120 302	122 567	126 446	
% change	2.8	1.9	3.2	2.6
Expenditure				
Portfolio expenditures	-110 821	-116 858	-119 560	
% change	4.1	5.4	2.3	4.0
Debt service	-7 665	-8 613	-9 000	
% change	-0.1	12.4	4.5	5.4
Total expenditure	-118 486	-125 471	-128 560	
% change	3.9	5.9	2.5	4.1
COVID-19 support and recovery measures	-11 920	-4 284	-1 179	
Change in application of the accounting standard respecting transfer payments	-632	-732	-749	
Provision for economic risks and other support and recovery measures	-1 250	-1 250	-1 250	
SURPLUS (DEFICIT)	-11 986	-9 170	-5 292	
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund	-3 014	-3 080	-3 208	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-15 000	-12 250	-8 500	
Use of the stabilization reserve	8 760	—	—	
BUDGETARY BALANCE⁽²⁾	-6 240	-12 250	-8 500	

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

3.1 Change in revenue

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

Revenue totals \$120.3 billion in 2020-2021, or \$90.0 billion in own-source revenue, and \$30.3 billion from federal transfers.

Revenue will stand at \$122.6 billion in 2021-2022 and \$126.4 billion in 2022-2023, an increase of 1.9% and 3.2%, respectively.

TABLE H.12

Change in revenue

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	86 040	91 010	94 887	
<i>% change</i>	-1.5	5.8	4.3	2.8
Revenue from government enterprises	3 988	4 658	5 401	
<i>% change</i>	-9.8	16.8	16.0	6.9
Subtotal	90 028	95 668	100 288	
<i>% change</i>	-1.9	6.3	4.8	3.0
Federal transfers	30 274	26 899	26 158	
<i>% change</i>	20.0	-11.1	-2.8	1.2
TOTAL	120 302	122 567	126 446	
<i>% change</i>	2.8	1.9	3.2	2.6

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

3.1.1 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 will reach \$86.0 billion in 2020-2021, \$91.0 billion in 2021-2022 and \$94.9 billion in 2022-2023, or a change of -1.5%, 5.8% and 4.3%, respectively. These changes reflect essentially the impact of the public health crisis on economic activity and the impact of the fiscal measures announced and implemented.

TABLE H.13

Change in own-source revenue excluding revenue from government enterprises – Summary

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Tax revenue	71 144	75 168	78 698	
<i>% change</i>	-1.0	5.7	4.7	3.1
Other revenue	14 896	15 842	16 189	
<i>% change</i>	-3.9	6.4	2.2	1.5
TOTAL	86 040	91 010	94 887	
<i>% change</i>	-1.5	5.8	4.3	2.8

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

□ Tax revenue

Personal income tax, the government's largest revenue source, will amount to \$35.2 billion in 2020-2021, \$35.9 billion in 2021-2022 and \$37.3 billion in 2022-2023, an increase of 4.1%, 2.0% and 3.9%, respectively.

— This growth reflects, in particular, the growth of household income, including wages and salaries, and takes into account all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system.

— The 4.1% growth in personal income tax in 2020-2021 takes into account not only the 0.3% growth in wages and salaries in 2020 but also the additional tax collected from individuals on income support measures.¹⁰

— It also takes into account the non-recurrence in 2021-2022, of approximately \$1.6 billion in additional taxes collected from individuals on income support measures in 2020-2021.

Contributions for health services will stand at \$6.5 billion in 2020-2021, \$6.8 billion in 2021-2022 and \$7.0 billion in 2022-2023, a change of -1.0%, 5.3% and 2.9%, respectively.

— These figures reflect the fact that wages and salaries are expected to grow by 0.3% in 2020, 6.0% in 2021 and 3.5% in 2022.

— They also take into account the impact, in 2020-2021, of the tax credit in respect of employer contributions to the Health Services Fund for employees on paid leave.

Revenue from corporate taxes will reach \$8.0 billion in 2020-2021 and 2021-2022, and \$8.5 billion in 2022-2023, a change of -7.2%, 0.4% and 6.0%, respectively.

— These figures reflect the projected change in the net operating surplus of corporations, which stands at -5.3% in 2020, 2.2% in 2021 and -3.8% in 2022.

— 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*, and the reduction of the tax rate for SMBs effective the day after the Budget Speech, announced in this budget.

¹⁰ These measures include the Canada Emergency Response Benefit, the Canada Recovery Benefit, the Canada Recovery Sickness Benefit and the Canada Recovery Caregiving Benefit.

Revenue from the school property tax will stand at \$1.2 billion in 2020-2021, \$1.1 billion in 2021-2022 and \$1.2 billion in 2022-2023, a change of -24.2%, -4.5% and 8.5%, respectively. These figures are explained mainly by the impact of the tax rate reduction resulting from the implementation of a single school tax rate on July 1, 2020.

— It also takes into account the increase in the number of students and the anticipated increase in the cost of services funded by the school property tax, whose impact is more pronounced in 2022-2023 because of the full implementation of the rate reductions and the single tax rate the previous year.

Revenue from consumption taxes revenue will reach \$20.3 billion in 2020-2021, \$23.3 billion in 2021-2022 and \$24.7 billion in 2022-2023, a change of -4.8%, 14.8% and 5.8%, respectively.

— These figures reflect, in particular, the anticipated decline of 8.6% in household consumption¹¹ in 2020, followed by an increase of 8.3% and 7.4%, respectively, in 2021 and 2022.

— They also reflect the projected growth in residential construction of 7.8% in 2020, 10.6% in 2021 and 3.2% in 2022.

— Lastly, they take into account the harmonization of the QST regime with GST/HST regime following the federal announcements on November 30, 2020,¹² regarding fulfillment warehouses and short-term accommodations which will take effect as of July 1, 2021.

¹¹ Household consumption excluding food expenditures and shelter.

¹² For more information, see page B.4 of *Additional Information 2021-2022*.

TABLE H.14

Change in own-source revenue excluding revenue from government enterprises

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Tax revenue				
Personal income tax	35 216	35 921	37 338	
% change	4.1	2.0	3.9	3.4
Contributions for health services	6 455	6 796	6 990	
% change	-1.0	5.3	2.9	2.3
Corporate taxes	7 985	8 013	8 494	
% change	-7.2	0.4	6.0	-0.4
School property tax	1 166	1 113	1 208	
% change	-24.2	-4.5	8.5	-7.8
Consumption taxes	20 322	23 325	24 668	
% change	-4.8	14.8	5.8	4.9
Subtotal	71 144	75 168	78 698	
% change	-1.0	5.7	4.7	3.1
Other revenue				
Duties and permits	4 378	4 853	4 707	
% change	-3.5	10.8	-3.0	1.2
Miscellaneous revenue	10 518	10 989	11 482	
% change	-4.1	4.5	4.5	1.6
Subtotal	14 896	15 842	16 189	
% change	-3.9	6.4	2.2	1.5
TOTAL	86 040	91 010	94 887	
% change	-1.5	5.8	4.3	2.8

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

□ Other revenue

Revenue from duties and permits will reach \$4.4 billion in 2020-2021, \$4.9 billion in 2021-2022 and \$4.7 billion in 2022-2023, a change of -3.5%, 10.8% and -3.0%, respectively.

— This change is explained, in particular, by the anticipated change in revenue from the auction of greenhouse gas (GHG) allowances¹³ and revenue from natural resources.

Miscellaneous revenue will stand at \$10.5 billion in 2020-2021, \$11.0 billion in 2021-2022 and \$11.5 billion in 2022-2023, a change of -4.1% for the first year and 4.5% for each of the following two years.

— These figures stem mainly from the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

— The downward change in the revenue of the health and social services network can be attributed to, in particular, revenue from parking, whose fees have been adjusted downward, and cafeteria revenue.

— The downward change in the revenue of the education network is influenced by, among other things, tuition fees revenue, the change in clientele, and user revenue.

¹³ After declining by 34.2% in 2020-2021 due, in particular, to the public health crisis, revenue from the sale of GHG allowances should increase significantly in 2021-2022 given that units not sold during the May and August 2020 auctions will be put back up for sale.

❑ Changes in line with those in the economy

Growth in own-source revenue excluding revenue from government enterprises generally reflects changes in Québec's economic activity and the impact of measures introduced by the government.

Own-source revenue is expected to decrease by 1.5% in 2020-2021 and increase by 5.8% in 2021-2022.

— This change is largely due to the economic slowdown in 2020-2021 caused by the COVID-19 pandemic and to the rebound expected in 2021-2022.

— It is also attributable to the various initiatives implemented in recent years, in particular those to accelerate depreciation as a means of incentivizing businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

— Lastly, it stems from the impact of the federal COVID-19 income support benefit on revenue, which contributed, in particular, to mitigate the decrease in revenue in 2020-2021.

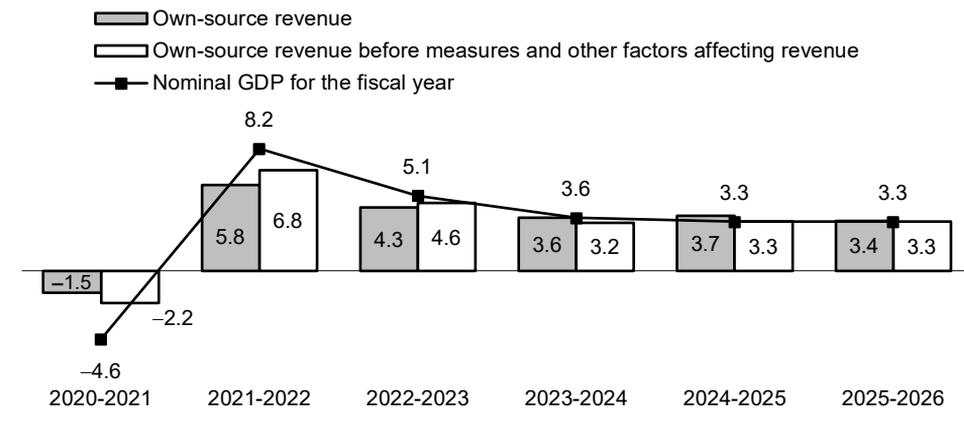
Had it not been for the measures put in place, the change in revenue would be -2.2% and 6.8%, respectively, for 2020-2021 and 2021-2022, which is more in line with the change in Québec's economic activity.

— Over the forecast period, own-source revenue growth will keep pace with economic growth.

CHART H.2

Changes in own-source revenue excluding revenue from government enterprises

(per cent)



Revenue growth in line with economic growth

The following table shows the growth in own-source revenue before and after the adjustment of measures and other factors affecting revenue growth. Excluding the measures implemented by the government, the growth in own-source revenue amounts to -2.2% in 2020-2021 and 6.8% in 2021-2022, growth that is close to that of nominal GDP, which stands at -4.6% in 2020-2021 and 8.2% in 2021-2022. Over the forecast period, own-source revenue will follow the same growth rate as nominal GDP.

Growth in own-source revenue excluding revenue from government enterprises – 2020-2021 to 2025-2026

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Own-source revenue	90 028	95 668	100 288	104 057	107 816	111 172
% change	-1.9	6.3	4.8	3.8	3.6	3.1
Less: Government enterprises	3 988	4 658	5 401	5 763	5 883	5 803
Own-source revenue excluding revenue from government enterprises	86 040	91 010	94 887	98 294	101 933	105 369
% change	-1.5	5.8	4.3	3.6	3.7	3.4
Measures and other factors affecting revenue growth⁽¹⁾						
Budget 2021-2022	-29	47	48	268	620	414
Fall 2020 update	-30	—	—	—	—	—
June 2020 snapshot	-312	-186	-134	-83	-37	6
Budget 2020-2021	-183	-252	-266	-224	-251	-251
Fall 2019 update	-99	-75	-87	-100	-114	-113
Budget 2019-2020	-381	-377	-374	-369	-369	-369
Fall 2018 update	-544	-344	-287	-252	-61	1
Previous budgets and other ⁽²⁾	589	-743	-1 212	-1 247	-1 463	-1 343
Subtotal	-989	-1 930	-2 312	-2 007	-1 675	-1 654
Own-source revenue excluding revenue from government enterprises before measures	87 029	92 940	97 199	100 301	103 608	107 023
% change	-2.2	6.8	4.6	3.2	3.3	3.3
Growth in nominal GDP	-4.6	8.2	5.1	3.6	3.3	3.3

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, measures in the budgets and fall updates since March 2017, revenues from the carbon market, the elimination of restrictions on input tax refunds for large businesses, investment income of the Generations Fund, the tax holiday for large-scale investment projects and additional taxes collected from individuals on income support measures in response to the public health crisis.

3.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. The revenue from government enterprises is essentially the same as their net results.

Revenue from government enterprises will amount to \$4.0 billion in 2020-2021, down 9.8%, \$4.7 billion in 2021-2022, up 16.8%, and \$5.4 billion in 2022-2023, up 16.0%.

TABLE H.15

Change in revenue from government enterprises

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Hydro-Québec	1 654	2 125	2 450	
Loto-Québec	398	1 061	1 422	
Société des alcools du Québec	1 201	1 282	1 315	
Investissement Québec	668	92	96	
Société québécoise du cannabis ⁽²⁾	60	88	105	
Other ⁽³⁾	7	10	13	
TOTAL	3 988	4 658	5 401	
% change	-9.8	16.8	16.0	6.9

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) Revenue allocated to the Cannabis Sales Revenue Fund.

(3) The government's other enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and, as of 2021-2022, Société du parc industriel et portuaire de Bécancour.

The 9.8% decrease in 2020-2021 is explained mainly by:

- the decrease in the expected results of Loto-Québec following the temporary closure of lottery sales terminals, casinos, gaming halls and video lottery terminals;
- the decrease in the expected results of Hydro-Québec due to lower demand for electricity by Québec businesses and in the value of net exports of electricity.
 - These decreases are partially offset by an exceptional increase in revenue from Investissement Québec stemming from an increase in the value of the securities in its portfolio due to the rapid stock market recovery.

The 16.8% growth in 2021-2022 and 16,0% in 2022-2023 primarily reflects a gradual return of the expected results to normal following exceptional declines as a result of COVID-19 in 2020-2021. It includes an expected increase in the results of:

- Loto-Québec, attributable to a gradual reopening of its facilities with the required physical distancing measures;
- Hydro-Québec, reflecting increased consumption in Québec;
 - These increases are partially offset by the non-recurrence of exceptional revenues from Investissement-Québec in 2020-2021 stemming from an increase in the value of the securities in its portfolio due to the stock market's rapid recovery.

3.1.3 Federal transfers

Revenues from federal transfers consist of federal government payments made to Québec under the *Federal-Provincial Fiscal Arrangements Act* plus revenues from other programs stemming from bilateral agreements.

These revenues consist primarily of equalization payments and revenues from the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

In 2020-2021, revenues from federal transfers rose a sharp 20.0% mainly due to the safe restart (\$3 076 million), essential workers (\$661 million), and safe return to school (\$432 million over two years, including \$302 million in 2020-2021) agreements signed with the federal government for the implementation of pandemic response measures.

Revenues from federal transfers will decline 11.1% in 2021-2022 owing to the non-recurrence of funding stemming from agreements signed with the federal government in connection with the pandemic. They will also decrease in 2022-2023 due to an anticipated decline in equalization revenue.

The decrease in equalization revenue in 2021-2022 and 2022-2023 will reduce Québec's share of the equalization envelope from 66.2% in 2019-2020 to 58.8% in 2022-2023. This decrease is explained by an improvement in Québec's economic situation compared to the rest of Canada.

TABLE H.16

Changes in federal transfers

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Equalization	13 253	13 119	12 676	
% change	1.0	-1.0	-3.4	-1.2
Health transfers	6 799	7 025	7 121	
% change	2.8	3.3	1.4	2.5
Transfers for post-secondary education and other social programs	1 590	1 632	1 666	
% change	3.1	2.6	2.1	2.6
Other programs	8 632	5 123	4 695	
% change	118.8	-40.7	-8.4	6.0
TOTAL	30 274	26 899	26 158	
% change	20.0	-11.1	-2.8	1.2

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

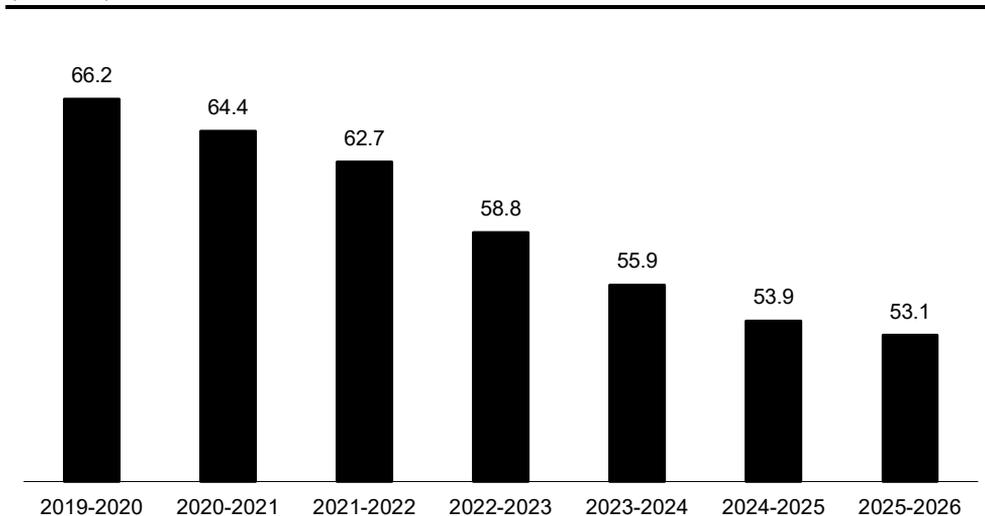
❑ A decline in Québec's share of the equalization envelope

Québec's share in the equalization envelope has been declining since 2020-2021. This trend will continue in the years ahead due to the expected improvement in Québec's economic situation in relation to the rest of Canada.

Québec's share of the equalization envelope, which was 66.2% in 2019-2020, will decrease to 53.1% in 2025-2026.

CHART H.3

Anticipated change in Québec's share of the equalization envelope⁽¹⁾ (per cent)



(1) A smoothing mechanism is applied to determine equalization payments. For example, the equalization payments for the provinces for 2021-2022 are based on data for the years 2017-2018 (25%), 2018-2019 (25%) and 2019-2020 (50%).

Sources: Department of Finance Canada and Ministère des Finances du Québec.

Québec is the recipient province that receives the least equalization per capita

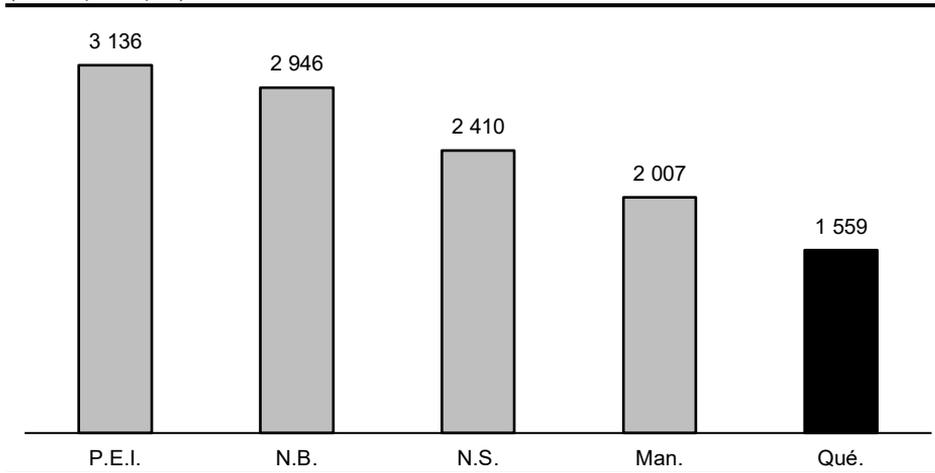
The provinces do not all have the same fiscal capacity, in other words, they do not all have the same ability to generate revenue.

Provinces whose fiscal capacity, in dollars per capita, is below the average of the 10 provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the 10 provinces so that they can provide public services.¹

In 2021-2022, the following five provinces will receive equalization payments: Manitoba, Québec, New Brunswick, Nova Scotia and Prince Edward Island. Québec is the recipient province that receives the least equalization per capita (\$1 559 per capita).

Provincial equalization payments – 2021-2022

(dollars per capita)



Source: Department of Finance Canada.

¹ The provinces' fiscal capacity is assessed on the basis of five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

3.2 Change in expenditure

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

Expenditure totals \$118.5 billion in 2020-2021, or \$110.8 billion in portfolio expenditures¹⁴ and \$7.7 billion in debt service.

Expenditure excluding COVID-19 support and recovery measures will amount to \$125.5 billion in 2021-2022 and \$128.6 billion in 2022-2023.

Expenditure will grow by 3.9% in 2020-2021, 5.9% in 2021-2022 and 2.5% in 2022-2023.

— The 5.9% growth in 2021-2022 is due to the 5.4% increase in portfolio expenditures resulting from implementation of this budget's initiatives and to the 12.4% increase in debt service caused by growth in the debt.

From 2020-2021 to 2022-2023, expenditure will grow by an average of 4.1% per year.

TABLE H.17

Change in expenditure

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Portfolio expenditures	110 821	116 858	119 560	
<i>% change</i>	4.1	5.4	2.3	4.0
Debt service	7 665	8 613	9 000	
<i>% change</i>	-0.1	12.4	4.5	5.4
TOTAL⁽²⁾	118 486	125 471	128 560	
<i>% change</i>	3.9	5.9	2.5	4.1

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) COVID-19 support and recovery measures are not included in total expenditure. Portfolio expenditures before and after COVID-19 support and recovery measures are presented on pages H.44 and H.45.

¹⁴ Portfolio expenditures are expenditures before taking into account support and recovery measures implemented to fight COVID-19 and the change in application of the accounting standard respecting transfer payments.

3.2.1 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.

Before taking into account the COVID-19 support and recovery measures and the change in application of the accounting standard respecting transfer payments, portfolio expenditures will amount to \$110.8 billion in 2020-2021, \$116.9 billion in 2021-2022 and \$119.6 billion in 2022-2023.

From 2020-2021 to 2022-2023, portfolio expenditures will grow by an average of 4.0% per year.

Support and recovery measures will amount to \$11.9 billion in 2020-2021, \$4.3 billion in 2021-2022 and \$1.2 billion in 2022-2023.

TABLE H.18

Change in expenditure by departmental portfolio

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Santé et Services sociaux	47 202	49 947	51 938	
% change	5.7	5.8	4.0	5.2
Éducation	17 284	18 077	18 611	
% change	7.5	4.6	3.0	5.0
Enseignement supérieur	8 556	9 261	9 536	
% change	2.9	8.2 ⁽²⁾	3.0	4.7
Other portfolios ⁽³⁾	37 779	39 573	39 475	
% change	1.2	4.7	-0.2	1.9
Subtotal – Before COVID-19 support and recovery measures	110 821	116 858	119 560	
% change	4.1	5.4	2.3	4.0
COVID-19 support and recovery measures	11 920	4 284	1 179	
Change in application of the accounting standard respecting transfer payments	632	732	749	
TOTAL	123 373	121 874	121 488	
% change	15.1	-1.2	-0.3	4.3

Note: Totals may not add due to rounding.

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) The growth is mainly due to planned expenditures not incurred in 2020-2021 and an increase in infrastructure projects in 2021-2022.

(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios. In 2022-023, the 0.2% decrease is explained mainly by the non-recurrence of \$595 million of investments in 2021-2022 to connect all Quebecers to high-speed Internet.

Portfolio expenditures including support and recovery measures

The arrival of the pandemic in Québec required that exceptional measures be put in place to strengthen the health care system, accelerate growth and the transition to the new economy, and support Quebecers. The year 2020-2021 is characterized by a sharp increase in government spending. Spending in subsequent years will be lower as the programs implemented to deal with the public health crisis will come to an end.

Including the COVID-19 support and recovery measures, portfolio expenditures will amount to \$122.7 billion in 2020-2021, \$121.1 billion in 2021-2022 and \$120.7 billion in 2022-2023.

– From 2020-2021 to 2022-2023, portfolio expenditures will grow by an average of 4.2% per year.

Change in expenditure by departmental portfolio – After COVID-19 support and recovery measures

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Santé et Services sociaux	53 782	52 358	52 488	
<i>% change</i>	20.0	-2.6 ⁽²⁾	0.2	5.4
Éducation	17 624	18 312	18 715	
<i>% change</i>	9.6	3.9	2.2	5.2
Enseignement supérieur	8 749	9 491	9 536	
<i>% change</i>	5.2	8.5	0.5	4.7
Other portfolios ⁽³⁾	42 586	40 981	40 000	
<i>% change</i>	13.7	-3.8	-2.4	2.2
Subtotal – Before change in application of the accounting standard respecting transfer payments	122 741	121 142	120 739	
<i>% change</i>	15.0	-1.3	-0.3	4.2
Change in application of the accounting standard respecting transfer payments	632	732	749	
TOTAL	123 373	121 874	121 488	
<i>% change</i>	15.1	-1.2	-0.3	4.3

Note: Totals may not add due to rounding.

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) The 2.6% decrease in expenditures in 2021-2022 is attributable to the reduction in the amount allocated to COVID-19 support and recovery measures. This amount will decrease from \$6.6 billion in 2020-2021 to \$2.4 billion in 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

As part of the negotiations for renewing the collective agreements of government employees, agreement-in-principle proposals have been submitted to public and parapublic sector union representatives.

The agreements concluded with most government employees for the period 2015-2020 expired on March 31, 2020.

In the special context of the pandemic, the government revised its proposal in spring 2020 by reducing the period covered by the next renewal from five years to three as all the unions had requested when they tabled their proposals in October 2019.

The recurrent enhancements offered total 6.20% over three years.

The government is maintaining its wage parameter offer of 5.00% over three years despite the fact that the projected change in the Consumer Price Index (CPI) from 2020 to 2022 is 4.87%. In addition, it is proposing recurrent enhancements of 1.20% so that it can follow through on its commitments to certain employee groups such as patient-care attendants, teachers and nurses, and so it can have flexibility when it comes to work organization in the different sectors.

In addition, the lump sum payments of 1% offered in 2019-2020 and 2020-2021 lead to an additional non-recurrent enhancement of 2% for the proposed renewal period.

This proposal is advantageous considering the inflation forecast and the large structural deficit that will have to be offset after the crisis.

These elements are included in the financial framework of the *Québec Budget Plan – March 2021*.

Negotiation financial framework

(per cent)

	2019-2020	2020-2021	2021-2022	2022-2023	3-year total
Wage parameters	—	1.75	1.75	1.50	5.00
Other recurrent enhancements	—	0.40	0.40	0.40	1.20
Total recurrent enhancements	—	2.15	2.15	1.90	6.20
CPI⁽¹⁾		0.84	1.86	2.17	4.87
Non-recurrent lump sum payments	1.00	1.00	—	—	2.00
Amounts granted on an annual basis	1.00	3.15	2.15	1.90	
Total government effort for the period					8.20

(1) The Consumer Price Index for calendar years. The 3-year total is the sum of three annual changes.
Source: Secrétariat du Conseil du trésor.

□ Santé et Services sociaux

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 health-related government bodies such as Héma-Québec.

Before taking COVID-19 support and recovery measures into account, spending for the Santé et Services sociaux portfolio will stand at \$47.2 billion in 2020-2021, \$49.9 in 2021-2022 and \$51.9 billion in 2022-2023. Spending for this portfolio represents roughly 43% of total portfolio expenditures.

- The 5.8% spending growth in 2021-2022 is explained by the initiatives introduced in 2021-2022, in particular, to strengthen home-support services for seniors and to meet the needs of vulnerable persons.
- To ensure stable, predictable funding, growth in spending for the Santé et Services sociaux portfolio will stabilize at 4.0% in 2022-2023.

From 2020-2021 to 2022-2023, growth in spending for the Santé et Services sociaux portfolio will average 5.2% per year.

Consisting mainly of measures to overcome the public health crisis, support and recovery measures for the Santé et Services sociaux portfolio will stand at \$6.6 billion in 2020-2021, \$2.4 billion in 2021-2022 and \$550 million in 2022-2023.

TABLE H.19

Expenditures of the Santé et Services sociaux portfolio (millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Regular expenditures of the Santé et Services sociaux portfolio	47 202	49 947	51 938	
<i>% change</i>	<i>5.7</i>	<i>5.8</i>	<i>4.0</i>	<i>5.2</i>
COVID-19 support and recovery measures	6 580	2 411	550	
TOTAL EXPENDITURES OF THE SANTÉ ET SERVICES SOCIAUX PORTFOLIO	53 782	52 358	52 488	
<i>% change</i>	<i>20.0</i>	<i>-2.6</i>	<i>0.2</i>	<i>5.4</i>

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

COVID-19 support and recovery measures for health and social services

Since March 2020, the measures to overcome the public health crisis total \$12.0 billion, including \$2.4 billion in 2021-2022.

The recurring portion of the measures, which mainly involves hiring health and social services personnel, amounts to \$750 million annually.

To the extent that these expenditures make it possible to speed up future hires and to convert part-time positions into full-time positions, the recurrence of these measures is gradually funded from the 4% annual growth of the budget envelope as of 2022-2023.

COVID-19 support and recovery measures therefore total \$6.6 billion in 2020-2021, \$2.4 billion in 2021-2022 and \$550 million in 2022-2023.

Financial impact of COVID-19 support and recovery measures in health and social services

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Overcoming the public health crisis							
Budget 2021-2022 measures	-1 706	-2 334	-750	-750	-750	-750	-7 040
November 2020 measures ⁽¹⁾	-4 874	-77	—	—	—	—	-4 951
Total of measures to overcome the public health crisis	-6 580	-2 411	-750	-750	-750	-750	-11 991
Gradual integration of funding into the MSSS envelope	—	—	200	750	750	750	2 450
FINANCIAL IMPACT OF COVID-19 SUPPORT AND RECOVERY MEASURES	-6 580	-2 411	-550	—	—	—	-9 541

Note: Totals may not add due to rounding.

(1) Amounts include \$13 million of mental health initiatives in 2020-2021 and \$77 million in 2021-2022.

□ Éducation

The expenditures of the Éducation portfolio are primarily earmarked for activities of educational institutions (school service centres, English-language and special-status school boards, and private educational institutions). This portfolio also includes programs to promote recreation and sports, and programs associated with the status of women.

Before taking support and recovery measures into account, the expenditures of the Éducation portfolio will amount to \$17.3 billion in 2020-2021, \$18.1 billion in 2021-2022 and \$18.6 billion in 2022-2023. Spending for this portfolio represents roughly 15% of total portfolio expenditures.

- The 4.6% growth in spending in 2021-2022 makes it possible, in particular, to improve the support to the education network and to promote success.
- To ensure stable, predictable funding, growth in spending for the Éducation portfolio will stabilize at 3.0% in 2022-2023.

From 2020-2021 to 2022-2023, growth in spending for the Éducation portfolio will average 5.0% per year.

Pandemic-related support and recovery measures for education will stand at \$340 million in 2020-2021, \$235 million in 2021-2022 and \$104 million in 2022-2023. These measures primarily aim to increase support for students and school staff and enhance safety during the public health crisis.

TABLE H.20

Expenditures of the Éducation portfolio

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Regular expenditures of the Éducation portfolio	17 284	18 077	18 611	
<i>% change</i>	7.5	4.6	3.0	5.0
COVID-19 support and recovery measures	340	235	104	
TOTAL EXPENDITURES OF THE ÉDUCATION PORTFOLIO	17 624	18 312	18 715	
<i>% change</i>	9.6	3.9	2.2	5.2

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

COVID-19 support and recovery measures in education

Since the start of the pandemic, \$679 million in COVID-19 support and recovery measures have been announced in education.

In particular, before Budget 2021-2022, \$405 million in measures were announced, consisting mainly of support for students and school staff.

Budget 2021-2022 is providing \$275 million for COVID-19 support and recovery measures between now and 2025-2026, including, in particular:

- \$250 million to support educational success;
- \$10 million to increase support for volunteering.

Financial impact of COVID-19 support and recovery measures in education

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	TOTAL
Measures before Budget 2021-2022							
Supporting students and school staff	212	—	—	—	—	—	212
Helping Quebecers get back into the labour market	27	65	—	—	—	—	92
Increasing support for volunteering	20	—	—	—	—	—	20
Other measures ⁽¹⁾	81	—	—	—	—	—	81
Subtotal	340	65	—	—	—	—	405
Budget 2021-2022 measures							
Supporting educational success	—	155	95	—	—	—	250
Increasing support for volunteering	—	10	—	—	—	—	10
Other measures	—	6	9	—	—	—	15
Subtotal	—	171	104	—	—	—	275
TOTAL	340	235	104	—	—	—	679

Note: Totals may not add due to rounding.

(1) The amount provided in 2020-2021 takes into account the \$70-million upward reassessment of certain measures and costs.

□ Enseignement supérieur

The expenditures of the Enseignement supérieur portfolio are primarily earmarked for activities of institutions of higher learning (CEGEPs and universities). This portfolio also includes student financial assistance.

Before taking support and recovery measures into account, the expenditures of the Enseignement supérieur portfolio will amount to \$8.6 billion in 2020-2021, \$9.3 billion in 2021-2022 and \$9.5 billion in 2022-2023. Spending for this portfolio represents roughly 8% of total portfolio expenditures.

- The 2.9% growth in 2020-2021 is explained, in particular, by a slowdown in spending in Québec's CEGEPs and universities due to the suspension of certain activities in spring 2020 and lower-than-expected spending on student financial assistance.
- The 8.2% growth in 2021-2022 is primarily due to planned expenditures not incurred in 2020-2021 and an increase in infrastructure projects in 2021-2022.
- To ensure stable, predictable funding, growth in spending for the Enseignement supérieur portfolio will stabilize at 3.0% in 2022-2023.

From 2020-2021 to 2022-2023, growth in spending for the Enseignement supérieur portfolio will average 4.7% per year.

Pandemic-related support and recovery measures for the Enseignement supérieur portfolio will stand at \$193 million in 2020-2021 and \$230 million in 2021-2022. These measures primarily aim to improve support services for students and to reduce their financial burden during the pandemic.

TABLE H.21

Expenditures of the Enseignement supérieur portfolio

(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Regular expenditures of the Enseignement supérieur portfolio	8 556	9 261	9 536	
<i>% change</i>	2.9	8.2	3.0	4.7
COVID-19 support and recovery measures	193	230	—	
TOTAL EXPENDITURES OF THE ENSEIGNEMENT SUPÉRIEUR PORTFOLIO	8 749	9 491	9 536	
<i>% change</i>	5.2	8.5	0.5	4.7

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

COVID-19 support and recovery measures in higher education

Since the start of the pandemic, \$423 million in COVID-19 support and recovery measures have been announced in higher education.

In particular, before Budget 2021-2022, \$268 million in measures were announced, consisting mainly of student financial assistance and student support services.

Budget 2021-2022 is providing \$155 million for COVID-19 support and recovery measures between now and 2025-2026 to reduce students' financial burden during the pandemic.

Financial impact of COVID-19 support and recovery measures in higher education

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	TOTAL
Measures before Budget 2021-2022							
Student financial assistance and student support services ⁽¹⁾	130	50	—	—	—	—	180
Moratorium on student loan repayments	36	—	—	—	—	—	36
Helping Quebecers get back into the labour market and other measures	27	26	—	—	—	—	52
Subtotal	193	76	—	—	—	—	268
Budget 2021-2022 measures							
Reducing students' financial burden during the pandemic	—	155	—	—	—	—	155
TOTAL	193	230	—	—	—	—	423

Note: Totals may not add due to rounding.

(1) The amount provided in 2020-2021 takes into account a \$60-million downward reassessment of certain measures and costs.

□ Other portfolios

The expenditures of other portfolios include the expenditures of all the portfolios except Santé et Services sociaux, Éducation and Enseignement supérieur. They ensure funding for culture, transportation, daycare services and support for individuals, municipalities and business.

Before taking support and recovery measures into account, the expenditures of other portfolios will amount to \$37.8 billion in 2020-2021, \$39.6 billion in 2021-2022 and \$39.5 billion in 2022-2023. Spending for these portfolios represents roughly 34% of total portfolio expenditures, including 1% for the Culture et Communication portfolio.

- The weak growth of 1.2% in 2020-2021 is mainly due to exceptional expenditures in 2019-2020 stemming from a loss of \$1 037 million on the CSeries investment.
- The spending growth of 4.7% in 2021-2022 is attributable, in particular, to:
 - funding budget initiatives in other portfolios, in particular, for culture and regional infrastructure;
 - an upward adjustment of the spending of certain government entities, in particular, through the deployment of the Plan for a Green Economy (PGE) and the acceleration of housing projects for the Société d'habitation du Québec (SHQ).
- The spending decrease of 0.2% in 2022-2023 is mainly due to the end of certain non-recurring investments, including the investment to connect all Quebecers to high-speed Internet.

From 2020-2021 to 2022-2023, spending growth for other portfolios will average 1.9% per year.

Pandemic-related support and recovery measures for other portfolios will stand at \$4.8 billion in 2020-2021, \$1.4 billion in 2021-2022 and \$525 million in 2022-2023. These measures primarily aim to support Quebecers and accelerate growth and the transition to the new economy.

TABLE H.22

Expenditures of other portfolios
(millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Regular expenditures of other portfolios	37 779	39 573	39 475	
<i>% change</i>	1.2	4.7	-0.2	1.9
COVID-19 support and recovery measures	4 807	1 408	525	
TOTAL EXPENDITURES OF OTHER PORTFOLIOS	42 586	40 981	40 000	
<i>% change</i>	13.7	-3.8	-2.4	2.2

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

COVID-19 support and recovery measures in other portfolios

Since the start of the pandemic, \$6.9 billion in COVID-19 support and recovery measures have been announced in other portfolios.

In particular, since Budget 2020-2021, \$5.5 billion in measures have been announced, including, in particular:

- \$2.3 billion for measures to support municipalities;
- \$1.3 billion for measures to mitigate the economic impact of the pandemic, including \$180 million for the cultural sector.

Budget 2021-2022 is providing \$1.4 billion for COVID-19 support and recovery measures between now and 2025-2026, in particular:

- \$424 million to promote regional economic development;
- \$304 million to support the requalification of workers and get them back into the labour market.

Financial impact of COVID-19 support and recovery measures for other portfolios

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	TOTAL
Measures before Budget 2021-2022							
Supporting Quebecers	466	23	—	—	—	—	488
Mitigating the economic impact of the pandemic	1 343	—	—	—	—	—	1 343
Supporting municipalities	2 300	—	—	—	—	—	2 300
Helping Quebecers get back into the labour market	233	92	—	—	—	—	325
Driving economic growth	238	656	117	18	18	—	1 047
Subtotal	4 579	771	117	18	18	—	5 503
Budget 2021-2022 measures							
Creating wealth through innovation	136	29	15	—	—	—	180
Supporting the requalification of workers and getting them back into the labour market	—	124	174	5	—	—	304
Promoting regional economic development	92	239	82	11	—	—	424
Continuing to support businesses affected by the pandemic	—	150	—	—	—	—	150
Other measures	—	95	136	78	—	—	309
Subtotal	228	637	408	94	—	—	1 366
TOTAL	4 807	1 408	525	112	18	—	6 869

Note: Totals may not add due to rounding.

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 actual results with forecasts.

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 cultural 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 mainly of the activities of the legislature, central bodies and public security, as well as administrative programs.

Mission expenditures

(millions of dollars)

	2020-2021	2021-2022	2022-2023
Health and Social Services ⁽¹⁾	52 989	51 260	51 321
Education and Culture	27 624	28 213	28 447
Economy and Environment	18 957	17 993	17 399
Support for Individuals and Families	11 417	11 614	11 693
Administration and Justice ⁽²⁾	11 754	12 062	11 879
Subtotal	122 741	121 142	120 739
Change in application of the accounting standard respecting transfer payments	632	732	749
TOTAL	123 373	121 874	121 488
% change	15.1	-1.2	-0.3

Note: Mission expenditures include COVID-19 support and recovery measures.

(1) The expenditures of the Health and Social Services mission are lower than those of the Santé et Services sociaux portfolio mainly because spending for entities in other portfolios are treated differently. Such spending is eliminated in the missions when the expenditures are established for each mission whereas it is eliminated under a separate heading, "Inter-portfolio eliminations", when expenditures are established for each portfolio.

(2) These amounts include the provision in the Contingency Fund reserve.

3.2.2 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 RPSF.

Overall, debt service will stand at \$7.7 billion in 2020-2021, \$8.6 billion in 2021-2022 and \$9.0 billion in 2022-2023, a change of -0.1%, 12.4% and 4.5%, respectively.

In 2020-2021, historically low interest rates explain the slight increase of 0.2% in interest on the direct debt despite a significant increase in its amount. The decrease in interest rates led, in particular, to gains on disposal of assets held by the Ministère des Finances.

In 2021-2022 and 2022-2023, interest on the direct debt will increase by 18.0% and 6.8%, respectively, due to growth in the debt and the anticipated change in long-term interest rates, in particular, an increase in rates since January 2021. The larger increase in 2021-2022 is attributable to the interest on the direct debt, which was very low in 2020-2021 due to historically low interest rates.

Interest on the liability for the retirement plans and other employee future benefits will decrease in 2021-2022 and 2022-2023 due to the expected increase in the investment income of the RPSF, which is applied against debt service.

TABLE H.23

Change in debt service (millions of dollars)

	2020-2021	2021-2022	2022-2023	AAGR ⁽¹⁾
Interest on the direct debt ⁽²⁾	6 782	8 006	8 548	
<i>% change</i>	0.2	18.0	6.8	
Interest on the liability for the retirement plans and other employee future benefits ⁽³⁾	883	607	452	
TOTAL	7 665	8 613	9 000	
<i>% change</i>	-0.1	12.4	4.5	5.4

(1) Average annual growth rate, or geometric mean, from 2020-2021 to 2022-2023.

(2) 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. The forecast for this income may be adjusted upward or downward since it is closely tied to changes in interest rates.

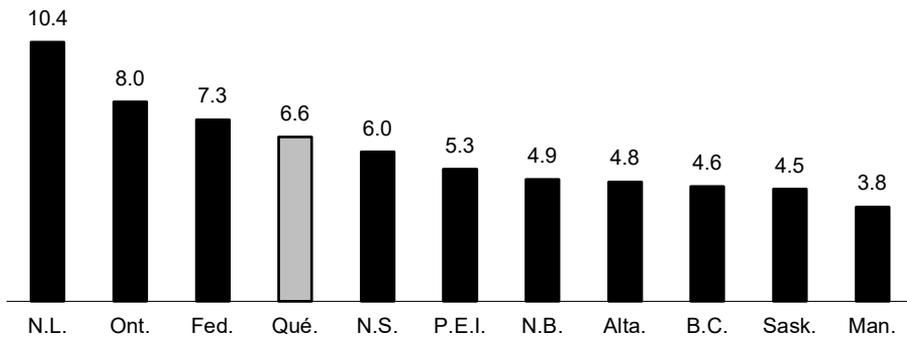
(3) This interest is the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly by the investment income of the RPSF.

Comparison of the debt service of governments in Canada

In 2019-2020, Québec's debt service as a percentage of revenue was among the highest in Canada.

- In 2019-2020, interest payments on the debt totalled \$7.7 billion, representing 6.6% of revenue, or \$905 per capita.
- Debt service is the government's fourth-largest expenditure category after health, education and higher education.

Debt service of governments in Canada in 2019-2020 (percentage of revenue)



Sources: Governments' public accounts.

4. PUBLIC INFRASTRUCTURE INVESTMENTS

Québec has significant public infrastructure needs. To meet them and to restart the economy, the government is announcing an increase of \$4.5 billion over 10 years under the 2021-2031 Québec Infrastructure Plan (QIP).

- Investments under the 2021-2031 QIP thus increase to \$135.0 billion, or \$13.5 billion per year on average.
- The 2021-2031 QIP allocates considerable sums to health and social services (\$21 billion), education and higher education (\$27 billion), public transit (\$14 billion)¹⁵ and road maintenance (\$28 billion).

TABLE H.24

Investments in the 2021-2031 Québec Infrastructure Plan (billions of dollars)

	2021-2031
Investments in the 2020-2030 QIP	130.5
Increase in investments	4.5
INVESTMENTS PLANNED IN THE 2021-2031 QIP	135.0

¹⁵ These investments include those forecast in the central envelope.

☐ Investments to support the economic recovery

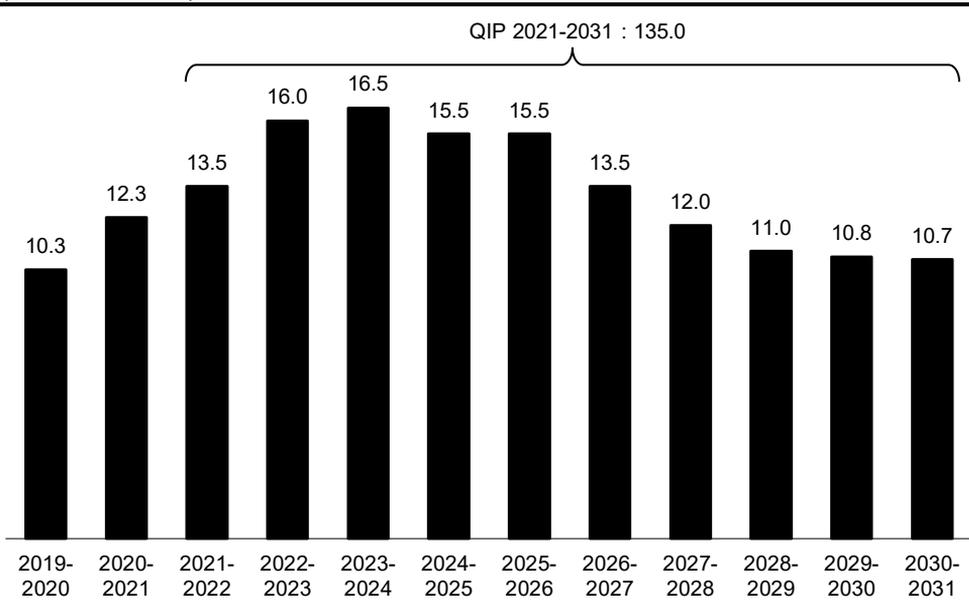
Investment in public infrastructure is necessary to restart the economy. These major investments will help increase the economy's potential and create long-term wealth in addition to filling the space left in the construction market by private projects abandoned because of the pandemic.

The \$4.5-billion increase in investments under the 2021-2031 QIP, an increase from \$130.5 billion to \$135.0 billion, will help restart the economy. The acceleration of the Plan's implementation will also help the recovery.

— Almost 60% of the investments in the 10-year plan will take place over the next five years.

CHART H.4

Annual investments in the 2021-2031 Québec Infrastructure Plan (billions of dollars)



Source: Secrétariat du Conseil du trésor.

Act respecting the acceleration of certain infrastructure projects

Bill 66, *An Act respecting the acceleration of certain infrastructure projects*, was adopted last December. Under this statute, work on 180 public infrastructure projects will be accelerated, thus strengthening the economy.

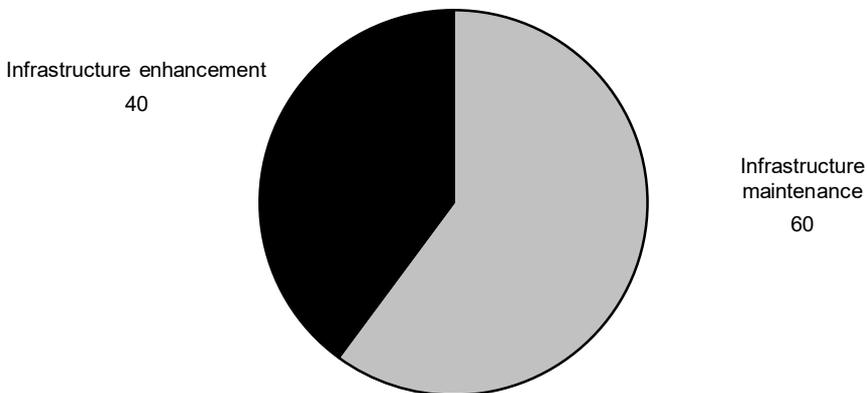
Procedures will be streamlined without reducing or modifying existing standards so as to accelerate the start-up of work on major infrastructure projects, in particular, schools, seniors' homes, hospitals, and road and public transit infrastructure.

❑ A significant share of the QIP allocated to infrastructure maintenance

A share of the investments in the 2021-2031 QIP, that is 60%, will be used primarily for asset maintenance, addressing the asset maintenance deficit and asset replacement.¹⁶ New infrastructure will account for 40%.

CHART H.5

2021-2031 Québec Infrastructure Plan by type of investment (per cent)



Source: Secrétariat du Conseil du trésor.

¹⁶ This share excludes the central envelope.

❑ A larger proportion of infrastructure in good condition

The Québec government owns or funds over \$450 billion of infrastructure assets, including:

- nearly 28,000 buildings;
- approximately 9,700 bridges and overpasses, and more than 31,000 kilometres of roads;
- more than 97,800 kilometres of drinking water, wastewater and rainwater networks.

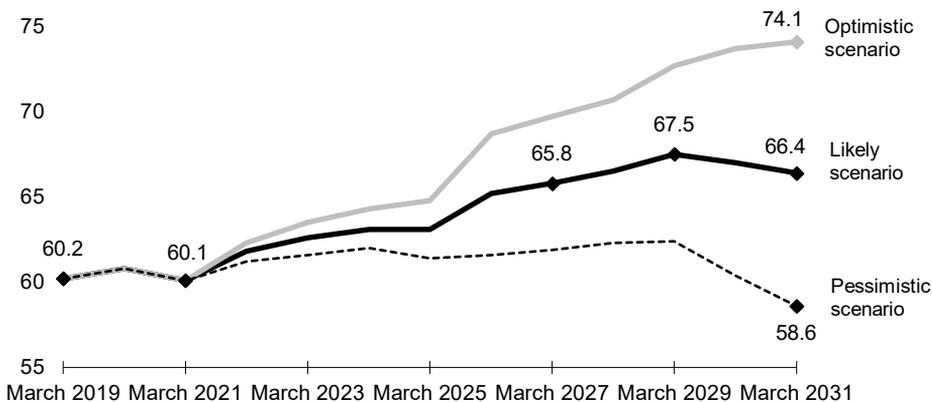
In the coming years, the government will continue to take the necessary steps to increase the quality of Québec's public infrastructure.

Taking into account the investments currently planned under the 2021-2031 QIP, of which a large share will go to asset maintenance, the government anticipates that the proportion of infrastructure in good condition will increase in the coming years.

- It is estimated¹⁷ that the proportion of infrastructure in good condition will rise from 60.1% in March 2021 to 66.4% in March 2031.

CHART H.6

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



Note: The proportion of infrastructure in good condition could improve and reach 74.1% in March 2031 if future QIPs give priority to maintenance projects. However, this proportion could not exceed a rate of 58.6% if the rate of deterioration or inflation in the cost of work is higher than expected.

Source: Secrétariat du Conseil du trésor.

¹⁷ This modeling exercise is updated annually and the results will continue to be refined and improved over the coming years. Results could vary widely depending on the investment choices made by departments and bodies, their ability to carry out the planned work and the construction industry's ability to respond.

❑ Additional federal funding expected

The federal government contributes to the funding of public infrastructure projects through various programs. All things considered, the sums injected by the Québec government are much greater.

— It is estimated that for each dollar invested in Québec, Québec's share exceeds 80%.

Québec is asking the federal government to earmark additional sums to the funding of public infrastructure projects in the provinces and territories. A large part of the funds the federal government intends to allocate to the recovery should be for this purpose.

Like the other provinces and territories, Québec is asking the federal government to increase its financial support for infrastructure by \$10 billion per year over 10 years and to simplify its approach in this area.

To respect their priorities in the area of infrastructure, the provinces and territories should be provided with additional sums through an unconditional transfer.

This would allow Québec to distribute the funds based on its priorities: strategic public transit projects, schools and hospitals, seniors' homes, maintenance of infrastructure (in particular roads), technology infrastructure, etc.

Such a transfer would be far more efficient than the current agreements, which subject the provinces to numerous conditions, add to the administrative processes and delay projects.

APPENDIX: ADDITIONAL INFORMATION

The digital dissemination of content reflects the department's desire to improve messages addressed to the public by using electronic documents that can be viewed on a smart phone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, certain additional budgetary information is presented only on the department's website, including:

- the budget by the numbers and interactive charts;
- margins of prudence, sensitivity analyses and the main risks to Québec's financial situation;
- the government's net financial surpluses or requirements.

Additional information is available on the Ministère des Finances website. To view this information, visit the Budget 2021-2022 documents page at:

www.finances.gouv.qc.ca/budget

Section I

THE QUÉBEC GOVERNMENT'S DEBT

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SUMMARY

□ Québec's debt¹

As at March 31, 2021, the gross debt will stand at \$219.0 billion, or 49.5% of GDP. This is an increase of \$20.2 billion or 6.3 percentage points of GDP from the previous year.

The COVID-19 pandemic stopped the decrease in the gross debt-to-GDP ratio that had prevailed since 2015-2016. The debt burden as at March 31, 2021, will nonetheless remain below the level that prevailed in 2017, that is, 51.0% of GDP.

A stabilization of the gross debt-to-GDP ratio is expected starting in 2021-2022. The gross debt burden is expected to gradually decrease in the coming years, reaching 47.0% of GDP as at March 31, 2026.

□ Generations Fund

Deposits in the Generations Fund help to reduce the debt and thus to improve intergenerational fairness. That is why the government has chosen to maintain its deposits in the Generations Fund, despite the expected deficits.

— In 2021-2022, deposits in the Generations Fund will stand at \$3.1 billion.

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.

Given the substantial increase in the debt in 2020-2021 as a result of the significant deterioration in Québec's financial situation due to the public health crisis, the targets are not expected to be met.

Québec's economic situation remains uncertain due to the current pandemic. Over the coming months, the government will continue to monitor the evolution of the economy and public finances. Based on this information, it will review the *Act to reduce the debt and establish the Generations Fund*, particularly with regard to the achievement of the targets set for 2025-2026.

Reducing the debt burden remains a priority for the government. It is a matter of intergenerational fairness. Québec is one of the most indebted Canadian provinces and it is not shielded from an increase in interest rates or another recession.

¹ The data on the debt presented in this section are after the offsetting of shortfalls provided for in the financial framework to return to a balanced budget.

❑ **Change in the application of the accounting standard respecting transfer payments**

In order to comply with the recommendation made by the Auditor General of Québec, the government is changing the application of the accounting standard respecting transfer payments, resulting in an increase in the net debt and the debt representing accumulated deficits of \$12.4 billion as at March 31, 2020 or 2.7 percentage points of GDP.

There are three reasons for this decision:

- First, complying with Canadian public sector accounting standards is a priority for the Ministère des Finances, which no longer wants a qualified opinion from the independent auditor's report.
- Second, the Québec government wants its financial information, including the net debt indicator, to be fully comparable to that of the federal government and the other provinces.
- Third, the accounting practice and the major accounting firms' interpretation of the standard have evolved since the coming into force of the revised standard in 2012.

Additional information is provided in the appendix in this section.

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. Many other provinces use this concept to present the change in their debt.²
- **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. This concept is used by the federal government to present the change in its debt.

TABLE I.1

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

	2020	2021	2022
GROSS DEBT⁽¹⁾	198 792	218 957	230 314
<i>% of GDP</i>	43.2	49.5	49.2
Less: Financial assets, net of other liabilities ⁽²⁾	-15 066	-19 897	-17 294
NET DEBT	183 726	199 060	213 020
<i>% of GDP</i>	39.9	45.0	45.5
Less: Non-financial assets	-76 107	-79 455	-84 245
DEBT REPRESENTING ACCUMULATED DEFICITS	107 619	119 605	128 775
<i>% of GDP</i>	23.4	27.1	27.5

(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).

² The International Monetary Fund compares countries' debt by using, in particular, their net debt.

1.2 Gross debt

The gross debt corresponds to the amount of debt contracted 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.

Over the past five years, the economy's strong performance and Québec's sounder public finances have helped gradually reduce the debt as a proportion of GDP. Thus, the gross debt burden stood at 43.2% of GDP as at March 31, 2020. Because of the major repercussions of the public health crisis on Québec's economic and financial situation, the gross debt will climb back up to 49.5% of GDP as at March 31, 2021.

A gradual decrease in the gross debt-to-GDP ratio is expected in the coming years. The gross debt burden should stand at 47.0% of GDP as at March 31, 2026.

Furthermore, as at March 31, 2026, 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 its employees' retirement benefits.

TABLE 1.2

Gross debt as at March 31 (millions of dollars)

	2020	2021	2022	2023	2024	2025	2026
Consolidated direct debt	192 975	218 583	235 821	253 760	269 861	280 530	291 374
Plus: Retirement plans and other employee future benefits ⁽¹⁾	14 716	12 287	9 486	6 482	2 873	441	-2 638
Less: Generations Fund	-8 899	-11 913	-14 993	-18 201	-21 978	-26 087	-30 312
GROSS DEBT	198 792	218 957	230 314	242 041	250 756	254 884	258 424
% of GDP	43.2	49.5	49.2	48.8	48.7	47.9	47.0

(1) A positive entry represents a net liability while a negative entry represents a net asset.

❑ The debt remains under control

The debt increased substantially in 2020-2021, owing to the drop in revenues resulting from the contraction of the economy and the actions taken by the government to manage the public health crisis and support the economy.

— The gross debt-to-GDP ratio will reach 49.5% as at March 31, 2021.

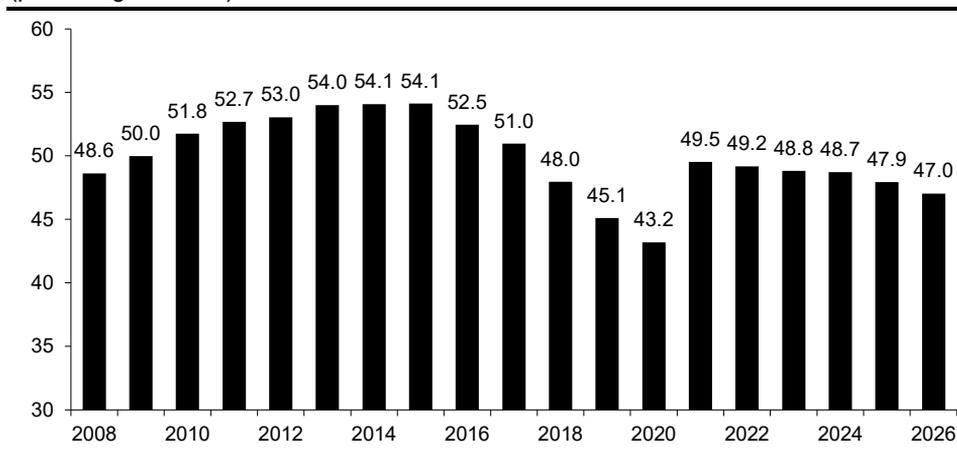
The debt burden as at March 31, 2021 will nonetheless remain below the levels reached following the 2008-2009 recession and the level that still prevailed in 2017, which was 51.0% of GDP.

A stabilization of the gross debt-to-GDP ratio is expected starting in 2021-2022. The gross debt burden is expected to gradually decrease in the coming years thanks to the maintenance of deposits in the Generations Fund and the anticipated improvement of Québec's financial situation.

— The gross debt burden will stand at 47.0% of GDP as at March 31, 2026.

CHART I.1

Change in the gross debt as at March 31 (percentage of GDP)



The proportion of revenue devoted to debt service will remain at a historic low

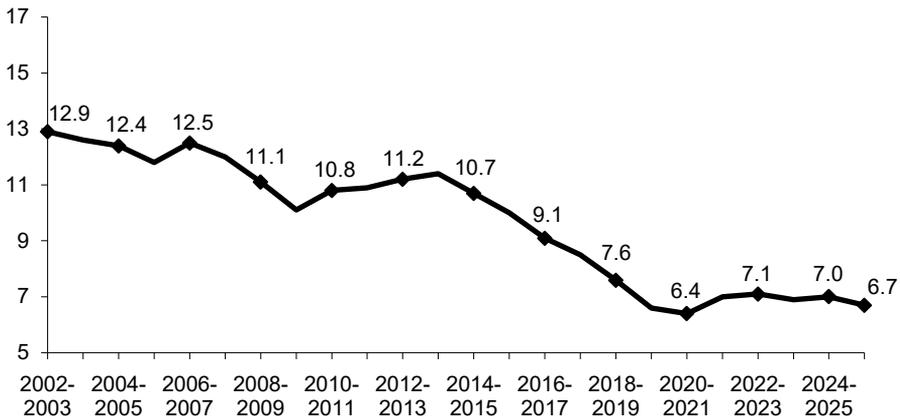
Despite a substantial increase in debt, the proportion of revenue devoted to debt service will remain at a historic low due to the very low interest rates. This share will stand at 6.4% in 2020-2021.

Between now and 2025-2026, it will be less than it was in 2018-2019.

The increase in the proportion of revenue devoted to debt service as of 2021-2022 is explained by the increase in the level of the debt and the anticipated change in long-term interest rates. The forecast takes into account the increase in interest rates observed since January 2021.

Over the next five years, the gross debt will increase mainly due to the budgetary deficit and public infrastructure investments.

Debt service (percentage of revenue)



Sensitivity of debt service to an increase in interest rates

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by \$540 million the first year and by \$1.9 billion in the fifth year.

Impact on the interest expenditure of a 100-basis point increase in interest rates (millions of dollars)

	1st year	2nd year	3rd year	4th year	5th year
Impact	540	917	1 267	1 586	1 906

❑ Adjustments to the gross debt compared to the March 2020 budget

The gross debt as at March 31, 2025 has been adjusted upward by \$39.9 billion compared to the March 2020 budget, from \$215.0 billion to \$254.9 billion.

As a percentage of GDP, the gross debt burden as at March 31, 2025 has been adjusted upward by 8.4 percentage points, from 39.5% to 47.9%.

This upward adjustment is due to the budgetary deficit owing to the pandemic.

TABLE I.3

Adjustments to the gross debt as at March 31 since the March 2020 budget (millions of dollars)

	2020	2021	2022	2023	2024	2025
March 2021	198 792	218 957	230 314	242 041	250 756	254 884
<i>% of GDP</i>	43.2	49.5	49.2	48.8	48.7	47.9
March 2020	197 685	202 185	206 517	209 983	213 639	215 026
<i>% of GDP</i>	43.0	42.2	41.7	41.1	40.5	39.5
Adjustments	1 107	16 772	23 797	32 058	37 117	39 858
<i>% of GDP</i>	0.2	7.3	7.5	7.7	8.2	8.4

TABLE I.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
2012-2013	183 384	4 102 ⁽³⁾	278	4 863	200	-961	8 482	191 866	54.0
2013-2014	191 866	3 263	1 100	3 977	-978	-1 421	5 941	197 807	54.1
2014-2015	197 807	1 813	1 417	2 980	1 219	-1 279	6 150	203 957	54.1
2015-2016	203 957	-2 003	929	2 695	-647	-1 584	-610	203 347	52.5
2016-2017	203 347	-2 146	2 110	1 784	396	-2 001	143	203 490	51.0
2017-2018	203 490	-721	227	2 173	-1 805	-2 293	-2 419	201 071	48.0
2018-2019	201 071	-4 413	-224	3 002	3 139	-3 477	-1 973	199 098	45.1
2019-2020	199 098	523	540	3 737	-2 500	-2 606	-306	198 792	43.2
2020-2021	198 792	15 000	2 647	3 348	2 184	-3 014	20 165	218 957	49.5
2021-2022	218 957	12 250	1 894	4 790	-4 497	-3 080	11 357	230 314	49.2
2022-2023	230 314	8 500	1 235	5 271	-71	-3 208	11 727	242 041	48.8
2023-2024	242 041	5 700	1 753	5 279	-240	-3 777	8 715	250 756	48.7
2024-2025	250 756	4 400	2 020	4 352	-2 535	-4 109	4 128	254 884	47.9
2025-2026	254 884	3 100	1 075	4 362	-772	-4 225	3 540	258 424	47.0

(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 after the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

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 2021-2022 to 2025-2026, net capital investments will increase the gross debt by \$4.8 billion per year on average.

Net capital investments

(millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Gross investments ⁽¹⁾	7 681	9 222	9 785	9 989	9 194	9 280
Less: Depreciation	-4 333	-4 432	-4 514	-4 710	-4 842	-4 918
Net capital investments	3 348	4 790	5 271	5 279	4 352	4 362

(1) These investments exclude the Québec government's contribution to the partners' projects (e.g. municipalities), whereas this contribution is included in the annual investments of the Québec Infrastructure Plan and portfolio expenditures.

Investments, loans and advances

The government invests in enterprises, mainly government enterprises, in the form of investments, loans and advances.

Such investments may be made through advances or capital outlays. Government enterprises may also be authorized 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 that creates a financial requirement and thus an increase in the gross debt.

Determinants of the change in the gross debt

The gross debt-to-GDP ratio is based on four elements:

- The primary balance, that is, the budgetary balance before deposits in the Generations Fund, but excluding debt service.
- The government's financial and non-financial investments (investments in public infrastructure and those that the government makes in enterprises, mainly government enterprises, in the form of investments, loans and advances).
- The interest rate that applies to the gross debt.
- Economic growth.

$$\frac{Debt_t}{GDP_t} = \frac{- Primary\ balance_t + Investment_t}{GDP_t} + \frac{(1 + interest\ rate)}{(1 + \Delta GDP)} \times \frac{Debt_{t-1}}{GDP_{t-1}}$$

The government can act on the primary balance, public investments and economic growth.

The return to a balanced budget will enable the government to reduce the debt burden in the coming years.

Furthermore, by investing in public infrastructure, the government is helping increase Québec's economic potential.

Illustration for 2025-2026

Using the formula, we infer that the ratio of gross debt to GDP will decrease by 0.9 percentage point of GDP in 2025-2026, from 47.9% of GDP as at March 31, 2025 to 47.0% of GDP as at March 31, 2026, due to a primary surplus that will exceed the government's financial and non-financial investments.

Stronger-than-expected economic growth would contribute to a greater reduction in gross debt to GDP.

In 2025-2026, the primary surplus is expected to stand at \$16.1 billion.¹ The government's financial and non-financial investments will stand at \$10.4 billion.

Economic growth will be slightly less than the interest rate that applies to the debt (3.3% for economic growth versus 3.6% for the interest rate applying to the debt resulting from the formula). This is not the cost at which the government will borrow in 2025-2026, but the average interest rate on the gross debt at this time, based on the formula. This average interest rate includes interest on the obligations relating to retirement plans.

$$47.0\% = \frac{-\$16.1\ B + \$10.4\ B}{\$549\ B} + \frac{(1 + 3.6\%)}{(1 + 3.3\%)} \times 47.9\%$$

¹ The primary surplus corresponds to the budgetary deficit within the meaning of the *Balanced Budget Act* in 2025-2026 (-\$3.1 billion), to which are added the dedicated revenues in the Generations Fund (\$4.2 billion), the debt service (\$9.3 billion), depreciation expenses on capital investments (\$4.9 billion) and the change in other factors (\$0.8 billion), which enable the primary balance to be presented on a cash basis.

1.3 Net debt

The net debt corresponds to the government's liabilities less its financial assets. Many other provinces use this concept to present the change in their debt. As at March 31, 2021, the net debt will stand at \$199.1 billion, or 45.0% of GDP. The net debt-to-GDP ratio is expected to stabilize in the coming years, before decreasing as of 2024-2025 to stand at 43.4% of GDP as at March 31, 2026.

TABLE I.5

Factors responsible for the change in the net debt (millions of dollars)

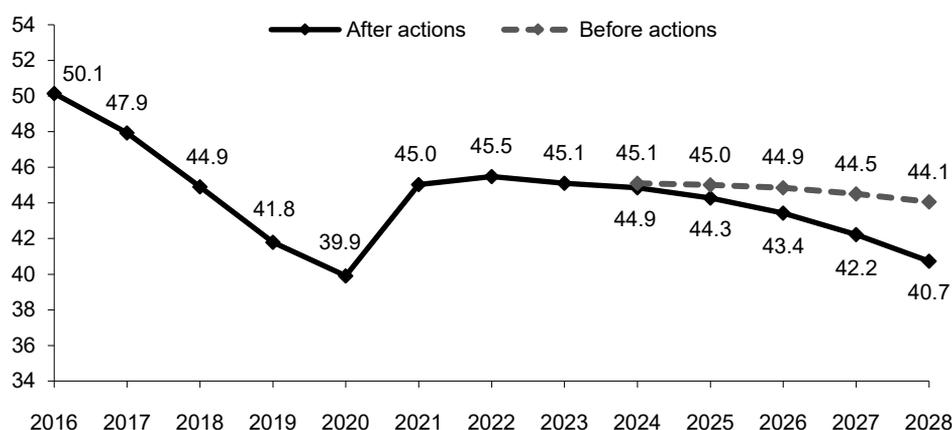
	Debt, beginning of year	Budgetary deficit (surplus)	Net capital invest- ments	Other ⁽¹⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2019-2020	184 444	523	3 737	-2 372	-2 606	-718	183 726	39.9
2020-2021	183 726	15 000	3 348	—	-3 014	15 334	199 060	45.0
2021-2022	199 060	12 250	4 790	—	-3 080	13 960	213 020	45.5
2022-2023	213 020	8 500	5 271	—	-3 208	10 563	223 583	45.1
2023-2024	223 583	5 700	5 279	—	-3 777	7 202	230 785	44.9
2024-2025	230 785	4 400	4 352	—	-4 109	4 643	235 428	44.3
2025-2026	235 428	3 100	4 362	—	-4 225	3 237	238 665	43.4

(1) This change in the net debt is due mainly 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.

After declining gradually over a few years, the net debt will increase to 45.0% of GDP as at March 31, 2021 due to the impact of the public health crisis. The debt burden will nonetheless remain below the level that prevailed in 2017, that is, 47.9% of GDP.

CHART I.2

Net debt as at March 31 before and after actions to return to a balanced budget (percentage of GDP)



□ Adjustments to the net debt compared to the March 2020 budget

The gross debt as at March 31, 2025 has been adjusted upward by \$57.7 billion compared to the March 2020 budget, from \$177.8 billion to \$235.4 billion.

As a percentage of GDP, the net debt burden as at March 31, 2025 has been adjusted upward by 11.6 percentage points, from 32.7% to 44.3%.

This upward adjustment is mainly due to the budgetary deficit caused by the pandemic. The deficits from 2020-2021 to 2024-2025 have added \$45.9 billion.

It is also due to the change in the application of the accounting standard respecting transfer payments, which adds \$12.4 billion to the net debt as at March 31, 2020 (see the appendix in this section).

TABLE I.6

Adjustments to the net debt as at March 31 since the March 2020 budget (millions of dollars)

	2020	2021	2022	2023	2024	2025
March 2021	183 726	199 060	213 020	223 583	230 785	235 428
<i>% of GDP</i>	39.9	45.0	45.5	45.1	44.9	44.3
March 2020	171 658	172 625	174 416	175 800	176 893	177 771
<i>% of GDP</i>	37.3	36.1	35.2	34.4	33.6	32.7
Adjustments	12 068	26 435	38 604	47 783	53 892	57 657
<i>% of GDP</i>	2.6	8.9	10.3	10.7	11.3	11.6

❑ Comparison of the net debt of governments in Canada

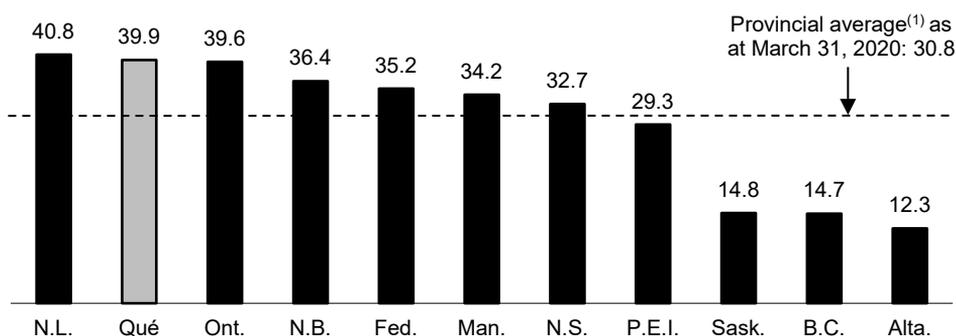
As at March 31, 2020, Québec's net debt burden stood at 39.9% of GDP, compared to the provincial average of 30.8%.

Relative to the *Public Accounts 2019-2020*, released in December, Québec's net debt burden has been adjusted upward by 2.7 percentage points, from 37.2% to 39.9%, because of the change in the application of the accounting standard respecting transfer payments.

— This modification will allow Québec's net debt burden to be fully compared to that of the other provinces.

CHART I.3

Net debt of governments in Canada as at March 31, 2020 (percentage of GDP)



(1) Average obtained by dividing the sum of provincial debts by the sum of provincial GDPs.

Sources: Governments' public accounts and Ministère des Finances du Québec.

1.4 Debt representing accumulated deficits

The debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements. It is the debt that does not correspond to any assets. This concept is used by the federal government to present the change in its debt.

After having gradually decreased over a few years, the debt representing accumulated deficits will climb back up to 27.1% of GDP as at March 31, 2021 due to the impact of the public health crisis.

The debt representing accumulated deficits will resume a downward trajectory as of 2022-2023, reaching 24.6% of GDP as at March 31, 2026.

TABLE I.7

Factors responsible for the change in the debt representing accumulated deficits

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments ⁽¹⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2019-2020	112 334	523	-2 632	-2 606	-4 715	107 619	23.4
2020-2021	107 619	15 000	—	-3 014	11 986	119 605	27.1
2021-2022	119 605	12 250	—	-3 080	9 170	128 775	27.5
2022-2023	128 775	8 500	—	-3 208	5 292	134 067	27.0
2023-2024	134 067	5 700	—	-3 777	1 923	135 990	26.4
2024-2025	135 990	4 400	—	-4 109	291	136 281	25.6
2025-2026	136 281	3 100	—	-4 225	-1 125	135 156	24.6

(1) The change in the debt representing accumulated deficits as a result of accounting adjustments is due mainly 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.

□ Adjustments to the debt representing accumulated deficits compared to the March 2020 budget

The debt representing accumulated deficits as at March 31, 2025 has been adjusted upward by \$57.1 billion compared to the March 2020 budget, from \$79.1 billion to \$136.3 billion.

As a percentage of GDP, the debt representing accumulated deficits as at March 31, 2025 has been adjusted upward by 11.1 percentage points, from 14.5% to 25.6%.

This upward adjustment is due to the budgetary deficit caused by the pandemic. It is also due to the change in the application of the accounting standard respecting transfer payments, which adds \$12.4 billion to the debt representing accumulated deficits as at March 31, 2020 (see the appendix in this section).

TABLE I.8

Adjustments to the debt representing accumulated deficits as at March 31 since the March 2020 budget (millions of dollars)

	2020	2021	2022	2023	2024	2025
March 2021	107 619	119 605	128 775	134 067	135 990	136 281
<i>% of GDP</i>	23.4	27.1	27.5	27.0	26.4	25.6
March 2020	95 915	93 186	90 156	86 803	83 127	79 132
<i>% of GDP</i>	20.9	19.5	18.2	17.0	15.8	14.5
Adjustments	11 704	26 419	38 619	47 264	52 863	57 149
<i>% of GDP</i>	2.5	7.6	9.3	10.0	10.6	11.1

Québec's public sector debt

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, 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, 2021, Québec's public sector debt is expected to stand at \$293.9 billion, or 66.5% of GDP. These figures must be put into 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)

	2017	2018	2019	2020	2021
Government's gross debt	203 490	201 071	199 098	198 792	218 957
Hydro-Québec	42 882	43 160	43 054	43 869	45 050
Municipalities	24 058	24 505	25 173	27 716	28 249
Universities other than the Université du Québec and its constituents	1 656	1 321	1 458	1 639	1 639
Other government enterprises ⁽¹⁾	258	218	210	—	—
PUBLIC SECTOR DEBT	272 344	270 275	268 993	272 016	293 895
% of GDP	68.2	64.6	60.9	59.1	66.5

(1) These amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity. As of 2020, this debt is included in the gross debt (\$504 million as at March 31, 2020).

1.5 Generations Fund

□ Deposits in the Generations Fund

Deposits in the Generations Fund help to reduce the debt³ and thus to improve intergenerational fairness. That is why the government has chosen to maintain its deposits in the Generations Fund, despite the expected deficits.

— In 2021-2022, revenues totalling \$3.1 billion will be dedicated to the Generations Fund.

— As at March 31, 2022, the Generations Fund should stand at \$15.0 billion.

TABLE I.9

Generations Fund (millions of dollars)

	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Book value, beginning of year⁽¹⁾	8 899	11 913	14 993	18 201	21 978	26 087
Dedicated revenues						
Water-power royalties						
Hydro-Québec	717	739	763	818	829	835
Private producers	105	104	106	108	110	113
Subtotal	822	843	869	926	939	948
Indexation of the price of heritage electricity	382	495	520	630	740	845
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	369	395	317	340	347	389
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	37	27	34	252	272	40
Investment income ⁽²⁾	689	605	753	914	1 096	1 288
Total dedicated revenues	3 014	3 080	3 208	3 777	4 109	4 225
BOOK VALUE, END OF YEAR	11 913	14 993	18 201	21 978	26 087	30 312

(1) For information purposes, the market value of the Generations Fund as at December 31, 2020, was \$12.0 billion, which is \$1.0 billion higher than its book value.

(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.8% is expected, based on five historical years.

³ For example, the debt on financial markets is net of the book value of the Generations Fund.

Returns of the Generations Fund

Since the first deposit was made to the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 13 years out of 14.

- From 2007 to 2020, the average return was 5.9%, while the average cost of new borrowings was 3.2%, which represents a difference of 2.7 percentage points.

These returns contribute to reducing the debt burden.

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
2020	7.0	1.5	5.5

(1) The government's borrowing costs correspond to the yield on ten-year maturity Québec bonds.
Source: PC-Bond for the yield on ten-year maturity Québec bonds.

1.6 Debt reduction

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.

Given the substantial increase in the debt in 2020-2021 as a result of the significant deterioration in Québec's financial situation due to the public health crisis, the targets are not expected to be met.

- The gross debt-to-GDP ratio is expected to stand at 47.0% as at March 31, 2026 (a difference of 2.0 percentage points of GDP with respect to the objective of 45%).
- The ratio of debt representing accumulated deficits to GDP is expected to reach 24.6% (a difference of 7.6 percentage points of GDP with respect to the objective of 17%).

Québec's economic situation remains uncertain due to the current pandemic. Over the coming months, the government will continue to monitor the evolution of the economy and public finances. Based on this information, the government will review the *Act to reduce the debt and establish the Generations Fund*, particularly with regard to the achievement of the targets set for 2025-2026.

Like the 2008-2009 recession, which led to a review of the *Act to reduce the debt and establish the Generations Fund*, the COVID-19 pandemic will make it necessary to set new debt reduction targets.

Nevertheless, reducing the debt burden remains a priority for the government. It is a matter of intergenerational fairness. Québec is one of the most indebted Canadian provinces and it is not shielded from an increase in interest rates or another recession.

Once full employment is regained, the government will re-establish a balanced budget, expected in 2027-2028, which will help reduce the debt burden.

❑ **The benefits of future debt reduction**

Reducing the debt burden will enable Québec to:

- contribute to intergenerational fairness;
- ensure stable funding for the government's chief missions, such as health and education;
- cope with the costs associated with an aging population;
- fund investment in public infrastructure;
- ease the tax burden on Quebecers;
- counter an eventual upcoming economic slowdown;
- increase its financial autonomy within the federation;
- fight climate change.

Reducing the debt burden also contributes to economic growth since it creates a climate of confidence conducive to private investment and higher productivity.

The importance of having a long-term objective

Setting a long-term debt reduction objective is an excellent way to ensure sound management of public finances. Since the government is accountable for reporting on the achievement of its objectives to parliamentarians and the public 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. Individuals and businesses can better anticipate the government's budgetary and financial policies, enabling them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual public infrastructure investments over a long period of ten 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 investors and credit rating agencies.

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 and the budgetary deficit.

For 2020-2021, the program amounts to \$38.4 billion, which is \$24.5 billion more than what was forecast in the March 2020 budget.

The main factor explaining the revision is the increase in net financial requirements due to the measures implemented by the government and to the decline in revenue associated with COVID-19.

TABLE I.10

The government's financing program, 2020-2021 (millions of dollars)

	March 2020	Adjustments	March 2021
Net financial requirements	9 843	14 301	24 144
Repayments of borrowings	10 364	4 024	14 388
Use of the Generations Fund to repay borrowings	—	—	—
Withdrawal from the Accumulated Sick Leave Fund	—	-150	-150
Use of pre-financing	-6 299	-1 689	-7 988
Transactions under the credit policy ⁽¹⁾	—	3 717	3 717
Pre-financing	—	4 292	4 292
TOTAL	13 908	24 495	38 403⁽²⁾

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) Under the credit policy, which is designed to limit financial 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.

(2) This data is based on borrowings contracted as at March 12, 2021.

Borrowings contracted in 2020-2021

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 2020-2021, the government has contracted 32% of its borrowings on foreign markets, compared to an average of 21% for the past ten 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 2020-2021, conventional bonds in Canadian dollars were the main debt instrument used.

To date, approximately 76% of the borrowings contracted in 2020-2021 had a maturity of ten years or more. The average share of issues for this term over the last ten years represents 69%.

Summary of long-term borrowings contracted in 2020-2021

Currencies	\$million	%
CANADIAN DOLLAR		
Conventional bonds	24 757	64.4
Savings products issued by Épargne Placements Québec	749	2.0
Immigrant investors ⁽¹⁾	530	1.4
Green bonds	—	—
Subtotal	26 036	67.8
OTHER CURRENCIES		
U.S. dollar	6 413	16.7
Euro	5 954	15.5
Subtotal	12 367	32.2
TOTAL	38 403	100.0

Note: Borrowings contracted as at March 12, 2021.

(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 \$28.5 billion in 2021-2022.

For the four subsequent years, from 2022-2023 to 2025-2026, it will average \$31.3 billion per year.

TABLE I.11

The government's financing program, 2021-2022 to 2025-2026
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Net financial requirements	20 065	17 931	16 144	12 284	12 610
Repayments of borrowings	12 688	14 317	15 963	19 079	16 959
Use of pre-financing	-4 292	—	—	—	—
Use of the Generations Fund to repay borrowings	—	—	—	—	—
TOTAL	28 461	32 248	32 107	31 363	29 569

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 greenhouse gas (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).

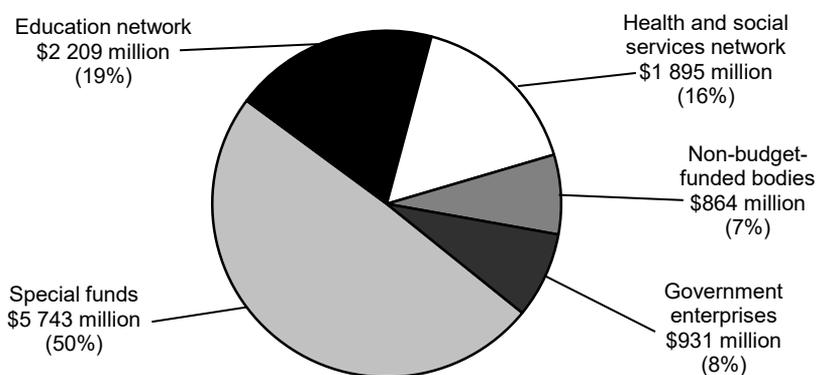
Five issues totalling \$2.8 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec will continue to be a regular issuer of Green Bonds.

For more information, visit www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

Funding of public bodies

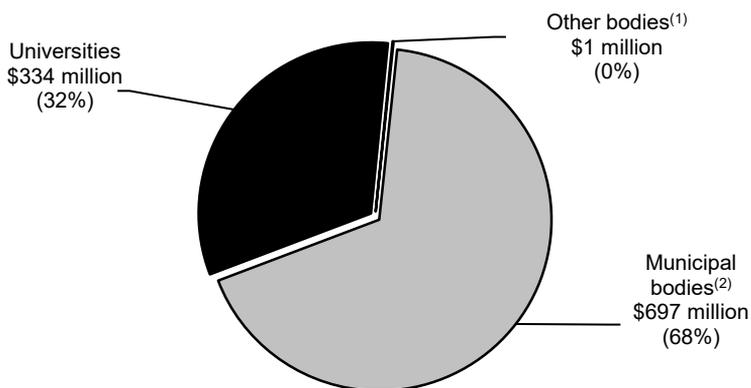
The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost. The clientele of the Financing Fund consists of public bodies included in the government reporting entity. In fiscal 2020-2021, the long-term loan program of the Financing Fund amounts to nearly \$11.6 billion.

Long-term loans granted by the Financing Fund in 2020-2021



The clientele of Financement-Québec consists of public bodies not included in the government reporting entity. In fiscal 2020-2021, the long-term loan program of Financement-Québec amounts to \$1.0 billion.

Long-term loans granted by Financement-Québec in 2020-2021



(1) Montreal Museum of Fine Arts.

(2) Société de transport de Montréal, Autorité régionale de transport métropolitain, Réseau de transport métropolitain and Société de transport de Québec.

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, 2021, before taking swaps into account, 77% of the gross debt is expected to be in Canadian dollars, 12% in U.S. dollars, 8% in euros, 1% in pounds sterling, 1% in Australian dollars, 1% in Swiss francs and less than 1% 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 dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow for neutralization of variations in foreign exchange rates on debt service.

TABLE I.12

Structure of the gross debt by currency as at March 31, 2021 (per cent)

	Before swaps	After swaps
Canadian dollar	77	100
U.S. dollar	12	0
Euro	8	0
Pound sterling	1	0
Australian dollar	1	0
Swiss franc	1	0
Other (yen, New Zealand dollar, Hong Kong dollar and Swedish krona)	0 ⁽¹⁾	0
TOTAL	100	100

Note: Gross debt including pre-financing.

(1) The proportion of the debt attributable to other currencies before swaps is less than 1%.

❑ Structure of the gross debt by interest rate

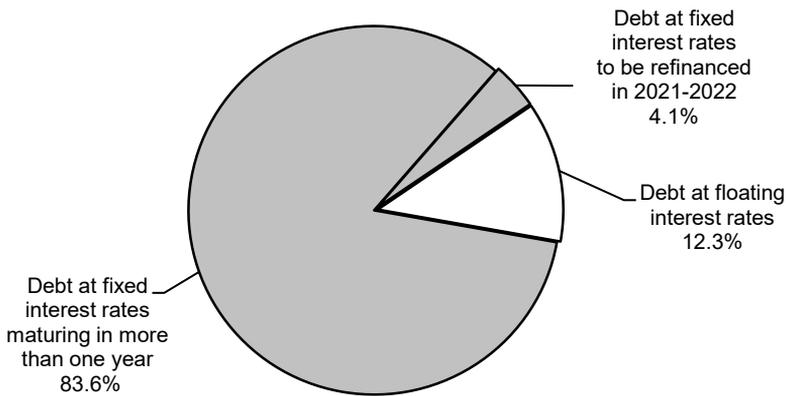
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2021, after taking swaps into account, the proportion of the gross debt at fixed interest rates is expected to be 87.7%,⁴ while the proportion at floating interest rates is expected to be 12.3%.

In addition, as at March 31, 2021, the proportion of the gross debt subject to an interest rate change in 2021-2022 is expected to be 16.4%. This share includes the debt at floating interest rates (12.3%) as well as the debt at fixed rates to be refinanced in 2021-2022 (4.1%).

CHART I.4

Structure of the gross debt by interest rate as at March 31, 2021
(per cent)



Note: Gross debt including pre-financing.

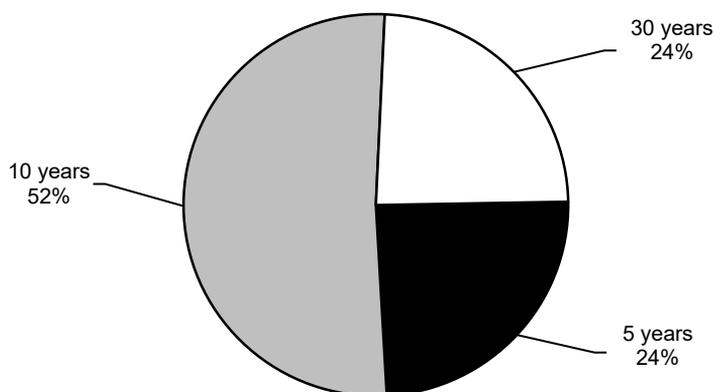
⁴ This proportion includes the debt at fixed interest rates maturing in more than one year (83.6%) as well as the debt at fixed interest rates to be refinanced in 2021-2022 (4.1%).

❑ Maturity of the debt

Maturities of new borrowings are distributed over time so as to obtain a stable refinancing profile and ensure the government's regular presence on capital markets. The average maturity of borrowings in 2020-2021 is 14 years. The average cost of transactions carried out in 2020-2021 was 1.51% while the cost of debt stood at 3.35% as at March 31, 2020.

CHART I.5

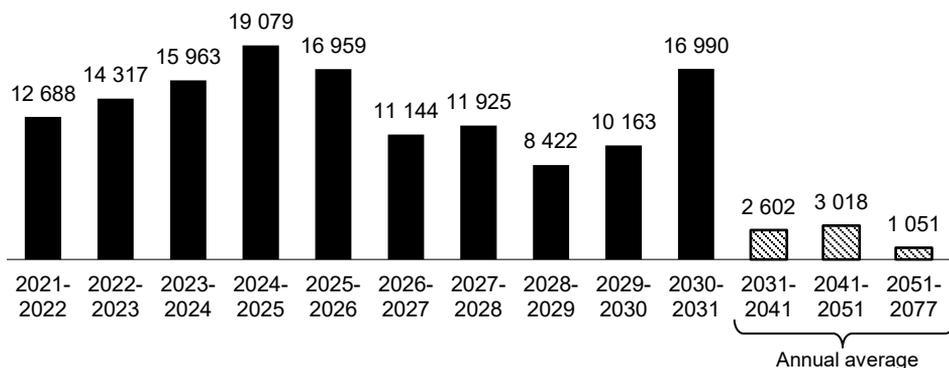
Maturity of transactions carried out in 2020-2021 (per cent)



The diversification of borrowings by term is reflected on the maturity of the debt as shown in the following chart. As at March 31, 2021, the average maturity of the debt is expected to be 11 years.

CHART I.6

Maturity of the long-term debt as at March 31, 2021 (millions of dollars)



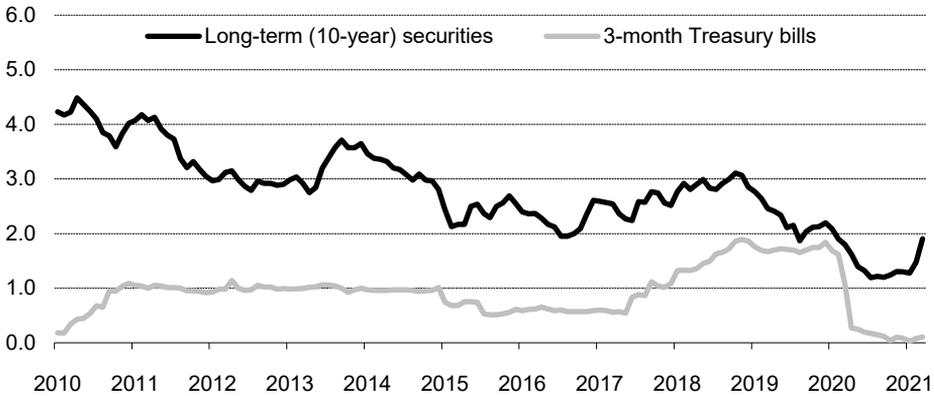
Note: Long-term debt of the Québec government and Financement-Québec.

2.3 Yield on Québec's debt securities

The yield on Treasury bills stands at 0.1%, corresponding to a historic low, while the recent increase in the yield on 10-year Québec government securities brings it above 1.9%.

CHART I.7

Yield on the Québec government's securities (per cent)

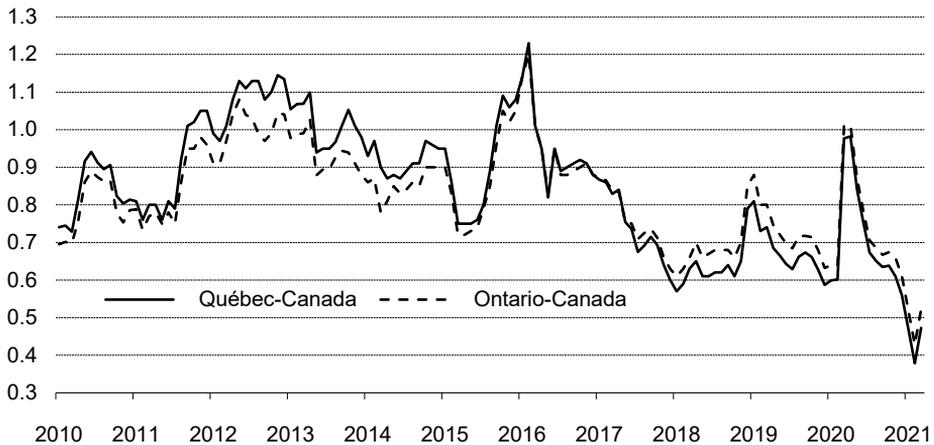


Sources: PC-Bond and Ministère des Finances du Québec.

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. This spread now stands at 5 basis points.

CHART I.8

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.⁵ The result is the retirement plans liability.

Sums are accumulated in the Retirement Plans Sinking Fund (RPSF) and other funds 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.

As at March 31, 2020, the net liability for the retirement plans and other employee future benefits stood at \$14.7 billion.

TABLE I.13

Net liability for the retirement plans and other employee future benefits as at March 31, 2020 (millions of dollars)

Retirement plans	
Retirement plans liability ⁽¹⁾	109 310
Less: Retirement Plans Sinking Fund (RPSF) and other funds ⁽²⁾	-94 346
Net retirement plans liability	14 964
Other employee future benefits	
Other employee future benefits liability	1 450
Less: Funds dedicated to other employee future benefits	-1 698
Net other employee future benefits liability⁽³⁾	-248
NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	14 716

(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 \$88 404 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.

⁵ The value of obligations relating to accrued retirement plan benefits undergoes actuarial valuations every three years. The value is extrapolated between two valuations.

□ Annual retirement plan expenses

Every year, the government records the expenses it is responsible for 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 (\$2 593 million in 2019-2020);
- 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 (\$947 million in 2019-2020);
- the amortization of revisions to the government's actuarial obligations arising from previous updates of actuarial valuations (\$833 million in 2019-2020).

In 2019-2020, the government's expenses for the retirement plans stood at \$4 373 million.

TABLE I.14

Retirement plan expenses (millions of dollars)

	2019-2020
Cost of accrued benefits	2 593
Net debt service expense	947
Amortization of revisions stemming from actuarial valuations ⁽¹⁾	833
RETIREMENT PLAN EXPENSES	4 373

(1) This amount includes the cost of other items (\$84 million in 2019-2020), concerning mainly the change in valuation allowances.

Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) was created by the Québec government in 1993. It is an asset that was established for the payment of retirement benefits of public and parapublic sector employees.

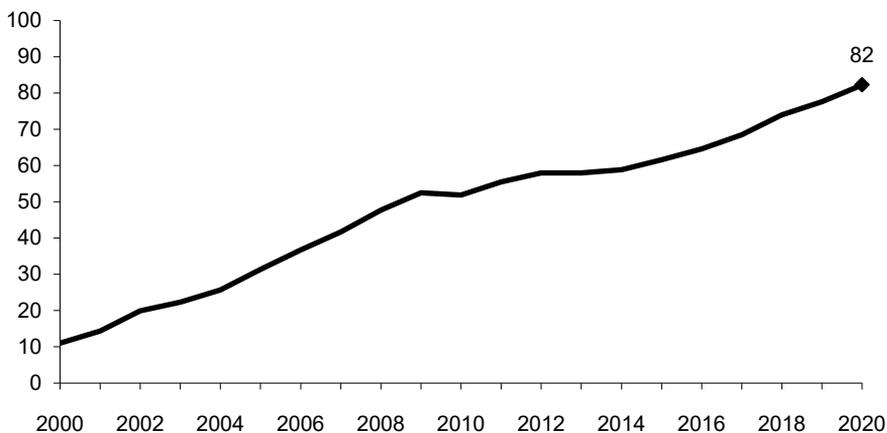
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the retirement plans of public and parapublic sector employees.

- The objective was reached as at March 31, 2018, that is, two years sooner than anticipated.
- As at March 31, 2020, the RPSF was equal to 82% of the actuarial obligations in respect of retirement plans.
- It is expected that the sums accumulated in the RPSF to pay the retirement benefits of government employees will exceed the government's liability in this regard in 2025-2026.

In that respect, 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.

These investment policies are established based on several factors, including ten-year return forecasts, standard deviations and correlations for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2020, the return on funds deposited by the Ministère des Finances with the Caisse was 7.3% for the Retirement Plans Sinking Fund, 7.0% for the Generations Fund and 7.3% for the Accumulated Sick Leave Fund.

The investment policies of these funds are presented in the box on the next page.

2020 return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

	Rate of return (%)	Market value as at December 31, 2020 (\$billion)
Retirement Plans Sinking Fund (RPSF)	7.3	99.4 ⁽¹⁾
Generations Fund	7.0	12.0
Accumulated Sick Leave Fund (ASLF)	7.3	1.4

(1) Compared to March 31, 2020, the growth of the RPSF as at December 31, 2020 is mainly due to the performance of the stock markets during the last nine months of 2020.

Comparison of investment policies

Investment policies as at January 1, 2021 (per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole ⁽¹⁾
Short-Term Investments	1.0	1.0	1.1
Rates ⁽²⁾	11.0	10.0	11.5
Credit ⁽³⁾	21.0	21.0	17.2
Long-Term Bonds	0	0	0.9
Real Return Bonds	0	0	0.4
Total – Fixed Income	33.0	32.0	31.1
Infrastructure	9.8	9.0	7.4
Real Estate	12.0	14.0	12.7
Total – Real Assets	21.8	23.0	20.1
Public Equity	29.8	31.0	35.0
Private Equity	15.5	14.0	13.8
Total – Equities	45.3	45.0	48.8
TOTAL	100.0	100.0	100.0

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) Data as at December 31, 2019 drawn from the *2019 Annual Report* of the Caisse de dépôt et placement du Québec.

(2) This portfolio consists of government bonds.

(3) 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.

A high credit rating means access to a broader pool of investors and advantageous borrowing costs.

Québec's credit rating is evaluated by six credit rating agencies.

In 2020, these six credit rating agencies confirmed Québec's credit rating and assigned it a stable outlook.

TABLE I.15

Québec's credit ratings

Credit rating agency	Credit rating	Outlook
Standard & Poor's (S&P)	AA-	Stable
Moody's	Aa2	Stable
Fitch Ratings	AA-	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable
China Chengxin International (CCXI) ⁽¹⁾	AAA	Stable

Note: Québec's credit ratings as at March 12, 2021.

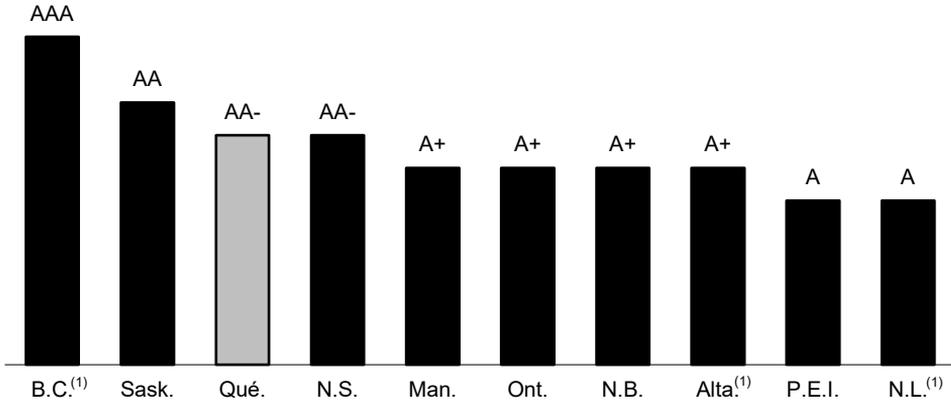
(1) Credit rating for bond issues on the Chinese market.

4.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces by Standard & Poor's and Moody's.

CHART I.9

Credit ratings of Canadian provinces – Standard & Poor's

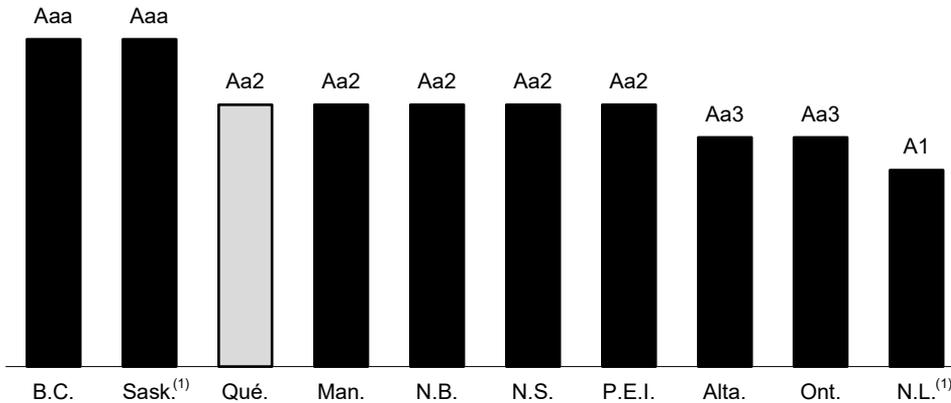


Note: Credit ratings as at March 12, 2021.

(1) Rating with a negative outlook.

CHART I.10

Credit ratings of Canadian provinces – Moody's



Note: Credit ratings as at March 12, 2021.

(1) Rating with a negative outlook.

APPENDIX: CHANGE IN THE APPLICATION OF THE ACCOUNTING STANDARD RESPECTING TRANSFER PAYMENTS

The Québec government contributes to the funding of public infrastructure belonging to third parties. For instance, it subsidizes the construction projects of municipalities, cultural and heritage infrastructure, public transit, local road networks and chartered universities.

For almost 40 years, the funding has been carried out by allocating annual subsidies paid out based on a schedule that generally corresponds to the pace of repayment of the debt contracted by the beneficiaries to acquire infrastructure.

This practice has allowed the government to collect, over time, the income and other taxes required to fund these expenditures over a period similar to that of the use of the property by the public, as is the case for its own capital assets.

A revised standard respecting transfer payments came into effect in April 2012. Under the standard, the government must enter an expenditure in the fiscal year in which the transfer is authorized and the beneficiary meets eligibility criteria.

The government had then changed its practice for programs not requiring approval of expenditures by the National Assembly. These were programs administered by the Société de financement des infrastructures locales du Québec (SOFIL) and the Société d'habitation du Québec (SHQ).

For programs requiring approval of expenditures by the National Assembly and in compliance with the budgetary process, the government had concluded that the accounting practice was still appropriate.

This led to a divergence of opinions with the Auditor General of Québec as soon as the revised accounting standard came into effect. From 2012-2013 to 2019-2020, the Auditor General made a qualified opinion in its audit of the government's financial statements.

In order to comply with the Auditor General's recommendation, the government is now making changes to the application of the accounting standard.

- In this budget, the government is incorporating the financial impacts of this modification in its financial framework.
- The same will apply to the release of the *Public Accounts 2020-2021*.

There are three reasons for this decision:

- First, complying with Canadian public sector accounting standards is a priority for the Ministère des Finances, which no longer wants a qualified opinion from the independent auditor's report regarding these subsidies, while complying with the legal framework for authorizing government spending.
- Second, the Québec government wants its financial information, including the net debt indicator, to be fully comparable to that of the federal government and the other provinces.
- Third, the accounting practice and the major accounting firms' interpretation of the standard have evolved since the coming into force of the revised standard in 2012.

Illustration of the application of the revised accounting standard

For instance, let's take the case of a government commitment to fund part of the construction of a municipal building to the tune of \$20 million. For this example, we are assuming that the work will begin in April 2023 and end in April 2026 and that the rate of progress will be constant for four years.

- According to former budgetary practice, the government's contribution would have been in the form of a repayment of the principal on a loan to be contracted by the municipality over a period of 20 years. The government would thus have anticipated an expenditure of \$1 million per year from 2026-2027 to 2045-2046, which would have been voted on annually by the National Assembly.
- Based on the revised application of the accounting standard, the annual expenditure would be \$5 million for the years 2023-2024 to 2026-2027, which would be voted annually by the National Assembly for each of the four fiscal years.

In both cases, the government's expenditure totals \$20 million.

❑ An increase in the net debt and the debt representing accumulated deficits since 2012-2013

The modification in the accounting treatment leads to an increase in the net debt and the debt representing accumulated deficits of \$12.4 billion as at March 31, 2020. This amount corresponds to subsidies to be paid under infrastructure projects that were built or in progress at this date.

The modification has no impact on gross debt, namely the debt concept monitored by credit rating agencies. This is due in particular to part of this amount having already been advanced by the Ministère des Finances to third parties and that it is therefore already included in the gross debt.

TABLE I.16

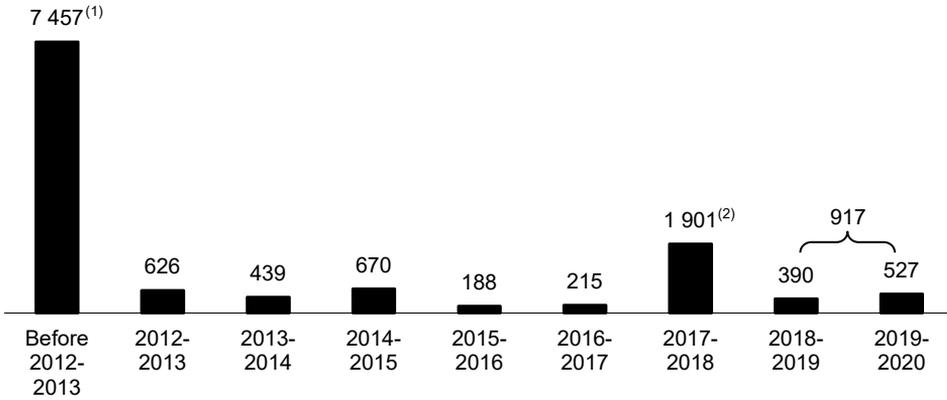
Impact on the debt of the change in the application of the accounting standard respecting transfer payments as at March 31, 2020 (millions of dollars and percentage of GDP)

	Previous treatment	Modified treatment	Difference
Gross debt	198 792	198 792	—
<i>Percentage of GDP</i>	43.2	43.2	—
Less: Financial assets, net of other liabilities	-27 479	-15 066	12 413
Net debt	171 313	183 726	12 413
<i>Percentage of GDP</i>	37.2	39.9	2.7
Less: Non-financial assets	-76 107	-76 107	—
Debt representing accumulated deficits	95 206	107 619	12 413
<i>Percentage of GDP</i>	20.7	23.4	2.7

This increase in the debt affects the historical data. More than 90% of the increase in the debt of \$12.4 billion is attributable to years prior to 2018-2019.

CHART I.11

Increase in the net debt and the debt representing accumulated deficits stemming from the change in the application of the accounting standard respecting transfer payments
(millions of dollars)



- (1) The increase in the net debt and accumulated deficits of \$7.5 billion as at April 1, 2012 results from the cumulative amount for projects subsidized by the government that had been completed by the beneficiaries as at that date, but whose expenditures had not yet been recorded in the government's financial statements.
- (2) The \$1 901-million increase in 2017-2018 includes the impact \$1 208 million for the transfer on June 1, 2017 of the operations of the Agence métropolitaine de transport to the Autorité régionale de transport métropolitain and the Réseau de transport métropolitain, which are excluded from the reporting entity.

□ A smaller stabilization reserve

Based on the *Public Accounts 2019-2020*, the stabilization reserve, which is the sum of the budgetary surpluses since 2015-2016, stood at \$12.0 billion. The change in the application of the accounting standard respecting transfer payments leads to a downward adjustment in the reserve of \$3.2 billion. As at March 31, 2020, it now stands at \$8.8 billion.

TABLE I.17

Impact of the change in the application of the accounting standard respecting transfer payments on budgetary balances and the stabilization reserve since 2015-2016

(millions of dollars)

	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	Total
Budgetary balance before the change	2 191	2 361	2 622	4 803	4	
Impact of the change in the application of the accounting standard	-188	-215	-1 901 ⁽¹⁾	-390	-527	-3 221
Budgetary balance after the change	2 003	2 146	721	4 413	-523	
Balance of the stabilization reserve after the change	2 003	4 149	4 870	9 283	8 760	

(1) The \$1 901-million increase in 2017-2018 includes the impact \$1 208 million for the transfer, on June 1, 2017 of the operations of the Agence métropolitaine de transport to the Autorité régionale de transport métropolitain and the Réseau de transport métropolitain, which are excluded from the reporting entity.

❑ **Impact of the revised application of the accounting standard on the government's budget planning**

For almost 40 years, annual subsidies have been paid out to third parties based on a schedule that generally corresponds to the pace of repayment of the debt contracted by the beneficiaries to acquire infrastructure.

By changing the application of the accounting standard respecting transfer payments, the government will enter an expenditure based on the pace of eligible work done by the beneficiaries of subsidies.

— This will result in the faster integration of portfolio expenditures in budget planning when the government does not own the subsidized infrastructure.

Furthermore, based on one of the foundations of our parliamentary system, the consent of the National Assembly is required for an amount to be charged to the Consolidated Revenue Fund for an expenditure relative to a department, budget-funded body or special fund to be recorded in the government's financial statements.

In order to allow the change in application of the accounting standard, the government is modifying its budgetary practice starting in 2021-2022. This will allow the parliamentary authorizations of expenditures to follow the pace of the eligible work done by the beneficiaries of subsidies.

■ Impact of the revised application of the accounting standard by 2025-2026

The revised application of the accounting standard, which from now on considers the progress of eligible work done by the beneficiaries, will result in an additional cost in the first years of the financial framework because of the quicker recording of the expenditure. Then, an equivalent saving will be discounted.

Note that these are not new expenditures, but expenditures that, in line with the previous practice, were incorporated to the financial framework over a much longer period.

In Budget 2021-2022, the government, taking into account the effect of the revised application of the accounting standard, estimated an annual average financial impact of \$639 million to the financial framework by 2025-2026, namely from 2020-2021 to 2025-2026. This concerns the construction projects of municipalities and charter universities, in particular.

— For 2026-2027 and the subsequent years, equivalent savings are expected.

■ Gradual application measures

For the purposes of the 2021-2022 budget planning and *Public Accounts 2020-2021*, the Ministère des Finances will change the application of the accounting standard respecting transfer payments based on its estimates of the progress of eligible work carried out by the beneficiaries of transfers.

Information gathering to be implemented

A working committee composed of the main stakeholders in the granting of these subsidies will be created in order to develop the most appropriate periodic reporting mechanisms for the government and beneficiaries. The estimates will gradually be replaced by more specific information on the progress of eligible work carried out by the beneficiaries.

The Ministère des Finances is of the opinion that implementing these mechanisms will take a few years because of the number of programs and diversity of sectors involved (e.g. municipalities, transit authorities, charter universities, non-profit organizations).

The Auditor General of Québec has given the Ministère des Finances her support to gradually implement this gathering of information.

