Regulatory Announcement

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Québec
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RE: Quebec – Budget 2017-2018 – Amendment / Quebec 18K/A-16 – Exhibit 99.19, 99.20, 99.21, 99.22

Exhibit 99.19

Excerpts from Section C - “The Québec Economy: Recent Developments and Outlook for 2017 and 2018” of “Budget 2017-2018 - The Québec Economic Plan – March 2017”, March 28, 2017

TABLE C.1

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

	2016	2017	2018
Output			
Real gross domestic product	1.7	1.7	1.6
Nominal gross domestic product	3.0	3.3	3.3
Nominal gross domestic product ($billion)	392.4	405.4	418.9
Components of GDP (in real terms)			
Final domestic demand	1.8	1.6	1.4
Household consumption	2.4	2.2	1.7
Government spending and investment	1.2	0.6	0.9
Residential investment	3.8	−0.7	−1.9
Non-residential business investment	−2.3	2.1	3.1
Exports	0.2	2.2	2.2
Imports	−1.5	2.0	1.8
Labour market			
Population (thousands)	8 326.1	8 391.3	8 455.7
Population aged 15 and over (thousands)	6 887.9	6 931.0	6 973.4
Jobs (thousands)	4 133.1	4 173.1	4 203.1
Job creation (thousands)	36.1	40.0	30.0
Unemployment rate (%)	7.1	6.6	6.4
Other economic indicators (in nominal terms)			
Household consumption	3.2	3.5	3.2
Excluding gasoline	3.4	3.2	3.2
Excluding food and rent	3.2	3.7	3.1
Housing starts (thousands of units)	38.9	36.4	34.0
Residential investment	5.0	1.3	0.0
Non-residential business investment	0.2	4.2	4.0
Wages and salaries	3.6	3.4	3.2
Household income	3.6	3.5	3.3
Net operating surplus of corporations	3.1	5.2	5.2
Consumer price index	0.7	1.6	1.9
Excluding food and energy	1.1	1.1	1.7
GDP per capita ($)	47 130	48 309	49 535
Disposable income per capita ($)	27 844	28 643	29 345

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

TABLE C.2

Canadian financial markets
(average annual rate in per cent, unless otherwise indicated)

	2016	2017	2018
Target for the overnight rate	0.5	0.5	0.8
3-month Treasury bills	0.5	0.5	0.8
10-year bonds	1.3	2.0	2.4
Canadian dollar (in U.S. cents)	75.6	74.1	76.4

Sources : Statistics Canada, Bloomberg and Ministère des Finances du Québec.

Exhibit 99.20

Section D - “The Government’s Detailed Financial Framework” from
“Budget 2017-2018 - The Québec Economic Plan – March 2017”, March 28, 2017

Section D

THE GOVERNEMENT’S DETAILED FINANCIAL FRAMEWORK

INTRODUCTION

This section of the Québec Economic Plan presents the government's detailed financial framework for 2016-2017 to 2018-2019.[1]

The information provided concerns:

— the detailed change in consolidated revenue and expenditure, as well as adjustments made since Budget 2016-2017;

— the forecast for revenue and expenditure by departmental portfolio;

— the change in the financial framework for each of the reporting entity's sectoral components, particularly the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks;

— the government's non-budgetary transactions and net financial requirements.

The five-year financial framework, that is, the government's financial forecasts up to 2021-2022, is presented in Section A of this document.

Change in and new information on the presentation of information

Adjustment of the Budget 2016-2017 forecast

The Budget 2016-2017 forecast has been adjusted to take into account the elimination of the Fund to Finance Health and Social Services Institutions (FINESSS).

- In addition, General Fund spending has been adjusted upward to take into account the expenditures of FINESSS.

Forecast for consolidated revenue and expenditure by portfolio

In the March 2015 Québec Economic Plan, the government indicated that it intended to gradually implement presentation of consolidated budget forecasts by departmental portfolio.

The March 2017 Québec Economic Plan is thus an opportunity for the government to present, for the first time, consolidated budget forecasts by portfolio.

Fiscal year 2017-2018 alone has been published for this initial presentation. However, the information will be added to gradually over the coming years by incorporating, in particular, the change in revenue and expenditure by portfolio.

[1] Throughout this section, the budgetary data for 2016-2017 and subsequent years are forecasts.

1. CHANGE IN CONSOLIDATED REVENU AND EXPENDITURE

1.1 Change in the budgetary balance

The Québec Economic Plan presents a financial framework that achieves a balanced budget with an anticipated surplus of $250 million for 2016-2017 and keeps the budget balanced thereafter. On the whole, growth of spending will be kept at a pace compatible with that of revenue.

— In 2016-2017, due to the reduction of the tax burden, consolidated revenue grew by 2.3%. Consolidated expenditure, for its part, grew by 3.7%.

— In 2017-2018, consolidated revenue is expected to grow by 3.7% and consolidated expenditure by 3.6%.

The government will continue to make deposits of dedicated revenues in the Generations Fund. Deposits will total $2.0 billion in 2016-2017 and $2.5 billion in 2017-2018.

TABLE D.1

Change in the summary financial framework
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	Adjustments	2016-2017	2017-2018	2018-2019
Own-source revenue	82 386	–418	81 968	84 279	87 004
% change	*2.6*		*0.9*	*2.8*	*3.2*
Federal transfers	20 180	318	20 498	22 029	22 221
% change	*5.7*		*8.4*	*7.5*	*0.9*
Consolidated revenue	**102 566**	**–100**	**102 466**	**106 308**	**109 225**
% change	***3.2***		***2.3***	***3.7***	***2.7***
Mission expenditures	–89 720	–667	–90 387	–93 852	–96 533
% change	*2.4*		*4.5*	*3.8*	*2.9*
Debt service	–10 418	731	–9 687	–9 868	–9 758
% change	*3.6*		*–3.2*	*1.9*	*–1.1*
Consolidated expenditure	**–100 138**	**64**	**–100 074**	**–103 720**	**–106 291**
% change	***2.5***		***3.7***	***3.6***	***2.5***
Contingency reserve	–400	300	–100	–100	–100
SURPLUS (DEFICIT)	**2 028**	**264**	**2 292**	**2 488**	**2 834**
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	–2 028	–14	–2 042	–2 488	–2 834
BUDGETARY BALANCE[(1)]	**—**	**250**	**250**	**—**	**—**

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

❑ Adjustments for 2016-2017 to the financial framework since Budget 2016-2017

Overall, the adjustments to the financial framework since Budget 2016-2017 achieve a budgetary surplus of $250 million.

More precisely, adjustments related to the economic situation improve the budgetary balance by $0.9 billion, while other adjustments lead to a $0.6-billion deterioration in the budgetary balance.

— The adjustments related to the economic situation stem from a $162-million improvement in consolidated revenue and a $716-million reduction in debt service.

— The other adjustments stem mainly from the measures implemented to reduce the tax burden and support different sectors of Québec's economy, as well as the use of $300 million from the contingency reserve.

TABLE D.2

Adjustments for 2016-2017 to the financial framework since Budget 2016-2017
(millions of dollars)

	2016-2017		
	Adjustments related to the economy	**Other adjustments[1]**	**Total**
BUDGETARY BALANCE[2] – BUDGET 2016-2017			**—**
Consolidated revenue			
Own-source revenue excluding government enterprises			
General Fund	462	–511	–49
Consolidated entities	–447	175	–272
Government enterprises	109	–206	–97
Own-source revenue	**124**	**–542**	**–418**
Federal transfers	38	280	318
Total consolidated revenue	**162**	**–262**	**–100**
Consolidated expenditure			
Mission expenditures			
Program spending	—	–56	–56
Consolidated entities	—	–611	–611
Debt service	716	15	731
Total consolidated expenditure	**716**	**–652**	**64**
Contingency reserve	**—**	**300**	**300**
Deposits of dedicated revenues in the Generations Fund	**—**	**–14**	**–14**
TOTAL	**878**	**–628**	**250**
BUDGETARY BALANCE[2] – BUDGET 2017-2018			**250**

(1) Includes the actions of the Québec Economic Plan.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.2 Change in consolidated revenue

This section presents the updated consolidated revenue of the government and the change in this revenue for 2016-2017 to 2018-2019.

Consolidated revenue will total $102.5 billion in 2016-2017, that is, $82.0 billion in own-source revenue and $20.5 billion in revenue from federal transfers.

— Consolidated revenue is adjusted downward by $100 million compared with the forecast in Budget 2016-2017.

Revenue is expected to grow by 2.3% in 2016-2017, 3.7% in 2017-2018 and 2.7% in 2018-2019.

TABLE D.3

Change in consolidated revenue
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	Adjustments	2016-2017	2017-2018	2018-2019
Own-source revenue excluding government enterprises	77 536	–321	77 215	79 799	82 602
% change	*2.9*		*1.3*	*3.3*	*3.5*
Government enterprises	4 850	–97	4 753	4 480	4 402
% change	*–2.2*		*–5.2*	*–5.7*	*–1.7*
Own-source revenue	**82 386**	**–418**	**81 968**	**84 279**	**87 004**
% change	***2.6***		***0.9***	***2.8***	***3.2***
Federal transfers	20 180	318	20 498	22 029	22 221
% change	*5.7*		*8.4*	*7.5*	*0.9*
TOTAL	**102 566**	**–100**	**102 466**	**106 308**	**109 225**
% change	***3.2***		***2.3***	***3.7***	***2.7***

1.2.1 **Own-source revenue excluding government enterprises**

Own-source revenue excluding government enterprises consists chiefly 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 closely tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue excluding government enterprises also includes revenue from other sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue excluding government enterprises is deposited in the General Fund to finance the government's missions. The remainder of this revenue is paid, in particular, into special funds (for funding specific programs) and the Generations Fund (for reducing the debt), as well as to non-budget-funded bodies and the health and social services and education networks (for funding their activities).

❑ Adjustments for 2016-2017

For fiscal 2016-2017, own-source revenue excluding government enterprises will total $77.2 billion, which represents an increase of 1.3% compared to the revenue observed for fiscal 2015-2016.

Compared with the forecast in Budget 2016-2017, own-source revenue excluding government enterprises is adjusted downward by $321 million, which represents a downward adjustment of 0.4% in forecast revenue.

■ Tax revenue

Revenue from personal income tax is adjusted upward by $47 million for fiscal 2016-2017 compared with the forecast in Budget 2016-2017. This adjustment reflects essentially the recurrence of the higher level of tax payable for 2015 and the upward adjustment in wages and salaries, which are offset, however, by lower-than-expected withholdings at source since the beginning of the fiscal year.

Contributions for health services are adjusted downward by $441 million for 2016-2017. This adjustment reflects the higher-than-anticipated level of wages and salaries in 2016. However, this adjustment is more than offset by the refund of the health contribution paid in 2016 and its complete elimination as of January 1, 2017, representing $494 million.

TABLE D.4

Change in own-source revenue excluding government enterprises
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Tax revenue					
Personal income tax	29 639	47	29 686	30 569	31 868
% change	*4.1*		*3.2*	*3.0*	*4.2*
Contributions for health services	6 463	–441	6 022	6 036	6 143
% change	*–0.5*		*–9.0*	*0.2*	*1.8*
Corporate taxes	6 565	325	6 890	7 227	7 484
% change	*2.5*		*–1.8*	*4.9*	*3.6*
School property tax	2 135	29	2 164	2 257	2 327
% change	*5.0*		*3.5*	*4.3*	*3.1*
Consumption taxes	18 906	282	19 188	19 681	20 077
% change	*2.7*		*3.5*	*2.6*	*2.0*
Other revenue					
Duties and permits	3 763	–435	3 328	3 710	3 822
% change	*–0.5*		*–13.1*	*11.5*	*3.0*
Miscellaneous revenue	10 065	–128	9 937	10 319	10 881
% change	*2.9*		*5.8*	*3.8*	*5.4*
TOTAL	**77 536**	**–321**	**77 215**	**79 799**	**82 602**
% change	***2.9***		***1.3***	***3.3***	***3.5***

Revenue from corporate taxes is adjusted upward by $325 million for fiscal 2016-2017. This adjustment reflects an increase in tax revenues that is in keeping with the favourable results observed in late 2015-2016, offset by lower growth of the net operating surplus of corporations in 2016 compared with the forecast in Budget 2016-2017.

The school property tax is adjusted upward by $29 million in 2016-2017. This adjustment is explained by the collection of additional school property tax related to higher-than-expected property values owing in particular to the construction of new immovables spurred by the vitality of the real estate market. It is also explained by higher-than-anticipated payments in lieu of taxes in respect of immovables owned by the federal and provincial governments.

Revenue from consumption taxes is adjusted upward by $282 million in 2016-2017. This adjustment arises mainly from the Québec sales tax owing to the recurrence of higher-than-expected results in 2015-2016 and tax revenue monitoring, particularly by residential construction, which was more favourable than anticipated in Budget 2016-2017.

■ Other revenue

Revenue from duties and permits is adjusted downward by $435 million in 2016-2017, reflecting essentially the lower-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances.

In addition, miscellaneous revenue is adjusted downward by $128 million, owing in particular to the fact that interest income and revenue from fines, forfeitures and recoveries are lower than anticipated.

❑ Outlook for 2017-2018 and 2018-2019

Own-source revenue excluding government enterprises will grow by 3.3% in 2017-2018 and 3.5% in 2018-2019. This growth reflects essentially the economic activity forecast for those years.

■ Tax revenue

Personal income tax, the government's largest revenue source, will increase by 3.0% in 2017-2018 and 4.2% in 2018-2019, settling at $30.6 billion and $31.9 billion, respectively.

— This change reflects, in particular, the growth of household income, indexation of the personal income tax system and the progressive nature of the tax system.

— It also takes into account the measures announced in this budget, including the general tax reduction as of 2017.

— It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

Contributions for health services will increase by 0.2% in 2017-2018 and 1.8% in 2018-2019, settling at $6 billion and $6.1 billion, respectively. This change reflects the fact that wages and salaries are expected to grow by 3.4% in 2017 and 3.2% in 2018. It also takes into account the impact of the reduction of the tax burden on individuals and SMBs.

— This change reflects, in particular, the complete elimination of the health contribution as of January 1, 2017 and the reduction of the Health Services Fund contribution rate announced for Québec SMBs in previous budgets.

Revenue from corporate taxes will grow by 4.9% in 2017-2018 and 3.6% in 2018-2019, to $7.2 billion and $7.5 billion, respectively.

— This change reflects essentially the projected growth of the net operating surplus of corporations, established at 5.2% in 2017 and 2018.

The growth of 4.3% and 3.1% in revenue from the school property tax in 2017-2018 and 2018-2019, respectively, can be attributed mainly to the increase in the number of students, the anticipated increase in the cost of certain services funded by the school property tax and, to a lesser extent, the anticipated rise in property values on the territory of certain school boards.

— The lower growth in 2018-2019 is explained chiefly by the more limited increase in the school population compared to that observed in 2017-2018.

Revenue from consumption taxes is expected to increase by 2.6% in 2017-2018 and 2.0% in 2018-2019, to $19.7 billion and $20.1 billion, respectively.

— This growth reflects primarily robust household consumption (excluding food and rent) of 3.7% in 2017 and 3.1% in 2018.

— The growth in revenue from consumption taxes is offset, however, by weak growth in revenue from the specific tax on alcoholic beverages and a slight decrease in the specific tax on tobacco products.

— In addition, the gradual elimination of restrictions on input tax refunds for large businesses, as of January 1, 2018, puts downward pressure on the growth of consumption tax revenue.

■ Other revenue

Revenue from duties and permits will grow by 11.5% in 2017-2018 and 3.0% in 2018-2019. This change is explained primarily by the increase in anticipated revenue under Québec's cap-and-trade system for greenhouse gas emission allowances.

Miscellaneous revenue will rise by 3.8% in 2017-2018 and 5.4% in 2018-2019. This growth stems mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and the health and social services and education networks.

1.2.2 **Revenue from government enterprises**

❑ Adjustments for 2016-2017

For 2016-2017, revenue from government enterprises is adjusted downward by $97 million, to $4.8 billion.

This adjustment can be attributed to the reduced results outlook for Hydro-Québec, due to the taking into account of the adjustment of the accounting impact related to the application of International Financial Reporting Standards (IFRS). This adjustment is offset in part by an increase in the results of Loto-Québec, the Société des alcools du Québec and Investissement Québec.

❑ Outlook for 2017-2018 and 2018-2019

Revenue from government enterprises will stand at $4.5 billion in 2017-2018 and $4.4 billion in 2018-2019.

- In 2017-2018, a decrease of 5.7% in revenue from government enterprises is chiefly attributable to the results of Hydro-Québec, which will decline owing in particular to the taking into account of the adjustment of the accounting impact related to the application of IFRS standards and the impact of the commissioning of electricity generation facilities.

- In 2018-2019, anticipated revenue will fall by 1.7% owing to the decrease in the results of Loto-Québec and other government enterprises.

TABLE D.5

Change in revenue from government enterprises
(millions of dollars)

	Budget 2016-2017		**Budget 2017-2018**		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Hydro-Québec	2 600	–200	2 400	2 150	2 225
Loto-Québec	1 147	8	1 155	1 142	1 120
Société des alcools du Québec	1 070	8	1 078	1 089	1 100
Other(1)	33	87	120	99	–43
TOTAL	**4 850**	**–97**	**4 753**	**4 480**	**4 402**
% change	***–2.2***		***–5.2***	***–5.7***	***–1.7***

(1) Includes the forecast for other government enterprises, in particular Investissement Québec, and the impact of the Electricity Discount Program for Consumers Billed at Rate L, amounting to $14 million in 2016-2017, $68 million in 2017-2018 and $123 million in 2018-2019.

Hydro-Québec's financial outlook

Doubling Hydro-Québec's revenue by 2030 in order to increase its profits

In its *Strategic Plan 2016-2020,* Hydro-Québec set itself the objective of laying the groundwork to double its revenue by 2030. This state-owned enterprise is seeking to increase its profits and thus contribute more to Québec's economy.

Increasing electricity exports through long-term agreements is one of the growth avenues being developed. Hydro-Québec has a long-standing business relationship with its partners that neighbour Québec and have set ambitious targets for reducing greenhouse gas emissions. The clean energy produced in Québec is part of the solution to the major energy challenges in North America, and Hydro-Québec already exports large amounts of renewable energy.

The acquisition of assets and equity stakes outside Québec provides Hydro-Québec with an opportunity to draw on its world-renowned expertise in the production of hydroelectric power and in high-voltage transmission. Hydro-Québec will set itself apart by being an investor that contributes to the global energy transition, as well as an experienced operator whose innovative technologies will be at the service of its partners. Its investments will be made through a wholly-owned subsidiary, Hydro-Québec International inc. (HQI).

Accounting standards applicable to Hydro-Québec

Since January 1, 2015, Hydro-Québec has determined its financial results using United States generally accepted accounting principles (U.S. GAAP). Since the publication of Public Accounts 2014-2015, Hydro-Québec's results have undergone an accounting adjustment in order to consolidate them with those of the government using International Financial Reporting Standards (IFRS).

For 2016-2017, revenue from Hydro-Québec is forecast at $2 750 million before taking into account the $350-million accounting impact related to the application of IFRS standards.

For 2017-2018 and 2018-2019, the accounting impact will amount to $425 million.

Change in revenue from Hydro-Québec
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	Adjustments	2016-2017	2017-2018	2018-2019
Net results (U.S. GAAP)(1)	2 750	—	2 750	2 575	2 650
Accounting adjustment to IFRS standards	–150	–200	–350	–425	–425
NET RESULTS IN THE GOVERNMENT'S FINANCIAL FRAMEWORK	**2 600**	**–200**	**2 400**	**2 150**	**2 225**

(1) Other energy businesses in Canada use U.S. GAAP to determine their financial results.

Wine price reductions at the Société des alcools du Québec

The Société des alcools du Québec has improved its profitability in recent years thanks to several efficiency measures that this state-owned corporation has implemented, particularly to reduce its cost structure.

The steps taken by the Société des alcools du Québec in order to be more effective and efficient enabled it to offer, in 2016-2017, three reductions in the price of wine[1] totalling $1.40 per bottle:

- $0.50 (in effect since November 9, 2016);
- $0.40 (in effect since January 11, 2017);
- $0.50 (in effect since February 15, 2017).

The objective of this business strategy is to reduce prices to the same level as those in Ontario for the benefit of Québec consumers, while ensuring growth of the dividends paid to the government.

In that regard, a large share of the price differential with Ontario has already been eliminated and several wines now sell for better prices in Québec.

1 Namely, 1 600 wines offered to consumers in SAQ stores, SAQ agency stores and at saq.com.

1.2.3 **Revenues from federal transfers**

❑ Adjustments for 2016-2017

In 2016-2017, revenues from federal transfers are expected to increase by 8.4% to $20.5 billion, that is, $318 million more than forecast in Budget 2016-2017.

This increase of $318 million in 2016-2017 is explained mainly by an upward adjustment of $310 million in other federal transfer programs due to the signing of two new infrastructure agreements under Phase 1 of the federal infrastructure plan. These agreements pertain to the Clean Water and Wastewater Fund, as well as the Post-Secondary Institutions Strategic Investment Fund.

TABLE D.6

Change in federal transfers
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Equalization	10 030	—	10 030	11 081	11 084
% change	*5.3*		*5.3*	*10.5*	*0.0*
Health transfers	5 944	2	5 946	6 110	6 422
% change	*8.3*		*8.4*	*2.8*	*5.1*
Transfers for post-secondary education and other social programs	1 629	6	1 635	1 640	1 676
% change	*5.6*		*6.0*	*0.3*	*2.2*
Other programs	2 577	310	2 887	3 198	3 039
% change	*1.5*		*22.8*	*10.8*	*–5.0*
TOTAL	**20 180**	**318**	**20 498**	**22 029**	**22 221**
% change	***5.7***		***8.4***	***7.5***	***0.9***

❑ Outlook for 2017-2018 and 2018-2019

In 2017-2018, federal transfers are expected to total $22.0 billion, which represents an increase of 7.5%. This growth results in particular from an increase of:

- 10.5% in equalization revenue, explained essentially by the increase of the Canadian equalization envelope, tied to the growth of Canada's nominal GDP, and by the decrease in the share of Québec, among the recipient provinces, of the personal income tax, consumption tax and property tax bases;
- 10.8% in other programs attributable in particular to the Canada Student Loans Program in connection with the enhancements by the federal government that were announced in its 2016 budget and an increase in revenue in respect of the immigrant integration program.

In 2018-2019, federal transfers are expected to reach $22.2 billion, which represents an increase of 0.9%, explained in particular by:

- growth of 5.1% in health transfer revenues that results essentially from an increase in the Canada Health Transfer envelope, related to the growth of Canada's nominal GDP, and from an increase in the targeted funds associated with that envelope;
- a decline of 5.0% in revenue from other programs attributable in particular to the end of the infrastructure programs under Phase 1 of the federal infrastructure plan.

1.3 Change in consolidated expenditure

Consolidated expenditure consists primarily of program spending by government departments, spending by special funds, non-budget-funded bodies and public institutions of the health and social services and education networks, and debt service.

Consolidated expenditure will stand at $100.1 billion in 2016-2017. This represents a downward adjustment of $64 million compared with Budget 2016-2017.

- Program spending is adjusted upward by $56 million compared with Budget 2016-2017.
- The $611-million upward adjustment in other consolidated expenditures is due mainly to:
  - additional spending by the Economic Development Fund;
  - the pace of subsidy payments of the Land Transportation Network Fund;
  - an upward adjustment of specified purpose accounts, as a result of new agreements;
  - increased spending related to certain tax credits, in particular the tax credit for film production services and the work premium.
- In addition, spending on debt service will be $731 million lower.

Consolidated expenditure will stand at $103.7 billion in 2017-2018 and $106.3 billion in 2018-2019, representing growth of 3.6% and 2.5%, respectively.

TABLE D.7

Change in consolidated expenditure
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Program spending[1]	69 696	56	69 752	72 591	75 016
% change	*2.5*		*3.8*	*4.1*	*3.3*
Other consolidated expenditures[2]	20 024	611	20 635	21 261	21 517
% change	*2.0*		*6.9*	*3.0*	*1.2*
Mission expenditures	**89 720**	**667**	**90 387**	**93 852**	**96 533**
% change	***2.4***		***4.5***	***3.8***	***2.9***
Debt service	10 418	–731	9 687	9 868	9 758
% change	*3.6*		*–3.2*	*1.9*	*–1.1*
TOTAL	**100 138**	**–64**	**100 074**	**103 720**	**106 291**
% change	***2.5***		***3.7***	***3.6***	***2.5***

(1) Program spending includes transfers intended for consolidated entities.
(2) Other consolidated expenditures include, in particular, consolidation adjustments.

1.3.1 **Mission expenditures**

❑ Program spending

Thanks to the acceleration of economic activity and sound management of public finances, the government is making additional investments in direct services to the public. In 2017-2018, additional investments related to program spending will total $1 348 million:

— $333 million for the Plan for Success: A Lifelong Process from Early Childhood;

— $742 million to improve access to quality health services;

— $245 million to support economic development in all regions;

— $29 million to improve Quebecers' standard of living.

These additional sums will be funded essentially by raising the program spending objective by $977 million in 2017-2018.

TABLE D.8

Change in program spending
(millions of dollars)

	2016-2017	2017-2018	2018-2019
PROGRAM SPENDING – BUDGET 2016-2017	**69 696**	**71 614**	**73 547**
% change	***2.5***	***2.8***	***2.7***
Additional investments in public services			
Investments under the Plan for Success: A Lifelong Process from Early Childhood	62	333	515
Investments to improve access to quality health services	100	742	1 182
Support for economic development in all regions	257	245	358
Improvement of Quebecers' standard of living	21	29	61
Subtotal	**440**	**1 348**	**2 115**
Reallocation of program spending	–283	–389	–215
Other reallocations	–101	17	–431
Adjustments	**56**	**977**	**1 469**
PROGRAM SPENDING – BUDGET 2017-2018	**69 752**	**72 591**	**75 016**
% change	***3.8***	***4.1***	***3.3***

Note: Totals may not add due to rounding.

❑ Mission expenditures

■ Adjustments for 2016-2017

In 2016-2017, mission expenditures will stand at $90.4 billion, which corresponds to an upward adjustment of $667 million compared with the forecast in Budget 2016-2017. This adjustment is explained in particular by increased spending for the Health and Social Services and Economy and Environment missions.

■ Outlook for 2017-2018 and 2018-2019

In 2017-2018 and 2018-2019, mission expenditures will amount to $93.9 billion and $96.5 billion, respectively.

TABLE D.9

Change in mission expenditures
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Health and Social services	38 372	184	38 556	40 223	41 670
% change	*2.0*		*2.7*	*4.3*	*3.6*
Education and Culture	21 698	9	21 707	22 662	23 433
% change	*3.3*		*3.4*	*4.0*(1)	*3.4*
Economy and Environment	12 276	422	12 698	12 965	13 352
% change	*1.2*		*8.3*	*2.1*	*3.0*
Support for Individuals and Families	9 846	69	9 915	9 935	10 130
% change	*1.3*		*3.2*	*1.0*(1)	*2.0*
Administration and Justice	7 528	–17	7 511	8 067	7 948
% change	*5.4*		*13.1*	*7.4*	*–1.5*
TOTAL	**89 720**	**667**	**90 387**	**93 852**	**96 533**
% change	***2.4***		***4.5***	***3.8***	***2.9***

Note: Certain data from Budget 2016-2017 have been reclassified for comparability with the presentation adopted in the October 2016 Update of the Québec Economic Plan.
(1) To assess growth in 2017-2018 based on comparable spending levels, the percent changes for that year were calculated by excluding from 2016-2017 expenditures, transfers from the provision for francization attributed to the Support for Individuals and Families mission ($75 million) and including them in the 2016-2017 expenditures of the Education and Culture mission.

1.3.2 **Debt service**

❑ Adjustments for 2016-2017

In 2016-2017, debt service is forecast at $9.7 billion, that is, $7.3 billion for direct debt service and $2.4 billion for interest on the liability related to the retirement plans and employee future benefits of public and parapublic sector employees.

Compared with Budget 2016-2017, debt service is adjusted downward by $731 million in 2016-2017 mainly because of lower-than-expected interest rates and new actuarial valuations of the retirement plans, which lead to a lower level of interest on the retirement plans liability.

❑ Outlook for 2017-2018 and 2018-2019

Debt service is expected to rise by 1.9% in 2017-2018 owing mainly to the anticipated increase in interest rates.

In 2018-2019, debt service is forecast to decrease by 1.1%. This is explained by growth in the income of the Retirement Plans Sinking Fund (RPSF), which is recorded as a deduction from debt service. In 2018-2019, the increase in the income of the RPSF will more than offset the increase in debt service due to the rise in interest rates, which will be lower than in 2017-2018.

TABLE D.10

Change in debt service
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Direct debt service	7 951	–625	7 326	7 865	8 062
Interest on the liability related to the retirement plans and employee future benefits(1)	2 467	–106	2 361	2 003	1 696
TOTAL	**10 418**	**–731**	**9 687**	**9 868**	**9 758**
% change	***3.6***		***–3.2***	***1.9***	***–1.1***

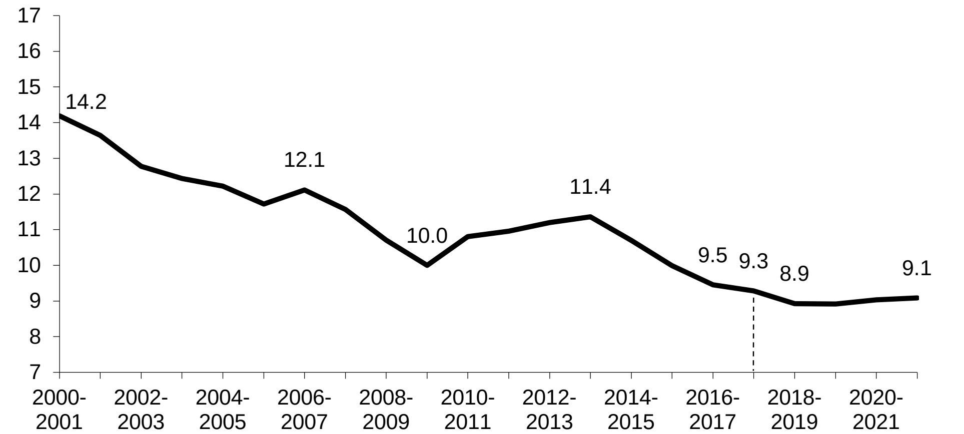
(1) This corresponds to the interest on the obligations relating to the retirement plans and future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund and employee future benefit funds.

Proportion of revenue devoted to debt service

The proportion of revenue devoted to debt service has decreased since 2013-2014. It will be 9.3% in 2017-2018.

CHART D.1

Debt service
(percentage of consolidated revenue)



2. CONSOLIDATED REVENUE AND EXPENDITURE BY DEPARTMENTAL PORTFOLIO

To fulfil its missions, the government sets up programs that are directly administered by government departments or bodies.

A departmental portfolio groups all of the entities[2] under the responsibility of a minister, including the department and bodies.

Tables D.11 and D.12 present the revenue and expenditure forecasts for 2017-2018 by portfolio and sector.

Appendix 4 lists the entities making up each portfolio.

2.1 Consolidated revenue by portfolio

The own-source revenue of entities, as well as revenue allocated to them by law, is credited to the portfolio of the minister responsible for those entities.

With total revenue of $91.2 billion in 2017-2018, the Finances portfolio is the one with the highest revenue. The revenue of this portfolio is very high compared to that of the other portfolios because it includes, among other things, the net results of government enterprises, as well as sums collected in order to fund public services of the State that are not allocated to another entity by law, such as:

- income and property taxes collected by Revenu Québec;
- the Québec sales tax;
- federal transfers under the main agreements entered into with the federal government.

The other portfolios with the highest revenue are: Éducation et Enseignement supérieur, Transports, Mobilité durable et Électrification des transports and Santé et Services sociaux. In 2017-2018, their revenue will amount to $4.5 billion, $4.4 billion and $4.2 billion, respectively.

- The revenue of the Éducation et Enseignement supérieur portfolio is derived in particular from the school property tax and tuition fees.
- The revenue of the Transports, Mobilité durable et Électrification des transports portfolio is derived in particular from the specific tax on fuel and fees for motor vehicles.
- The revenue of the Santé et Services sociaux portfolio is drawn mainly from the sale of goods and services of the health and social services network and contributions to the Québec prescription drug insurance plan.

2 Entities include departments and budget-funded bodies, non-budget-funded bodies and the health and social services and education networks, as well as special funds and specified purpose accounts.

TABLE D.11

Consolidated revenue by portfolio and sector – 2017-2018

(millions of dollars)

	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Affaires municipales et Occupation du territoire	7	102	—	349
Agriculture, Pêcheries et Alimentation	21	—	—	110
National Assembly(2)	1	—	—	—
Conseil du trésor et Administration gouvernementale	1	5	—	—
Conseil exécutif	—	—	—	12
Culture et Communications	6	21	—	3
Développement durable, Environnement et Lutte contre les changements climatiques	—	710	—	3
Économie, Science et Innovation	3	471	—	33
Éducation et Enseignement supérieur	174	95	—	204
Énergie et Ressources naturelles	31	169	—	1
Famille	18	2 382	—	—
Finances	78 192	2 563	2 488	481
Forêts, Faune et Parcs	42	531	—	8
Immigration, Diversité et Inclusion	537	—	—	5
Justice	228	123	—	1
Relations internationales et Francophonie	—	—	—	—
Santé et Services sociaux	38	208	—	195
Sécurité publique	49	597	—	12
Tourisme	—	162	—	—
Transports, Mobilité durable et Électrification des transports	46	4 054	—	—
Travail, Emploi et Solidarité sociale	908	1 318	—	4
Subtotal	**80 302**	**13 511**	**2 488**	**1 421**
Inter-portfolio eliminations(1),(3)				
TOTAL	**80 302**	**13 511**	**2 488**	**1 421**

Note: Totals may not add due to rounding.

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

(2) Includes the “Persons Appointed by the National Assembly” portfolio.

(3) Includes the cancellation of inter-portfolio gains for consolidation purposes.

Tax-funded transfers	Non-budget-funded bodies	Bodies in the health and social serivces and education networks	Intra-portfolio eliminations (1)	Consolidated revenue
—	1 148	—	–539	**1 067**
—	543	—	–539	**135**
—	—	—	—	**1**
—	1 581	—	–423	**1 164**
—	4	—	–2	**14**
—	494	—	–407	**117**
—	48	—	–8	**753**
—	246	—	–494	**259**
—	38	16 776	–12 821	**4 466**
—	333	—	–6	**528**
—	—	—	–2 352	**48**
6 536	2 366	—	–1 436	**91 190**
—	143	—	–236	**488**
—	—	—	—	**542**
—	208	—	–192	**368**
—	10	—	–3	**7**
—	17 438	24 807	–38 479	**4 207**
—	39	—	–310	**387**
—	143	—	–150	**155**
—	489	—	–229	**4 360**
—	120	—	–1 202	**1 148**
6 536	**25 391**	**41 583**	**–59 828**	**111 404**
				–5 096
6 536	**25 391**	**41 583**	**–59 828**	**106 308**

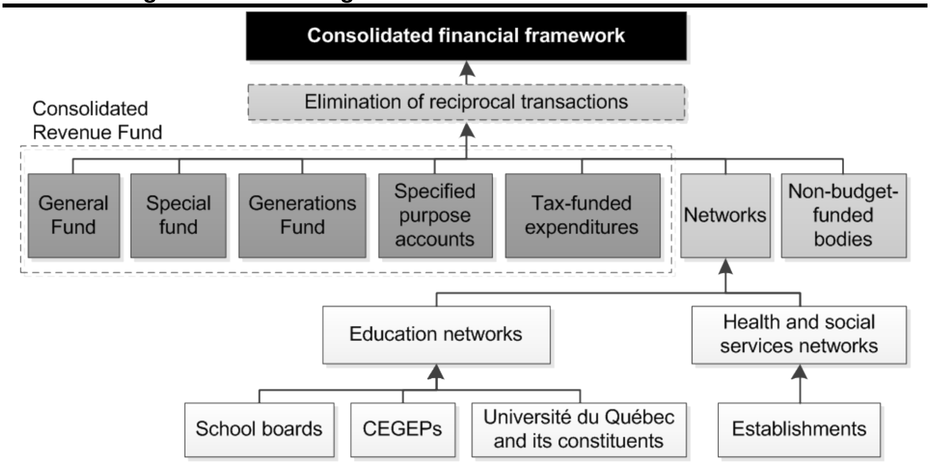
Presentation based on the government's financial organization

The consolidated financial framework has several sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table D.13 presents the forecast revenue and expenditure of these different components for fiscal 2016-2017 to 2018-2019.

The government's financial organization comprises:

- the General Fund, which includes the revenue, chiefly income tax and other taxes, levied by the government, and the program spending of departments and budget-funded bodies;
- special funds, which ensure a link between the funding of a specific service and the revenue collected for that purpose;
- the Generations Fund, which is a special fund dedicated exclusively to repaying the government's gross debt;
- specified purpose accounts, which make it possible to isolate sums paid to the government by a third party under a contract or an agreement that provides for the sums to be allocated to a specific purpose;
- tax-funded expenditures, which include refundable tax credits granted under the personal and corporate income tax systems, as well as doubtful tax accounts;
- the health and social services and education networks;
- non-budget-funded bodies, which deliver specific services to the population.

Financial organization of the government



2.2 Consolidated expenditure by portfolio

The expenditures of a departmental portfolio include the expenditures of entities under the responsibility of a minister, as well as tax-funded expenditures, the nature of which corresponds to the area covered by the portfolio.

The Santé et Services sociaux and Éducation et Enseignement supérieur portfolios are the ones with the highest level of spending. In 2017-2018, their expenditures will total $41.1 billion and $21.9 billion, respectively.

— The expenditures of the Santé et Services sociaux portfolio include, in particular, the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec.

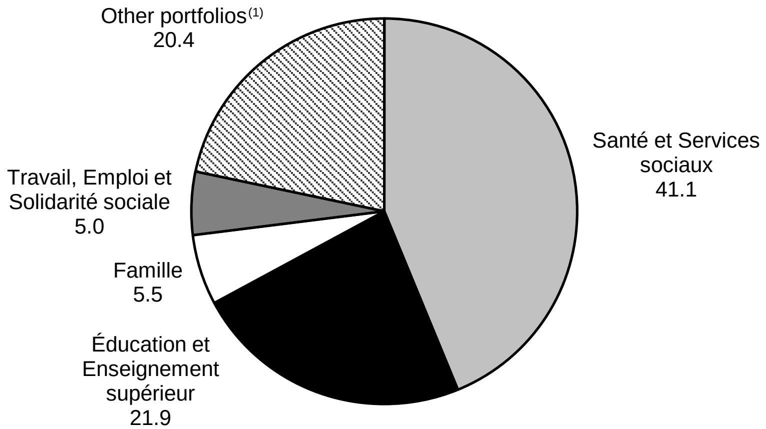
— The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of the education networks and to student financial assistance.

The Famille portfolio is the third largest in terms of spending. In 2017-2018, the expenditures of this portfolio will total $5.5 billion. They include, among other things, transfers for subsidized educational childcare services and the refundable tax credit for child assistance.

Lastly, Travail, Emploi et Solidarité sociale is a major portfolio whose expenditures will amount to $5.0 billion in 2017-2018. The expenditures of this portfolio include, in particular, last-resort financial assistance programs and employment assistance measures.

CHART D.2

Expenditure by portfolio
(billions of dollars)



Note: Excludes debt service.
(1) Includes inter-portfolio eliminations.

TABLE D.12

Consolidated expenditure by portfolio and sector – 2017-2018

(millions of dollars)

	Consolidated Revenue Fund			
	General Fund	**Special funds**	**Specified purpose accounts**	**Tax-funded expenditures**
Affaires municipales et Occupation du territoire	1 880	109	349	3
Agriculture, Pêcheries et Alimentation	877	—	110	—
National Assembly(2)	241	—	—	—
Conseil du trésor et Administration gouvernementale	1 593	4	—	—
Conseil exécutif	425	—	12	—
Culture et Communications	690	24	3	281
Développement durable, Environnement et Lutte contre les changements climatiques	153	971	3	—
Économie, Science et Innovation	916	385	33	1 071
Éducation et Enseignement supérieur	17 882	103	204	132
Énergie et Ressources naturelles	72	147	1	55
Famille	2 546	2 389	—	2 957
Finances	200	1 008	481	929
Forêts, Faune et Parcs	465	542	8	14
Immigration, Diversité et Inclusion	306	—	5	—
Justice	934	126	1	—
Relations internationales et Francophonie	106	—	—	—
Santé et Services sociaux	36 764	212	195	643
Sécurité publique	1 437	596	12	—
Tourisme	148	164	—	2
Transports, Mobilité durable et Électrification des transports	673	2 998	—	4
Travail, Emploi et Solidarité sociale	4 284	1 328	4	445
Inter-portfolio eliminations(1)	—	—	—	—
Subtotal	**72 591**	**11 106**	**1 421**	**6 536**
Debt service	7 776	2 254	—	—
TOTAL	**80 367**	**13 360**	**1 421**	**6 536**

Note: Totals may not add due to rounding.
(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).
(2) Includes the “Persons Appointed by the National Assembly” portfolio.

Non-budget-funded bodies	Health and social services and education networks	Intra-portfolio eliminations [1]	Inter-portfolio eliminations [1]	Consolidated expenditure
1 086	—	–539	—	**2 888**
436	—	–539	—	**884**
—	—	—	—	**241**
1 418	—	–423	—	**2 592**
5	—	–2	—	**440**
488	—	–407	—	**1 079**
47	—	–8	—	**1 166**
245	—	–494	—	**2 156**
37	16 374	–12 821	—	**21 911**
334	—	–6	—	**603**
—	—	–2 352	—	**5 540**
2 025	—	–1 425	—	**3 218**
140	—	–236	—	**933**
—	—	—	—	**311**
213	—	–192	—	**1 082**
10	—	–3	—	**113**
17 432	24 324	–38 479	—	**41 091**
39	—	–310	—	**1 774**
132	—	–150	—	**296**
473	—	–239	—	**3 909**
113	—	–1 202	—	**4 972**
—	—	—	–3 346	**–3 346**
24 673	**40 698**	**–59 827**	**–3 346**	**93 852**
599	885	–11	–1 635	**9 868**
25 272	**41 583**	**–59 838**	**–4 981**	**103 720**

3. FINANCIAL FRAMEWORK BY SECTOR

The consolidated financial framework has several sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table D.13 presents the forecast revenue and expenditure of these different components for fiscal 2016-2017 to 2018-2019.

Tables D.14 to D.23 present, for 2016-2017 to 2018-2019, transactions carried out by the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks, as well as tax-funded expenditures.

TABLE D.13

Financial framework for consolidated revenue and expenditure by sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
General Fund	77 768	80 302	82 542
Special funds	11 861	12 500	12 968
Generations Fund	2 042	2 488	2 834
Specified purpose accounts	1 291	1 421	1 041
Non-budget-funded bodies	20 816	21 193	21 846
Bodies in the health and social services network	24 013	24 807	25 569
Bodies in the education networks	16 134	16 776	17 309
Tax-funded transfers(1)	6 428	6 536	6 561
Consolidation adjustments(2)	–57 887	–59 715	–61 445
Total consolidated revenue	**102 466**	**106 308**	**109 225**
Expenditure			
Mission expenditures			
General Fund (program spending)	–69 752	–72 591	–75 016
Special funds	–10 588	–10 815	–11 267
Specified purpose accounts	–1 291	–1 421	–1 041
Non-budget-funded bodies	–19 816	–20 461	–21 214
Bodies in the health and social services network	–23 567	–24 324	–25 046
Bodies in the education networks	–15 695	–16 374	–16 890
Tax-funded expenditures(1)	–6 428	–6 536	–6 561
Consolidation adjustments(2)	56 750	58 670	60 502
Total mission expenditures	**–90 387**	**–93 852**	**–96 533**
Debt service			
General Fund	–7 602	–7 776	–7 567
Consolidated entities(3)	–2 085	–2 092	–2 191
Total debt service	**–9 687**	**–9 868**	**–9 758**
Total consolidated expenditure	**–100 074**	**–103 720**	**–106 291**
Contingency reserve	–100	–100	–100
SURPLUS (DEFICIT)	**2 292**	**2 488**	**2 834**
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	–2 042	–2 488	–2 834
BUDGETARY BALANCE(4)	**250**	**—**	**—**

(1) Includes doubtful tax accounts.
(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Includes consolidation adjustments.
(4) Budgetary balance within the meaning of the *Balanced Budget Act*.

Change in consolidated expenditure by sector

The following table shows the change in consolidated expenditure by sector for 2016-2017 to 2018-2019.

Change in consolidated expenditure by sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Mission expenditures			
General fund (program spending)	–69 752	–72 591	–75 016
% change	*3.8*	*4.1*	*3.3*
Special funds	–10 588	–10 815	–11 267
% change	*9.4*	*2.1*	*4.2*
Specified purpose accounts	–1 291	–1 421	–1 041
% change	*31.2*	*10.1*	*–26.7*
Non-budget-funded bodies	–19 816	–20 461	–21 214
% change	*5.1*	*3.3*	*3.7*
Bodies in the health and social services network	–23 567	–24 324	–25 046
% change	*0.9*	*3.2*	*3.0*
Bodies in the education networks	–15 695	–16 374	–16 890
% change	*3.6*	*4.3*	*3.2*
Tax-funded expenditures(1)	–6 428	–6 536	–6 561
% change	*–6.1*	*1.7*	*0.4*
Consolidation adjustments(2)	56 750	58 670	60 502
Total mission expenditures	**–90 387**	**–93 852**	**–96 533**
% change	***4.5***	***3.8***	***2.9***
Debt service			
General Fund	–7 602	–7 776	–7 567
% change	*–4.4*	*2.3*	*–2.7*
Consolidated entities(3)	–2 085	–2 092	–2 191
% change	*1.5*	*0.3*	*4.7*
Total debt service	**–9 687**	**–9 868**	**–9 758**
% change	***–3.2***	***1.9***	***–1.1***
TOTAL	**–100 074**	**–103 720**	**–106 291**
% change	***3.7***	***3.6***	***2.5***

(1) Includes doubtful tax accounts.
(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Includes consolidation adjustments.

3.1 General Fund

The General Fund is used to finance nearly three quarters of the government's consolidated expenditure.

The revenue of the General Fund, which consists of own-source revenue and federal transfers, will total $77.8 billion in 2016-2017 and increase by 3.3% in 2017-2018 and 2.8% in 2018-2019, to $80.3 billion and $82.5 billion, respectively.

The expenditures of the General Fund, which include, in particular, program spending, will stand at $77.4 billion in 2016-2017, and grow by 3.9% in 2017-2018 and 2.8% in 2018-2019, to $80.4 billion and $82.6 billion, respectively.

TABLE D.14

Summary of the budgetary transactions of the General Fund
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	35 118	36 259	37 821
Consumption taxes	17 812	18 275	18 717
Duties and permits	312	301	302
Miscellaneous revenue	1 353	1 364	1 401
Government enterprises	4 589	4 050	3 942
Own-source revenue	**59 184**	**60 249**	**62 183**
% change	***0.9***	***1.8***	***3.2***
Federal transfers	18 584	20 053	20 359
% change	*6.7*	*7.9*	*1.5*
Total revenue	**77 768**	**80 302**	**82 542**
% change	***2.2***	***3.3***	***2.8***
Expenditure			
Program spending	–69 752	–72 591	–75 016
% change	*3.8*	*4.1*	*3.3*
Debt service	–7 602	–7 776	–7 567
% change	*–4.4*	*2.3*	*–2.7*
Total expenditure	**–77 354**	**–80 367**	**–82 583**
% change	***2.9***	***3.9***	***2.8***
Contingency reserve	–100	–100	–100
SURPLUS (DEFICIT)	**314**	**–165**	**–141**

3.2 Special funds

Special funds are entities set up by law to finance certain activities within government departments and bodies.

The activities of special funds may be funded, in particular, through tax revenues, fees or transfers from program spending.

The following table shows the forecasts pertaining to special funds for 2016-2017 to 2018-2019.

TABLE D.15

Summary of the budgetary transactions of special funds(1)
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	912	1 008	1 045
Consumption taxes	2 445	2 468	2 523
Duties and permits	1 763	2 079	2 049
Miscellaneous revenue	1 950	2 089	2 385
Own-source revenue	**7 070**	**7 644**	**8 002**
Québec government transfers	4 676	4 720	4 856
Federal transfers	115	136	110
Total revenue	**11 861**	**12 500**	**12 968**
% change	***–0.5***	***5.4***	***3.7***
Expenditure			
Mission expenditures	–10 588	–10 815	–11 267
% change	*9.4*	*2.1*	*4.2*
Debt service	–1 481	–1 535	–1 663
Total expenditure	**–12 069**	**–12 350**	**–12 930**
% change	***9.2***	***2.3***	***4.7***
SURPLUS (DEFICIT)	**–208**	**150**	**38**

(1) Excludes the Generations Fund.

The revenue of the special funds will amount to $11.9 billion for 2016-2017, $12.5 billion for 2017-2018 and $13.0 billion for 2018-2019, representing a change of −0.5%, 5.4% and 3.7%, respectively.

— The slight change for 2016-2017 is due mainly to the decrease in revenue from duties and permits under Québec's cap-and-trade system for greenhouse gas emission allowances.

The mission expenditures of special funds will stand at $10.6 billion in 2016-2017, $10.8 billion in 2017-2018 and $11.3 billion in 2018-2019, representing a change of 9.4%, 2.1% and 4.2%, respectively.

The growth in spending by special funds stems mainly from:

— the Land Transportation Network Fund, for funding road network and public transit infrastructure;

— the Green Fund, given the deployment of the 2013-2020 Climate Change Action Plan (2013-2020 CCAP);

— the Northern Plan Fund, following a non-recurring payment in 2016-2017 to the Société du Plan Nord for the purchase of a limited partnership.

TABLE D.16

Mission expenditures of special funds
(millions of dollars)

	2016-2017	**2017-2018**	**2018-2019**
Land Transportation Network Fund (FORT)	2 797	2 715	3 005
Green Fund	762	798	794
Northern Plan Fund	211	72	68
Elimination of reciprocal transactions between FORT and the Green Fund	–258	–254	–230
Subtotal	**3 512**	**3 331**	**3 637**
% change	***15.5***	***–5.2***	***9.2***
Other special funds(1)	7 076	7 484	7 630
% change	*7.1*	*5.8*	*2.0*
TOTAL	**10 588**	**10 815**	**11 267**
% change	***9.4***	***2.1***	***4.2***

(1) Includes other eliminations of reciprocal transactions between special funds.

Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework

The Secrétariat du Conseil du trésor tables the Special Funds Budget in the National Assembly in order for the expenditure and investment forecasts of these entities to be approved.

The following table illustrates the reconciliation of the expenditures presented in the Special Funds Budget with those presented in the Québec Economic Plan.

Debt service of the Financing Fund is excluded from Parliamentary authorization since the advances received by the fund are derived from loans made by the government. Expenditures to service the debt of these borrowings are already covered by the General Fund and are repaid by the clientele of the Financing Fund.

- The *Act respecting the Ministère des Finances* (CQLR, chapter M-24.01) provides for special treatment of the Financing Fund because of its role as financial intermediary between the General Fund and its clientele, which consists of public bodies and special funds.

In addition, the Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The spending forecasts for special funds included in the consolidated financial framework incorporate the elimination of reciprocal transactions between entities in the same sector (i.e. between special funds).

Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework
(millions of dollars)

	2017-2018
Expenditure budget of special funds to be approved by the National Assembly	11 481
Expenditures already approved by the National Assembly	87
Debt service of the Financing Fund	1 517
Subtotal	**13 085**
Elimination of reciprocal transactions between special funds(1)	–735
Expenditure of special funds presented in the Québec Economic Plan	**12 350**

(1) Including $719 million attributable to reciprocal transactions of the Financing Fund with the other special funds.

❑ Generations Fund

Revenues dedicated to the Generations Fund will reach $2.0 billion in 2016-2017, $2.5 billion in 2017-2018 and $2.8 billion in 2018-2019.

Accordingly, as March 31, 2019, the book value of the Generations Fund will be $15.9 billion. The results of and change in the Generations Fund are presented in greater detail in Section C of Additional Information 2017-2018.

TABLE D.17

Summary of the budgetary transactions of the Generations Fund
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Consumption taxes			
Specific tax on alcoholic beverages	500	500	500
Subtotal	**500**	**500**	**500**
Duties and permits			
Water-power royalties	774	779	787
Mining revenues	77	123	241
Subtotal	**851**	**902**	**1 028**
Miscellaneous revenue			
Unclaimed property	55	30	30
Investment income	472	626	816
Subtotal	**527**	**656**	**846**
Government enterprises			
Indexation of the price of heritage electricity	164	215	245
Additional contribution from Hydro-Québec	—	215	215
Subtotal	**164**	**430**	**460**
TOTAL REVENUE	**2 042**	**2 488**	**2 834**

3.3 Specified purpose accounts

A specified purpose account is a financial management mechanism that enables a government department to record separately sums paid into the Consolidated Revenue Fund by a third party under a contract or an agreement that provides for the sums to be allocated to a specific purpose.

The following table shows the forecasts pertaining to specified purpose accounts for 2016-2017 to 2018-2019.

TABLE D.18

Summary of the budgetary transactions of specified purpose accounts
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Miscellaneous revenue	188	216	167
Own-source revenue	**188**	**216**	**167**
Federal transfers	1 103	1 205	874
Total revenue	**1 291**	**1 421**	**1 041**
% change	***31.2***	***10.1***	***–26.7***
Expenditure			
Mission expenditures	–1 291	–1 421	–1 041
Total expenditure	**–1 291**	**–1 421**	**–1 041**
% change	***31.2***	***10.1***	***–26.7***
SURPLUS (DEFICIT)	**—**	**—**	**—**

The revenue and expenditure of specified purpose accounts will amount to $1.3 billion for 2016-2017, $1.4 billion for 2017-2018 and $1.0 billion for 2018-2019.

The change in the revenue and expenditure of specified purpose accounts is explained chiefly by the signing of two new infrastructure agreements in 2016-2017 under Phase 1 of the federal infrastructure plan:

— the Post-Secondary Institutions Strategic Investment Fund;

— the Clean Water and Wastewater Fund, with a two-year term.

3.4 Non-budget-funded bodies

Non-budget-funded bodies were created to provide specific public services.

The following table shows the forecasts pertaining to non-budget-funded bodies for 2016-2017 to 2018-2019.

TABLE D.19

Summary of the budgetary transactions of non-budget-funded bodies
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Consumption taxes	123	44	28
Duties and permits	461	438	443
Miscellaneous revenue	6 075	5 897	5 925
Own-source revenue	**6 659**	**6 379**	**6 396**
Québec government transfers	13 011	13 683	14 213
Federal transfers	1 146	1 131	1 237
Total revenue	**20 816**	**21 193**	**21 846**
% change	***3.3***	***1.8***	***3.1***
Expenditure			
Mission expenditures	–19 816	–20 461	–21 214
% change	*5.1*	*3.3*	*3.7*
Debt service	–705	–599	–586
Total expenditure	**–20 521**	**–21 060**	**–21 800**
% change	***4.3***	***2.6***	***3.5***
SURPLUS (DEFICIT)	**295**	**133**	**46**

The revenue of non-budget-funded bodies will amount to $20.8 billion for 2016-2017, $21.2 billion for 2017-2018 and $21.8 billion for 2018-2019, representing an increase of 3.3%, 1.8% and 3.1%, respectively.

The mission expenditures of non-budget-funded bodies will stand at $19.8 billion in 2016-2017, $20.5 billion in 2017-2018 and $21.2 billion in 2018-2019, representing growth of 5.1%, 3.3% and 3.7%, respectively.

The growth in spending by non-budget-funded bodies stems mainly from:

— the primary missions of the Régie de l'assurance maladie du Québec and the Prescription Drug Insurance Fund;

— the Société de financement des infrastructures locales du Québec, owing to the increase in projects of municipal bodies funded through the 2014-2019 gas tax and Québec contribution program;

— La Financière agricole du Québec, due to the eligibility of new products for its insurance programs.

TABLE D.20

Mission expenditures of non-budget-funded bodies
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Régie de l'assurance maladie du Québec (RAMQ)	12 131	12 847	13 502
Prescription Drug Insurance Fund (PDIF)	3 678	3 910	4 319
La Financière agricole du Québec	436	436	491
Société de financement des infrastructures locales du Québec	714	683	736
Elimination of reciprocal transactions between RAMQ and the PDIF	–3 669	–3 901	–4 310
Subtotal	**13 290**	**13 975**	**14 738**
% change	***4.0***	***5.2***	***5.5***
Other non-budget-funded bodies(1)	6 526	6 486	6 476
% change	*6.8*	*–0.6*	*–0.2*
TOTAL	**19 816**	**20 461**	**21 214**
% change	***5.1***	***3.3***	***3.7***

(1) Includes other eliminations of reciprocal transactions between non-budget-funded bodies.

Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework

The Secrétariat du Conseil du trésor tables the revenue and expenditure forecasts for non-budget-funded bodies in the National Assembly.

The following table illustrates the reconciliation of the expenditures presented in the budget of non-budget-funded bodies with those presented in the Québec Economic Plan.

The Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The forecasts for non-budget-funded bodies included in the consolidated financial framework incorporate:

- the elimination of reciprocal transactions between entities in the same sector;
- harmonization entries intended to harmonize the entities' forecasts with the government's accounting policies.

Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework
(millions of dollars)

	2017-2018
Expenditure of non-budget-funded bodies to be tabled in the National Assembly	25 264
Elimination of reciprocal transactions between non-budget-funded bodies and harmonizations(1)	–4 204
Expenditure of non-budget-funded bodies presented in the Québec Economic Plan	**21 060**

(1) Including $3.9 billion attributable to reciprocal transactions of the Régie de l'assurance maladie du Québec with the Prescription Drug Insurance Fund.

3.5 Health and social services and education networks

❑ Health and social services network

Since April 1, 2015, the health and social services network has been made up of 35 public bodies.

The following table shows the forecasts pertaining to the health and social services network for 2016-2017 to 2018-2019.

TABLE D.21

Summary of the budgetary transactions of bodies in the health and social services network
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Miscellaneous revenue	2 294	2 429	2 567
Own-source revenue	**2 294**	**2 429**	**2 567**
Québec government transfers	21 586	22 244	22 866
Federal transfers	133	134	136
Total revenue	**24 013**	**24 807**	**25 569**
% change	***1.5***	***3.3***	***3.1***
Expenditure			
Mission expenditures	–23 567	–24 324	–25 046
% change	*0.9*	*3.2*	*3.0*
Debt service	–446	–483	–523
Total expenditure	**–24 013**	**–24 807**	**–25 569**
% change	***1.0***	***3.3***	***3.1***
SURPLUS (DEFICIT)	**—**	**—**	**—**

The revenue of the health and social services network will amount to $24.0 billion for 2016-2017, $24.8 billion for 2017-2018 and $25.6 billion for 2018-2019, representing a change of 1.5%, 3.3% and 3.1%, respectively.

The mission expenditures of the health and social services network will stand at $23.6 billion in 2016-2017, $24.3 billion in 2017-2018 and $25.0 billion in 2018-2019, representing a change of 0.9%, 3.2% and 3.0%, respectively.

❑ Education networks

The education networks are made up of school boards, the Comité de gestion de la taxe scolaire de l'île de Montréal, CEGEPS and the Université du Québec and its constituents.

The following table shows the forecasts pertaining to the education networks for 2016-2017 to 2018-2019.

TABLE D.22

Summary of the budgetary transactions of bodies in the education networks
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	2 164	2 257	2 327
Miscellaneous revenue	1 698	1 734	1 770
Own-source revenue	**3 862**	**3 991**	**4 097**
Québec government transfers	12 116	12 628	13 052
Federal transfers	156	157	160
Total revenue	**16 134**	**16 776**	**17 309**
% change	***2.7***	***4.0***	***3.2***
Expenditure			
Mission expenditures	–15 695	–16 374	–16 890
% change	*3.6*	*4.3*	*3.2*
Debt service	–404	–402	–419
Total expenditure	**–16 099**	**–16 776**	**–17 309**
% change	***3.6***	***4.2***	***3.2***
SURPLUS (DEFICIT)	**35**	**—**	**—**

The revenue of the education networks will amount to $16.1 billion for 2016-2017, $16.8 billion for 2017-2018 and $17.3 billion for 2018-2019, representing a change of 2.7%, 4.0% and 3.2%, respectively.

The mission expenditures of the education networks will stand at $15.7 billion in 2016-2017, $16.4 billion in 2017-2018 and $16.9 billion in 2018-2019, representing a change of 3.6%, 4.3% and 3.2%, respectively.

3.6 Tax-funded expenditures

Refundable tax credits for individuals and corporations, which are similar to taxation-related transfer expenditures, are recorded in spending rather than as reductions in revenue. Expenditures related to doubtful tax accounts are added to these refundable tax credits.

Tax-funded expenditures will decrease by 6.1% in 2016-2017 in relation to the previous year and increase by 1.7% in 2017-2018 and 0.4% in 2018-2019. This change is explained in particular by certain measures announced in:

— Budget 2014-2015, including the revision of the rates of tax credits granted to corporations;

— the December 2014 *Update on Québec's Economic and Financial Situation,* including the introduction of a minimum eligible expenditure threshold for R&D tax credits;

— Budget 2015-2016, including the measures intended to increase the effectiveness of the sectoral tax assistance granted to corporations and the introduction of the tax shield for individuals;

— Budget 2016-2017, including the improvements to work premiums for households without children and to the tax shield;

— Budget 2017-2018, including the refundable tax credit for the upgrading of residential waste water treatment systems.

TABLE D.23

Summary of budgetary transactions relating to tax-funded expenditures
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Personal income tax	4 439	4 546	4 608
Corporate taxes	1 717	1 706	1 682
Consumption taxes	272	284	271
Total revenue	**6 428**	**6 536**	**6 561**
% change	***–6.1***	***1.7***	***0.4***
Expenditure	**–6 428**	**–6 536**	**–6 561**
% change	***–6.1***	***1.7***	***0.4***
SURPLUS (DEFICIT)	**—**	**—**	**—**

4. NET FINANCIAL REQUIREMENTS

Surpluses or net financial requirements represent the difference between the government's cash inflow and disbursements. These surpluses or net financial requirements take into account changes in the budgetary balance on an accrual basis, resources or requirements arising from the acquisition or disposal of fixed assets, investments, loans and advances and from other activities such as paying accounts payable and collecting accounts receivable.

The government will post a financial surplus of $83 million for fiscal 2016-2017, a financial requirement of $553 million for fiscal 2017-2018 and a financial surplus of $811 million for fiscal 2018-2019.

TABLE D.24

Net financial requirements(1)
(millions of dollars)

	2016-2017	2017-2018	2018-2019
SURPLUS (DEFICIT)	**2 292**	**2 488**	**2 834**
Non-budgetary transactions			
Investments, loans and advances	–2 970	–2 047	–1 989
Capital investments	–2 190	–3 679	–3 220
Retirement plans and employee future benefits	3 083	3 165	3 105
Other accounts	–132	–480	81
Total non-budgetary transactions	**–2 209**	**–3 041**	**–2 023**
NET FINANCIAL REQUIREMENTS	**83**	**–553**	**811**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

❑ Investments, loans and advances

Investments, loans and advances include mainly investments made by the government in its enterprises and loans and advances granted to entities not included in the government reporting entity.

Net financial requirements for investments, loans and advances are estimated at $3 billion for 2016-2017 and $2 billion per year for 2017-2018 and 2018-2019. Investments, loans and advances include the government's investments in major economic projects, such as Bombardier's C Series in 2016-2017 and the Réseau électrique métropolitain de Montréal (REM) in 2017-2018 and 2018-2019.

❑ Capital investments

In 2016-2017, forecast net financial requirements associated with net capital investments amount to $2.2 billion.

Net financial requirements attributable to net investments for fiscal 2017-2018 and 2018-2019 will stand at $3.7 billion and $3.2 billion respectively.

TABLE D.25

Consolidated net capital investments[1]
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Investments	–6 287	–7 643	–7 343
Depreciation	3 806	3 866	4 020
Net investments	**–2 481**	**–3 777**	**–3 323**
Less: PPP investments[2]	291	98	103
NET CAPITAL INVESMENTS	**–2 190**	**–3 679**	**–3 220**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.
(2) Investments made under public-private partnership (PPP) agreements correspond to new commitments that are taken into account in the government's gross debt. In accordance with the government's accounting policies, PPP investments are recognized in the government's assets as well as in its debt.

❑ Retirement plans and employee future benefits

Forecast growth in the non-budgetary balance for the retirement plans and employee future benefits stands at $3.1 billion for 2016-2017, $3.2 billion for 2017-2018 and $3.1 billion for 2018-2019.

❑ Other accounts

Net financial requirements for other accounts consist of a series of changes in assets and liabilities such as accounts receivable and accounts payable.

The change in the government's other accounts raises net financial requirements by $132 million for 2016-2017 and $480 million for 2017-2018. In 2018-2019, other accounts will generate a financial surplus of $81 million.

❑ Net financial requirements by sector

The following table shows net financial requirements by sector.

TABLE D.26

Net financial requirements by sector[1]
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	2 672	957	2 505
Consolidated entities[2]	–4 631	–3 998	–4 528
Generations Fund	2 042	2 488	2 834
NET FINANCIAL REQUIREMENTS	**83**	**–553**	**811**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.
(2) Excludes the Generations Fund.

APPENDIX 1: SENSITIVITY ANALYSIS OF ECONOMIC VARIABLES

The financial framework's forecasts incorporate certain components of uncertainty that do not depend on the government directly, but which may cause actual results to differ from the forecasts.

❑ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important of these factors are related to the economic activity of Québec's main trading partners, the United States and the Canadian provinces.

■ Impact of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression (VAR)[3] model on the basis of historical data show that a change of 1% in U.S. real GDP entails on average a change of 0.5% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP gives rise on average to a change of 0.4% in Québec's real GDP.

— The maximum effect is captured two quarters later as well.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2013, exports to Ontario accounted for roughly 60% of Québec's interprovincial exports.

TABLE D.27

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	0.5
Ontario real GDP	2	0.4

(1) Maturity corresponds to the number of quarters needed to record the greatest impact on Québec's real GDP, presented in the right-hand column.
Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Global Insight, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

3 Vector autoregression. 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 (impulse response function). The estimates were made using quarterly data from Statistics Canada's 1993 System of National Accounts (SNA 1993), for the 1981-2010 period.

❑ Sensitivity of own-source revenue to economic fluctuations

In general, the nominal GDP forecast is a very good indicator of growth in own-source revenue given the direct link between tax bases and nominal GDP.

— According to the overall sensitivity analysis, a change of 1 percentage point in nominal GDP has an impact of about $650 million on the government's own-source revenue.

This sensitivity analysis is based on a revision of each tax base in proportion to the revision of nominal GDP.

— In reality, a change in economic outlook can have a greater impact on some economic variables, as well as greater repercussions on certain tax bases and smaller ones on others.

Sensitivity analyses set an average historical relationship between the change in own-source revenue and growth in nominal GDP. Accordingly, they may prove inaccurate for a given year depending on the economic situation and yet not lose their validity.

— Indeed, for a given year, economic fluctuations may have various impacts on revenue because of changes in the behaviour of economic agents.

— In these situations, the change in own-source revenue can be greater or lower than the change in nominal GDP.

TABLE D.28

Sensitivity of own-source revenue to major economic variables

Variable	Growth forecasts for 2017	Impacts for fiscal 2017-2018
Nominal GDP	3.3%	A variation of 1 percentage point changes own-source revenue by roughly $650 million.
– Wages and salaries	3.4%	A variation of 1 percentage point changes personal income tax revenue by about $280 million.
– Employment insurance	0.8%	A variation of 1 percentage point changes personal income tax revenue by roughly $5 million.
– Pension income	5.0%	A variation of 1 percentage point changes personal income tax revenue by around $40 million.
– Net operating surplus of corporations	5.2%	A variation of 1 percentage point changes corporate income tax revenue by roughly $30 million.
– Household consumption	3.5%	A variation of 1 percentage point changes QST revenue by about $170 million.
– Residential investments	1.3%	A variation of 1 percentage point changes QST revenue by nearly $20 million.

❑ Sensitivity of program spending

The financial framework's forecasts take into account:

— budgetary choices, which stem from the prioritization of certain sectors over others in the allocation of spending;

— economic variables, which are tied to price factors (inflation) and demographic factors (changes in population).

The following tables show the estimated sensitivity of program spending to certain changes at the budgetary level as well as in economic factors.

In that regard, it should be noted that such estimates constitute indications and that impacts may vary depending on the nature and interaction of risk factors.

■ Budgetary choices

Program spending may vary according to certain budgetary choices made by the government in allocating its available budgetary resources.

Accordingly, a variation of 1% in:

— program spending for the Santé et Services sociaux portfolio would lead to a variation of about $370 million in such spending;

— program spending for the Éducation et Enseignement supérieur portfolio would lead to a variation of roughly $180 million in such spending;

— program spending for the Famille portfolio would lead to a variation of approximately $25 million in such spending.

TABLE D.29

Sensitivity of program spending to a variation of 1% in each portfolio

Variables	Impact for fiscal 2017-2018
Santé et Services sociaux	$370 million (1%)
Éducation et Enseignement supérieur	$180 million (1%)
Famille	$25 million (1%)
Other portfolios	$155 million (1%)

■ Economic variables

The analysis also made it possible to estimate the sensitivity of program spending to certain important external variables.

■ Prices

Public spending is influenced by the price of services funded by the government. The change in the price of such services is closely tied to the change in the general level of prices in the economy, that is, inflation.

Accordingly, a uniform variation in prices could lead to variations in program spending.

The results show that a variation of 1% in prices would lead to a variation of $260 million, or 0.4%, in total spending.

— In particular, spending for the Santé et Services sociaux portfolio would vary by 0.3% and that for the Éducation et Enseignement supérieur portfolio by 0.1%; spending related to the Famille and the Travail, Emploi et Solidarité sociale portfolios would each vary by 0.9%.

The impact of a change in inflation on spending is limited, because remuneration expenditures vary mainly according to parameters provided for in collective agreements.

■ Population

Spending is also affected by population changes and, for specific services, by changes in the population of specific age groups.

For example, a change of 1% in the total population would change total spending by $520 million, or 0.7%.

— Spending would vary by 0.7% for the Santé et Services sociaux portfolio and 0.8% for the Éducation et Enseignement supérieur portfolio.

A change of 1% in the number of people aged 0-4, that is, the population that affects, in particular, the demand for childcare services, would have a $40-million impact on total spending.

— The Famille portfolio would be the most affected by a shock of this type. Its spending would vary by 1.0%.

A change of 1% in the number of people aged 65 and over would lead to a variation of $155 million in total spending.

— Spending for the Santé et Services sociaux portfolio would be the most affected by a change in this age group; it would vary by 0.4%.

TABLE D.30

Sensitivity of program spending to a variation of 1% in each economic variable

		Impact for fiscal 2017-2018	
Variables		$million	%
Economic variable			
Inflation	**Total spending**	**260**	**0.4**
	By portfolio:		
	– Santé et Services sociaux		0.3
	– Éducation et Enseignement supérieur		0.1
	– Famille		0.9
	– Travail, Emploi et Solidarité sociale		0.9
	– Other		0.6
Demographic variables			
Total population	**Total spending**	**520**	**0.7**
	By portfolio:		
	– Santé et Services sociaux		0.7
	– Éducation et Enseignement supérieur		0.8
	– Famille		1.0
	– Other		0.6
0-4 years	**Total spending**	**40**	**0.1**
	By portfolio:		
	– Famille		1.0
5-16 years	**Total spending**	**115**	**0.2**
	By portfolio:		
	– Éducation et Enseignement supérieur		0.5
17-24 years	**Total spending**	**70**	**0.1**
	By portfolio:		
	– Éducation et Enseignement supérieur		0.3
65 years and over	**Total spending**	**155**	**0.2**
	By portfolio:		
	– Santé et Services sociaux		0.4

❑ Sensitivity of debt service to a change in interest rates and exchange rates

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by roughly $250 million.

A change in the value of the Canadian dollar compared with other currencies would have no impact on debt service because the government's debt has no foreign currency exposure.

APPENDIX 2: ALLOCATION OF REVENUE FROM CONSUMPTION TAXES

❑ Consumption taxes

Consumption taxes include sales taxes and specific taxes. Sales taxes include, in particular, the Québec sales tax (QST) and the tax on insurance premiums, while specific taxes are applied to fuel, tobacco products and alcoholic beverages.

For 2016-2017, revenue from consumption taxes will amount to $19.2 billion, that is, $15.2 billion from sales taxes and $4.0 billion from specific taxes.

TABLE D.31

Revenue from consumption taxes
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Sales taxes(1)	**15 150**	**15 757**	**16 137**
Specific taxes			
Fuel	2 336	2 286	2 322
Tobacco products	1 072	1 003	978
Alcoholic beverages(2)	630	635	640
Subtotal	**4 038**	**3 924**	**3 940**
TOTAL	**19 188**	**19 681**	**20 077**

(1) Includes revenue from pari mutuel.
(2) Includes an annual amount of $500 million dedicated to the Generations Fund.

■ Sales taxes

Within the meaning of the *Act respecting the Québec sales tax*,[4] sales taxes include the QST as well as the tax on insurance premiums, the tax on lodging and the specific duty on new tires. For 2016-2017, sales tax revenue will reach $15.2 billion. More specifically:

— the revenue of the general fund derived from the QST and the tax on insurance premiums will amount to $16.7 billion;

— revenue of $86 million derived mainly from the tax on lodging, is allocated to the Tourism Partnership Fund to promote and develop tourism;

— revenue of nearly $25 million, derived in particular from the specific duty on new tires ($3 per tire), is dedicated to the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) to finance the recycling of used tires.

Consolidated revenue also takes into account the cost of the solidarity tax credit and consolidation adjustments, such as the elimination of reciprocal transactions between entities in different sectors.

TABLE D.32

Allocation of sales tax revenue
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund(1)	16 732	17 241	17 702
Tourism Partnership Fund	86	95	98
RECYC-QUÉBEC	25	28	28
Solidarity tax credit and other(2)	–1 693	–1 607	–1 691
TOTAL	**15 150**	**15 757**	**16 137**

(1) Includes revenue from pari mutuel.
(2) Includes, in particular, the solidarity tax credit and the partial rebate of the QST paid on property and services acquired by institutions in the health and social services and education networks.

4 CQLR, chapter T-0.1.

Specific taxes

Specific tax on fuel

For 2016-2017, the government's own-source revenue from the specific tax on fuel will total $2.3 billion. This amount includes:

- revenue from the specific tax of 19.2 cents per litre and 20.2 cents per litre on gasoline and diesel fuel (non-coloured fuel oil), respectively, paid into the Land Transportation Network Fund (FORT) to finance the road network and public transit infrastructure ($2.2 billion):
  - revenue from FORT also includes revenue from the specific tax of 1 cent per litre of gasoline sold within the territory of the Gaspésie–Îles-de-la-Madeleine administrative region to improve public transportation services in this region ($1.1 million);
- revenue from the specific tax of 3 cents per litre on kerosene fuel (domestic), aviation fuel and fuel oil for locomotives, paid into the General Fund ($15 million);
- revenue from the specific tax of 3 cents per litre of gasoline sold within the territory of the Agence métropolitaine de transport (AMT), paid to the AMT, for public transportation services in the metropolitan Montréal region ($98 million).

The activities of the AMT will be transferred on June 1, 2017 to the Autorité régionale de transport métropolitain (ARTM), a body that is not included in the government reporting entity.

TABLE D.33

Allocation of revenue from the specific taxes on fuel
(millions of dollars)

	2016-2017	2017-2018	2018-2019
FORT	2 223	2 255	2 306
General Fund	15	15	16
AMT	98	16	—
TOTAL	**2 336**	**2 286**	**2 322**

▪ Specific tax on tobacco products

For 2016-2017, tax revenue from the sale of tobacco products amounts to $1.1 billion, including $935 million paid into the General Fund and $137 million allocated to various special funds.

TABLE D.34

Allocation of revenue from the specific tax on tobacco products
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	**935**	**884**	**859**
Special funds			
Sports and Physical Activity Development Fund(1)	66	68	68
Québec Cultural Heritage Fund	16	16	16
Fund for the Promotion of a Healthy Lifestyle(2)	20	—	—
Early Childhood Development Fund	15	15	15
Caregiver Support Fund	15	15	15
Fonds Avenir Mécénat Culture	5	5	5
Subtotal	**137**	**119**	**119**
TOTAL	**1 072**	**1 003**	**978**

(1) This fund includes an allocation of $6 million in 2016-2017 subject to the passage, by March 31, 2017 at the latest, of the *Bill concerning primarily the implementation of certain provisions of the Budget Speech of 17 March 2016*.
(2) This fund is being eliminated as of 2017-2018. The revenues will be allocated to the General Fund and the expenditures will be covered by the Ministère de la Santé et des Services sociaux.

▪ Specific tax on alcoholic beverages

Tax revenue from the sale of alcoholic beverages totals $630 million in 2016-2017. This revenue will reach $640 million in 2018-2019.

— Since 2016-2017, an annual amount of $500 million drawn from the specific tax on alcoholic beverages has been allocated to the Generations Fund.

TABLE D.35

Allocation of revenue from the specific tax on alcoholic beverages
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	130	135	140
Generations Fund	500	500	500
TOTAL	**630**	**635**	**640**

APPENDIX 3: DETAILED CONSOLIDATED FINANCIAL FRAMEWORK

TABLE D.36

Detailed consolidated financial framework

(millions of dollars)

	2016-2017			
	Consolidated Revenue Fund			
	General Fund	**Special funds**	**Generations Fund**	**Specified purpose accounts**
Revenue				
Personal income tax	22 888	729	—	—
Contributions for health services	7 240	—	—	—
Corporate taxes	4 990	183	—	—
School property tax	—	—	—	—
Consumption taxes	17 812	2 445	500	—
Duties and permits	312	1 763	851	—
Miscellaneous revenue	1 353	1 950	527	188
Government enterprises	4 589	—	164	—
Own-source revenue	**59 184**	**7 070**	**2 042**	**188**
Québec government transfers	—	4 676	—	—
Federal transfers	18 584	115	—	1 103
Total revenue	**77 768**	**11 861**	**2 042**	**1 291**
Expenditure				
Mission expenditures	–69 752	–10 588	—	–1 291
Debt service	–7 602	–1 481	—	—
Total expenditure	**–77 354**	**–12 069**	**—**	**–1 291**
Contingency reserve	−100			
SURPLUS (DEFICIT)	**314**	**–208**	**2 042**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 042	
BUDGETARY BALANCE(3)				

(1) Includes doubtful tax accounts.
(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2016-2017					
Tax-funded[1] expenditures[1]	**Non-budget-funded bodies**	**Bodies in the health and social services network**	**Bodies in the education networks**	**Consolidation adjustments [2]**	**Consolidated results**
4 439	—	—	—	1 630	29 686
—	—	—	—	–1 218	6 022
1 717	—	—	—	—	6 890
—	—	—	2 164	—	2 164
272	123	—	—	–1 964	19 188
—	461	—	—	–59	3 328
—	6 075	2 294	1 698	–4 148	9 937
—	—	—	—	—	4 753
6 428	**6 659**	**2 294**	**3 862**	**–5 759**	**81 968**
—	13 011	21 586	12 116	–51 389	—
—	1 146	133	156	–739	20 498
6 428	**20 816**	**24 013**	**16 134**	**–57 887**	**102 466**
–6 428	–19 816	–23 567	–15 695	56 750	–90 387
—	–705	–446	–404	951	–9 687
–6 428	**–20 521**	**–24 013**	**–16 099**	**57 701**	**–100 074**
					–100
—	**295**	**—**	**35**	**–186**	**2 292**
					–2 042
					250

TABLE D.37

Detailed consolidated financial framework
(millions of dollars)

	2017-2018			
	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	23 687	798	—	—
Contributions for health services	7 261	—	—	—
Corporate taxes	5 311	210	—	—
School property tax	—	—	—	—
Consumption taxes	18 275	2 468	500	—
Duties and permits	301	2 079	902	—
Miscellaneous revenue	1 364	2 089	656	216
Government enterprises	4 050	—	430	—
Own-source revenue	**60 249**	**7 644**	**2 488**	**216**
Québec government transfers	—	4 720	—	—
Federal transfers	20 053	136	—	1 205
Total revenue	**80 302**	**12 500**	**2 488**	**1 421**
Expenditure				
Mission expenditures	–72 591	–10 815	—	–1 421
Debt service	–7 776	–1 535	—	—
Total expenditure	**–80 367**	**–12 350**	**—**	**–1 421**
Contingency reserve	–100			
SURPLUS (DEFICIT)	**–165**	**150**	**2 488**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 488	
BUDGETARY BALANCE(3)				

(1) Includes doubtful tax accounts.
(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2017-2018					
Tax-funded expenditures [1]	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments [2]	Consolidated results
4 546	—	—	—	1 538	30 569
—	—	—	—	–1 225	6 036
1 706	—	—	—	—	7 227
—	—	—	2 257	—	2 257
284	44	—	—	–1 890	19 681
—	438	—	—	–10	3 710
—	5 897	2 429	1 734	–4 066	10 319
—	—	—	—	—	4 480
6 536	**6 379**	**2 429**	**3 991**	**–5 653**	**84 279**
—	13 683	22 244	12 628	–53 275	—
—	1 131	134	157	–787	22 029
6 536	**21 193**	**24 807**	**16 776**	**–59 715**	**106 308**
–6 536	–20 461	–24 324	–16 374	58 670	–93 852
—	–599	–483	–402	927	–9 868
–6 536	**–21 060**	**–24 807**	**–16 776**	**59 597**	**–103 720**
					–100
—	**133**	**—**	**—**	**–118**	**2 488**
					–2 488
					—

TABLE D.38

Detailed consolidated financial framework
(millions of dollars)

	2018-2019			
	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	24 843	828	—	—
Contributions for health services	7 393	—	—	—
Corporate taxes	5 585	217	—	—
School property tax	—	—	—	—
Consumption taxes	18 717	2 523	500	—
Duties and permits	302	2 049	1 028	—
Miscellaneous revenue	1 401	2 385	846	167
Government enterprises	3 942	—	460	—
Own-source revenue	**62 183**	**8 002**	**2 834**	**167**
Québec government transfers	—	4 856	—	—
Federal transfers	20 359	110	—	874
Total revenue	**82 542**	**12 968**	**2 834**	**1 041**
Expenditure				
Mission expenditures	–75 016	–11 267	—	–1 041
Debt service	–7 567	–1 663	—	—
Total expenditure	**–82 583**	**–12 930**	**—**	**–1 041**
Contingency reserve	–100			
SURPLUS (DEFICIT)	**–141**	**38**	**2 834**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 834	
BUDGETARY BALANCE[(3)]				

(1) Includes doubtful tax accounts.
(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2018-2019					
Tax-funded expenditures [(1)]	**Non-budget-funded bodies**	**Bodies in the health and social services network**	**Bodies in the education networks**	**Consolidation adjustments** [(2)]	**Consolidated results**
4 608	—	—	—	1 589	31 868
—	—	—	—	–1 250	6 143
1 682	—	—	—	—	7 484
—	—	—	2 327	—	2 327
271	28	—	—	–1 962	20 077
—	443	—	—	—	3 822
—	5 925	2 567	1 770	–4 180	10 881
—	—	—	—	—	4 402
6 561	**6 396**	**2 567**	**4 097**	**–5 803**	**87 004**
—	14 213	22 866	13 052	–54 987	—
—	1 237	136	160	–655	22 221
6 561	**21 846**	**25 569**	**17 309**	**–61 445**	**109 225**
–6 561	–21 214	–25 046	–16 890	60 502	–96 533
—	–586	–523	–419	1 000	–9 758
–6 561	**–21 800**	**–25 569**	**–17 309**	**61 502**	**–106 291**
					–100
—	**46**	**—**	**—**	**57**	**2 834**
					–2 834
					—

APPENDIX 4: LIST OF ENTITIES BY PORTFOLIO

TABLE D.39

List of entities by portfolio

Affaires municipales et Occupation du territoire	
Ministère des Affaires municipales et de l'Occupation du territoire	Dept
Commission municipale du Québec	BFB
Régie du logement	BFB
Territories Development Fund	SF
Société d'habitation du Québec	NBFB
Agriculture, Pêcheries et Alimentation	
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	Dept
Commission de protection du territoire agricole du Québec	BFB
Régie des marchés agricoles et alimentaires du Québec	BFB
La Financière agricole du Québec	NBFB
National Assembly	
National Assembly	Other
Conseil du trésor et Administration gouvernementale	
Secrétariat du Conseil du trésor	Dept
Commission de la fonction publique	BFB
Natural Disaster Assistance Fund	SF
Centre de services partagés du Québec	NBFB
Société québécoise des infrastructures	NBFB
Conseil exécutif	
Ministère du Conseil exécutif	Dept
Commission d'accès à l'information	BFB
Centre de la francophonie des Amériques	NBFB
Culture et Communications	
Ministère de la Culture et des Communications	Dept
Commission de toponymie	BFB
Conseil du patrimoine culturel du Québec	BFB
Conseil supérieur de la langue française	BFB
Office québécois de la langue française	BFB
Fonds Avenir Mécénat Culture	SF
Québec Cultural Heritage Fund	SF
Bibliothèque et Archives nationales du Québec	NBFB
Conseil des arts et des lettres du Québec	NBFB
Conservatoire de musique et d'art dramatique du Québec	NBFB
Musée d'Art contemporain de Montréal	NBFB
Musée de la Civilisation	NBFB
Musée national des beaux-arts du Québec	NBFB
Société de développement des entreprises culturelles	NBFB
Société de la Place des Arts de Montréal	NBFB
Société de télédiffusion du Québec	NBFB
Société du Grand Théâtre de Québec	NBFB
Développement durable, Environnement et Lutte contre les changements climatiques	
Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques	Dept
Bureau d'audiences publiques sur l'environnement	BFB
Green Fund	SF
Société québécoise de récupération et de recyclage	NBFB

Legend: Dept: department; BFB: budget-funded body; SF: special fund; NBFB: non-budget-funded body; HSSE: health and social services and education networks.

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Économie, Science et Innovation	
Ministère de l'Économie, de la Science et de l'Innovation	Dept
Conseil du statut de la femme	BFB
Commission de l'éthique en science et en technologie	BFB
Capital Mines Hydrocarbures	SF
Economic Development Fund	SF
Fonds de recherche du Québec – Nature et technologies	NBFB
Fonds de recherche du Québec – Santé	NBFB
Fonds de recherche du Québec – Société et culture	NBFB
Centre de recherche industrielle du Québec	NBFB
Société du parc industriel et portuaire de Bécancour	NBFB
Éducation et Enseignement supérieur	
Ministère de l'Éducation et de l'Enseignement supérieur	Dept
Advisory Committee on the Financial Accessibility of Education	BFB
Commission consultative de l'enseignement privé	BFB
Commission d'évaluation de l'enseignement collégial	BFB
Conseil supérieur de l'éducation	BFB
University Excellence and Performance Fund	SF
Sports and Physical Activity Development Fund	SF
Institut de tourisme et d'hôtellerie du Québec	NBFB
Institut national des mines	NBFB
General and vocational colleges (CEGEPs)	HSSE
School boards	HSSE
Université du Québec and its constituents	HSSE
Énergie et Ressources naturelles	
Ministère de l'Énergie et des Ressources naturelles	Dept
Territorial Information Fund	SF
Energy Transition Fund	SF
Natural Resources Fund	SF
Régie de l'énergie	NBFB
Société de développement de la Baie-James	NBFB
Société du Plan Nord	NBFB
Transition énergétique Québec	NBFB
Famille	
Ministère de la Famille	Dept
Curateur public	BFB
Caregiver Support Fund	SF
Educational Childcare Services Fund	SF
Early Childhood Development Fund	SF
Finances	
Ministère des Finances	Dept
Financing Fund	SF
Generations Fund	SF
Fonds du centre financier de Montréal	SF
Northern Plan Fund	SF
Fund of the Financial Markets Administrative Tribunal	SF
Tax Administration Fund	SF
Agence du revenu du Québec	NBFB
Autorité des marchés financiers	NBFB
Financement-Québec	NBFB
Institut de la statistique du Québec	NBFB
Société de financement des infrastructures locales du Québec	NBFB
Government enterprises(1)	Other

(1) At the financial level, the net results of government enterprises are credited to the Finances portfolio. However, the administration of a government enterprise may come under another portfolio.

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Forêts, Faune et Parcs	
Ministère des Forêts, de la Faune et des Parcs	Dept
Natural Resources Fund – Sustainable forest development component	SF
Fondation de la faune du Québec	NBFB
Société des établissements de plein air du Québec	NBFB
Immigration, Diversité et Inclusion	
Ministère de l'Immigration, de la Diversité et de l'Inclusion	Dept
Justice	
Ministère de la Justice	Dept
Committee on the Remuneration of Judges	BFB
Committee on the Remuneration of Criminal and Penal Prosecuting Attorneys	BFB
Commission des droits de la personne et des droits de la jeunesse	BFB
Conseil de la justice administrative	BFB
Conseil de la magistrature	BFB
Directeur des poursuites criminelles et pénales	BFB
Office de la protection du consommateur	BFB
Human Rights Tribunal	BFB
Access to Justice Fund	SF
Fonds d'aide aux victimes d'actes criminels	SF
Register Fund of the Ministère de la Justice	SF
Fund of the Administrative Tribunal of Québec	SF
Public Contracts Fund	SF
Commission des services juridiques	NBFB
Fonds d'aide aux actions collectives	NBFB
Office des professions du Québec	NBFB
Société québécoise d'information juridique	NBFB
Persons Appointed by the National Assembly	
Ethics Commissioner	BFB
Lobbyists Commissioner	BFB
Chief Electoral Officer	BFB
Québec Ombudsman	BFB
Auditor General	BFB
Relations internationales et Francophonie	
Ministère des Relations internationales et de la Francophonie	Dept
Office Québec-Amériques pour la jeunesse	NBFB
Office Québec-Monde pour la jeunesse	NBFB
Santé et Services sociaux	
Ministère de la Santé et des Services sociaux	Dept
Commissaire à la santé et au bien-être	BFB
Office des personnes handicapées du Québec	BFB
Health and Social Services Information Resources Fund	SF
Corporation d'urgences-santé	NBFB
Prescription Drug Insurance Fund	NBFB
Héma-Québec	NBFB
Institut national d'excellence en santé et en services sociaux	NBFB
Institut national de santé publique du Québec	NBFB
Régie de l'assurance maladie du Québec	NBFB
Integrated health and social services centres, other public establishments and regional authorities	HSSE

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Sécurité publique	
Ministère de la Sécurité publique	Dept
Bureau des enquêtes indépendantes	BFB
Bureau du coroner	BFB
Comité de déontologie policière	BFB
Commissaire à la déontologie policière	BFB
Commissaire à la lutte contre la corruption	BFB
Commission québécoise des libérations conditionnelles	BFB
Régie des alcools, des courses et des jeux	BFB
Police Services Fund	SF
École nationale de police du Québec	NBFB
École nationale des pompiers du Québec	NBFB
Tourisme	
Ministère du Tourisme	Dept
Tourism Partnership Fund	SF
Régie des installations olympiques	NBFB
Société du Centre des congrès de Québec	NBFB
Société du Palais des congrès de Montréal	NBFB
Transports, Mobilité durable et Électrification des transports	
Ministère des Transports, de la Mobilité durable et de l'Électrification des transports	Dept
Commission des transports du Québec	BFB
Government Air Service Fund	SF
Rolling Stock Management Fund	SF
Highway Safety Fund	SF
Land Transportation Network Fund	SF
Agence métropolitaine de transport	NBFB
Société de l'assurance automobile du Québec	NBFB
Société des Traversiers du Québec	NBFB
Travail, Emploi et Solidarité sociale	
Ministère du Travail, de l'Emploi et de la Solidarité sociale	Dept
Commission des partenaires du marché du travail	BFB
Assistance Fund for Independent Community Action	SF
Labour Market Development Fund	SF
National Capital and National Capital Region Fund	SF
Goods and Services Fund	SF
Information Technology Fund of the Ministère de l'Emploi et de la Solidarité sociale	SF
Administrative Labour Tribunal Fund	SF
Fonds québécois d'initiatives sociales	SF
Commission de la capitale nationale du Québec	NBFB
Office de la sécurité du revenu des chasseurs et piégeurs cris	NBFB
Régie du bâtiment du Québec	NBFB

Exhibit 99.21

Section E - “The Québec Government’s Debt” from “Budget 2017-2018 - The Québec Economic Plan – March 2017”, March 28, 2017

Section E

THE QUÉBEC GOVERNMENT’S DEBT

5. DEBT

Several concepts of debt are used to measure a government's indebtedness. The following table presents data on Québec's debt according to three concepts, namely, gross debt, net debt and debt representing accumulated deficits.

TABLE E.1

Debt of the Québec government as at March 31
(millions of dollars)

	2016	2017	2018	2019	2020	2021	2022
GROSS DEBT(1)	**203 347**	**206 953**	**210 824**	**213 261**	**214 966**	**215 711**	**216 193**
% of GDP	*53.4*	*52.7*	*52.0*	*50.9*	*49.7*	*48.4*	*47.1*
Less: Financial assets, net of other liabilities	−18 322	−21 739	−24 321	−26 269	−28 031	−30 116	−32 453
NET DEBT	**185 025**	**185 214**	**186 503**	**186 992**	**186 935**	**185 595**	**183 740**
% of GDP	*48.6*	*47.2*	*46.0*	*44.6*	*43.2*	*41.6*	*40.0*
Less: Non-financial assets	−67 095	−69 576	−73 353	−76 676	−79 835	−82 122	−84 256
Plus: Stabilization reserve	2 191	2 441	2 441	2 441	2 441	2 441	2 441
DEBT REPRESENTING ACCUMULATED DEFICITS(2)	**120 121**	**118 079**	**115 591**	**112 757**	**109 541**	**105 914**	**101 925**
% of GDP	*31.5*	*30.1*	*28.5*	*26.9*	*25.3*	*23.7*	*22.2*

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.
(2) According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

5.1 Gross debt

The gross debt represents the amount of debt issued on financial markets and the net liability in respect of the retirement plans and future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2017, the gross debt should stand at $206 953 million. As a proportion of the economy, it will stand at 52.7% of GDP, which represents a decrease compared to the previous year.

TABLE E.2

Gross debt as at March 31
(millions of dollars)

	2016	2017	2018	2019	2020	2021	2022
Consolidated direct debt	185 124	192 649	199 822	206 413	213 020	219 315	226 084
Plus: Net liability in respect of the retirement plans and employee future benefits	26 745	24 868	24 054	22 734	21 048	19 125	16 827
Less: Generations Fund	−8 522	−10 564	−13 052	−15 886	−19 102	−22 729	−26 718
GROSS DEBT	**203 347**	**206 953**	**210 824**	**213 261**	**214 966**	**215 711**	**216 193**
% of GDP	***53.4***	***52.7***	***52.0***	***50.9***	***49.7***	***48.4***	***47.1***

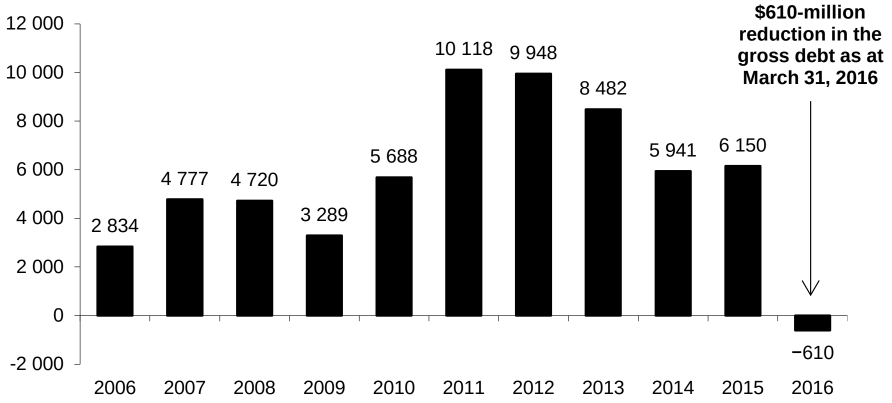
$610-million reduction in the gross debt in 2015-2016

As at March 31, 2016, the gross debt was down in absolute terms. The gross debt recorded as at March 31, 2016 was indeed $610 million lower than the level recorded as at March 31, 2015 and stood at $203.3 billion.

A similar situation had not been seen since 1959.

This outcome results from the combined impact of restored fiscal balance and the deposits made in the Generations Fund.

Annual change in Québec's gross debt as at March 31
(millions of dollars)

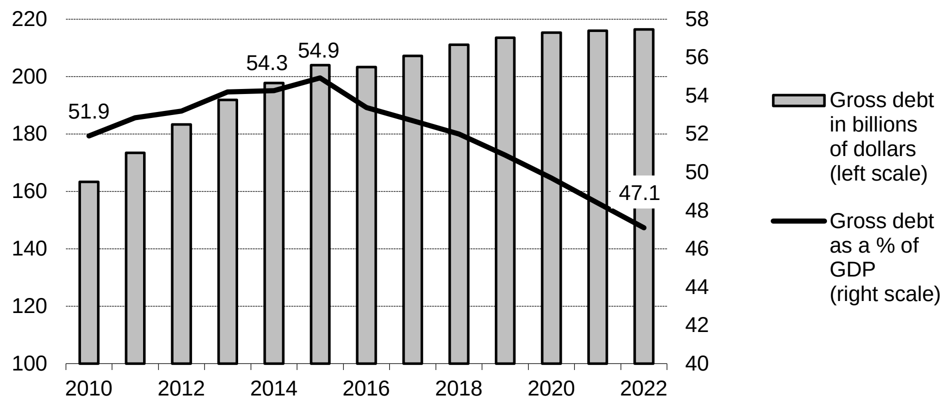


❑ The debt burden will continue to fall

The gross debt will rise in absolute terms over the coming years, particularly because of capital investments, but its weight in the economy will continue to decline. The ratio of gross debt to GDP is expected to reach 47.1% as at March 31, 2022.

CHART E.1

Change in the gross debt as at March 31
(billions of dollars and percentage of GDP)



Retirement plans liability

The net retirement plans liability, which is included in the gross debt, is calculated by subtracting from the retirement plans liability the balance of the Retirement Plans Sinking Fund (RPSF), an asset established to pay the retirement benefits of public and parapublic sector employees.

The retirement plans liability represents the present value of the retirement benefits the government will pay to public and parapublic sector employees, taking into account the conditions of their plans and their years of service. This liability stood at $86 436 million as at March 31, 2016.

The government created the RPSF in 1993. As at March 31, 2016, the RPSF's book value stood at $59 738 million.

Thus, the net retirement plans liability represented $26 698 million as at March 31, 2016.

Net retirement plans liability as at March 31, 2016
(millions of dollars)

Retirement plans liability	
Government and Public Employees Retirement Plan (RREGOP)	54 903
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 962
Other plans[1]	18 571
Subtotal	**86 436**
Less: Retirement Plans Sinking Fund (RPSF)	−59 738
NET RETIREMENT PLANS LIABILITY	**26 698**

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.

Employee future benefits liability

The government records in the gross debt the value of its commitments regarding future benefits programs for its employees, namely, programs for accumulated sick leave and for pensions paid to the survivors of government employees. These programs give rise to long-term obligations whose costs are covered in full by the government.

As at March 31, 2016, the employee future benefits liability stood at $1 475 million.

As at March 31, 2016, the value of the sums accumulated to pay for employee future benefits programs (Accumulated Sick Leave Fund and Survivor's Pension Plan Fund) stood at $1 428 million.

Thus, the net employee future benefits liability was $47 million as at March 31, 2016.

Net employee future benefits liability as at March 31, 2016
(millions of dollars)

Employee future benefits liability	
Accumulated sick leave	840
Survivor's pension plan	421
Université du Québec programs	214
Subtotal	**1 475**
Less:	
Accumulated Sick Leave Fund	−989
Survivor's Pension Plan Fund	−439
Subtotal	**−1 428**
NET EMPLOYEE FUTURE BENEFITS LIABILITY	**47**

Generations Fund

The Generations Fund was created in June 2006, through the adoption of the *Act to reduce the debt and establish the Generations Fund*. The sums accumulated in the fund are dedicated solely to repaying the debt.

As March 31, 2017, the book value of the Generations Fund is expected to stand at $10.6 billion.

The sums accumulated in the Generations Fund are expected to reach $26.7 billion as at March 31, 2022.

Generations Fund
(millions of dollars)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Book value, beginning of year	**6 938**	**8 522**	**10 564**	**13 052**	**15 886**	**19 102**	**22 729**
Dedicated revenues							
Water-power royalties							
Hydro-Québec	641	671	680	687	703	724	733
Private producers	100	103	99	100	102	104	107
Subtotal	**741**	**774**	**779**	**787**	**805**	**828**	**840**
Indexation of the price of heritage electricity	98	164	215	245	325	415	500
Additional contribution from Hydro-Québec	—	—	215	215	215	215	215
Mining revenues	161	77	123	241	297	352	382
Specific tax on alcoholic beverages	100	500	500	500	500	500	500
Unclaimed property	55	55	30	30	30	30	30
Investment income	298	472	626	816	1 044	1 287	1 522
Total dedicated revenues	**1 453**	**2 042**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
Deposit from the accumulated surplus of the Commission des normes du travail	131	—	—	—	—	—	—
Total deposits	**1 584**	**2 042**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
BOOK VALUE, END OF YEAR	**8 522**	**10 564**	**13 052**	**15 886**	**19 102**	**22 729**	**26 718**

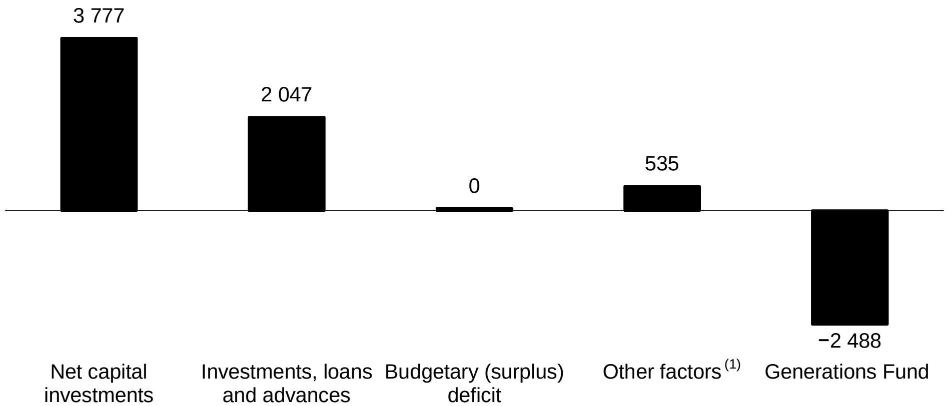
❑ Factors responsible for the growth in the gross debt

In 2017-2018, the gross debt will increase by $3.9 billion, mainly because of capital investments and investments, loans and advances.

Capital investments[5] and investments, loans and advances will increase the gross debt by $5.8 billion, while deposits in the Generations Fund will lead to a $2.5-billion reduction in the gross debt.

CHART E.2

Factors responsible for the growth in the gross debt in 2017-2018
(millions of dollars)



(1) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

The table on the next page shows the factors responsible for the growth in the government's gross debt since March 31, 2000.

5 These are net capital investments, which consist of 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 growth in the gross debt due to the fact that depreciation expenses are presented in the budgetary balance. In 2017-2018, gross capital investments will amount to $7 643 million and depreciation expenses to $3 866 million, for a total of $3 777 million in net investments.

TABLE E.3

Factors responsible for the growth in the Québec government's gross debt

(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit[1]	Investments, loans and advances	Net investment in the networks	Net capital investments[2]	Other factors[3]	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2000-2001	116 761	−427	1 701	841	578	1 108		3 801	120 562	52.4
2001-2002	120 562	−22	1 248	934	1 199	−9		3 350	123 912	51.9
2002-2003	123 912	728	1 921	631	1 706	237		5 223	129 135	51.7
2003-2004	129 135	358	1 367	560	1 186	625		4 096	133 231	51.4
2004-2005	133 231	664	1 303	1 486	1 006	−796		3 663	136 894	50.4
2005-2006	136 894	−37	1 488	1 013	1 179	−809		2 834	139 728	49.9
2006-2007	139 728	−109	2 213	1 002	1 177	1 078	−584	4 777	144 505	49.7
2007-2008	144 505	—	2 658	487	1 457	767	−649	4 720	149 225	48.8
2008-2009	149 225	—	966	622	2 448	−28	−719	3 289	152 514	48.5
With networks consolidated line by line[4]										
2009-2010	157 630	3 174	1 746		4 226	−2 733	−725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507		4 923	298	−760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861		5 071	1 228	−840	9 948	183 384	53.2
2012-2013	183 384	3 476[5]	659		4 863	445	−961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349		3 977	−788	−1 421	5 941	197 807	54.3
2014-2015	197 807	1 143[6]	2 146		2 980	1 160	−1 279	6 150	203 957	54.9
2015-2016	203 957	−2 191	808		2 695	−338	−1 584	−610	203 347	53.4
2016-2017	203 347	−250	2 970		2 481	447	−2 042	3 606	206 953	52.7
2017-2018	206 953	—	2 047		3 777	535	−2 488	3 871	210 824	52.0
2018-2019	210 824	—	1 989		3 323	−41	−2 834	2 437	213 261	50.9
2019-2020	213 261	—	1 811		3 159	−49	−3 216	1 705	214 966	49.7
2020-2021	214 966	—	1 818		2 287	267	−3 627	745	215 711	48.4
2021-2022	215 711	—	1 840		2 134	497	−3 989	482	216 193	47.1

(1) From 2006-2007 to 2009-2010, the budgetary balance presented is the budgetary balance after the stabilization reserve.
(2) Investments made under private-public partnership agreements are included in net capital investments.
(3) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.
(4) The line-by-line consolidation of the health and social services and education networks raised the gross debt by $5 116 million as at March 31, 2009. This amount represents the debt contracted by the networks in their own name, which was previously not included in the government's debt. The data prior to 2009-2010 could not be restated and are thus not comparable.
(5) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.
(6) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

❑ Change in the gross debt burden and the importance of the Generations Fund

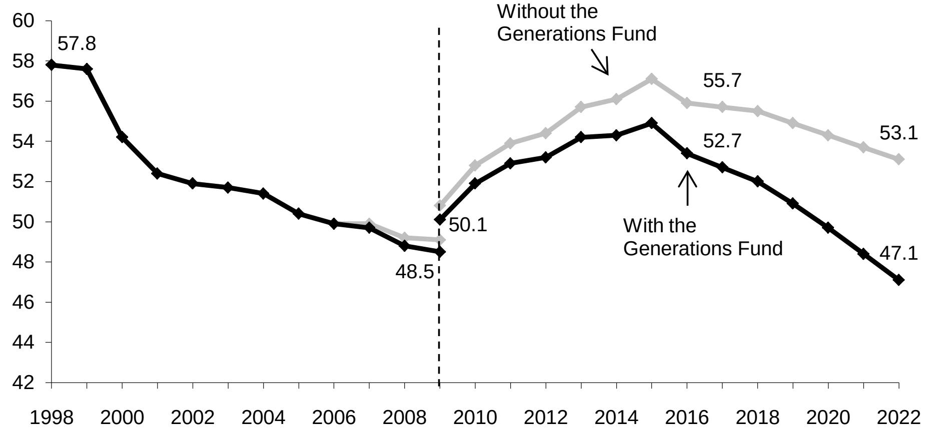
After declining from 1998 to 2009, the gross-debt-to-GDP ratio rose due to growth in capital investments and the 2008-2009 recession, which led to deficits from 2009-2010 to 2014-2015.

The following chart illustrates the importance of the Generations Fund. Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2022, the gross debt burden is expected to stand at 47.1%. Without the Generations Fund, the forecast would be 53.1%, or 6.0 percentage points of GDP higher.

This difference represents $27.7 billion. In other words, if the government had not created the Generations Fund in 2006, the gross debt forecast as at March 31, 2022 would be $27.7 billion higher,[6] that is, $3 207 dollars per capita. By reducing the debt, the Generations Fund is a powerful instrument of intergenerational equity.

CHART E.3

Gross debt as at March 31
(percentage of GDP)



Note: The line-by-line consolidation of the health and social services and education networks raised the gross-debt-to-GDP ratio from 48.5% to 50.1% as at March 31, 2009.

6 The difference of $27.7 billion is $1 billion higher than the balance of the Generations Fund as at March 31, 2022 ($26.7 billion) owing to the use of $1 billion from the Generations Fund in 2013-2014 to repay maturing borrowings.

Inclusion, in the gross debt, of debt contracted by the Financing Fund for government enterprises and entities not included in the reporting entity

The debt of government enterprises and entities not included in the reporting entity that is financed by the Financing Fund is not recorded in the gross debt.

However, debt issued by Financement-Québec to finance entities not included in the reporting entity is included in the gross debt. This leads to a difference in treatment. The Auditor General of Québec has asked the government in the past to look into this question of differing treatment.

To favourably address the request of the Auditor General of Québec, the government intends to modify the definition of gross debt in the *Act to reduce the debt and establish the Generations Fund* so that it will include debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity.

In addition, the *Act to modify mainly the organization and governance of shared transportation in the Montréal metropolitan area* provides for, in fiscal 2017-2018, the elimination of the Agence métropolitaine de transport (AMT) and the establishment of two municipal bodies, namely, the Autorité régionale de transport métropolitain (ARTM) and the Réseau de transport métropolitain (RTM). Accordingly, loans granted by the Financing Fund to the AMT ($1.7 billion as at March 31, 2017) will eventually be transferred to the ARTM and the RTM. The change that will be made to the definition of gross debt will allow such loans transferred to entities not included in the reporting entity to keep being recorded in the calculation of the gross debt.

The inclusion of debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity will increase the gross debt by $258 million as at March 31, 2017.

Impact on the gross debt as at March 31, 2017 of including debt contracted by the Financing Fund for government enterprises and entities not included in the reporting entity
(millions of dollars)

	Before	After	Change
Debt before deferred foreign exchange gains (losses)	198 082	198 082	—
Less: Debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity	−258	—	258
Subtotal	197 824	198 082	258
Less: Pre-financing	−5 433	−5 433	—
Consolidated direct debt (A)	192 391	192 649	258
Net liability in respect of the retirement plans and employee future benefits (B)	24 868	24 868	—
Less: Generations Fund (C)	−10 564	−10 564	—
GROSS DEBT (A + B + C)	**206 695**	**206 953**	**258**
% of GDP	***52.7***	***52.7***	**—**

5.2 Net debt

The net debt is equal to the Québec government's liabilities less its financial assets. It represents the debt that has funded capital investments and current expenditures. The net debt is calculated by subtracting from the gross debt the government's financial assets, net of other liabilities.

As at March 31, 2017, the net debt is expected to stand at $185 214 million, or 47.2% of GDP. As a proportion of GDP, the net debt began to decrease in 2013-2014 and will continue to fall over the coming years, to 40.0% as at March 31, 2022.

TABLE E.4

Factors responsible for the growth in the net debt
(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Net capital investments	Other	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	% of GDP
2012-2013	167 700	3 476(1)	4 863	4 959	−961	12 337	180 037	50.9
2013-2014	180 037	2 824	3 977	−2 465	−1 121	3 215	183 252	50.3
2014-2015	183 252	1 143(2)	2 980	−409	−1 279	2 435	185 687	50.0
2015-2016	185 687	−2 191	2 695	287	−1 453	−662	185 025	48.6
2016-2017	185 025	−250	2 481	—	−2 042	189	185 214	47.2
2017-2018	185 214	—	3 777	—	−2 488	1 289	186 503	46.0
2018-2019	186 503	—	3 323	—	−2 834	489	186 992	44.6
2019-2020	186 992	—	3 159	—	−3 216	−57	186 935	43.2
2020-2021	186 935	—	2 287	—	−3 627	−1 340	185 595	41.6
2021-2022	185 595	—	2 134	—	−3 989	−1 855	183 740	40.0

(1) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.
(2) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

5.3 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the Québec government's liabilities and its financial and non-financial assets as a whole. This debt is calculated by subtracting financial assets, net of other liabilities, as well as non-financial assets from the gross debt. In accordance with the *Act to reduce the debt and establish the Generations Fund*, it is also increased by the stabilization reserve.

As at March 31, 2017, the debt representing accumulated deficits is expected to stand at $118 079 million, or 30.1% of GDP. As a proportion of GDP, the debt representing accumulated deficits began to decrease in 2013-2014 and will continue to fall over the coming years, to 22.2% as at March 31, 2022.

TABLE E.5

Factors responsible for the growth in the debt representing accumulated deficits
(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Allocation to the stabilization reserve	Accounting adjustments	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	% of GDP
2012-2013	115 220	3 476(1)	—	4 880	−961	7 395	122 615	34.6
2013-2014	122 615	2 824	—	−2 471	−1 121	−768	121 847	33.4
2014-2015	121 847	1 143(2)	—	−443	−1 279	−579	121 268	32.7
2015-2016	121 268	−2 191	2 191	306	−1 453	−1 147	120 121	31.5
2016-2017	120 121	−250	250	—	−2 042	−2 042	118 079	30.1
2017-2018	118 079	—	—	—	−2 488	−2 488	115 591	28.5
2018-2019	115 591	—	—	—	−2 834	−2 834	112 757	26.9
2019-2020	112 757	—	—	—	−3 216	−3 216	109 541	25.3
2020-2021	109 541	—	—	—	−3 627	−3 627	105 914	23.7
2021-2022	105 914	—	—	—	−3 989	−3 989	101 925	22.2

(1) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.
(2) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

5.4 **Debt reduction objectives**

The Québec government has set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*. For fiscal 2025-2026:

— the gross debt must not exceed 45% of GDP;

— the debt representing accumulated deficits must not exceed 17% of GDP.

The trajectories have been revised on the basis of the anticipated change in the debt and the economy.

CHART E.4

Gross debt as at March 31

(percentage of GDP)

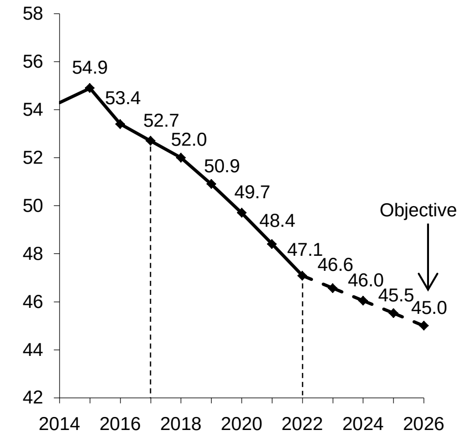
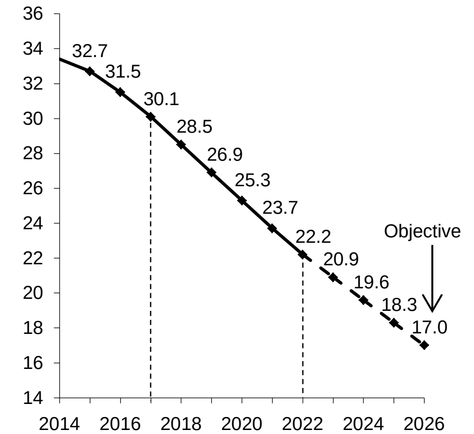


CHART E.5

Debt representing accumulated deficits as at March 31

(percentage of GDP)



To achieve these debt reduction objectives, the government established the Generations Fund in 2006. The main revenue sources dedicated to the Generations Fund are as follows:

— water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;

— revenue generated by the indexation of the price of heritage electricity;

— all mining revenues;

- an amount derived from the specific tax on alcoholic beverages ($500 million per year since 2016-2017);
  - In 2013, the government chose to offset the impact on the debt of the additional deficits caused by the decision to postpone for two years the return to a balanced budget, which was forecast for 2013-2014, by increasing deposits in the Generations Fund drawn from the specific tax on alcoholic beverages as of 2016-2017.
- investment income that accumulates in the Generations Fund and thus accelerates debt reduction.

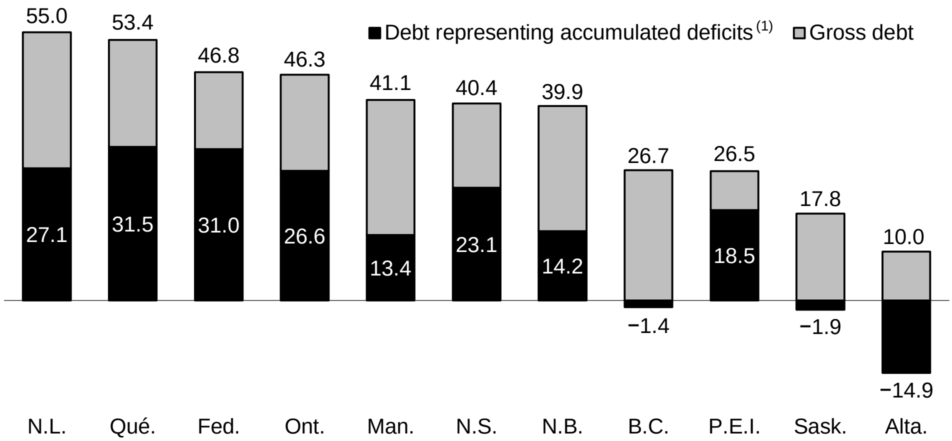
5.5 Comparison of the debt of governments in Canada

On the basis of gross debt and percentage of GDP, Québec is the second most heavily indebted province after Newfoundland and Labrador.

However, Québec is the most heavily indebted province on the basis of debt representing accumulated deficits.

CHART E.6

Gross debt and debt representing accumulated deficits as at March 31, 2016
(percentage of GDP)



(1) A negative entry means that the government has an accumulated surplus.
Sources: Public accounts of the provinces and the federal government and Statistics Canada.

The table on the following page shows the debt of the federal government and each of the provinces as at March 31, 2016. Contrary to the net debt and the debt representing accumulated deficits, the gross debt cannot be observed directly in the public accounts of the other provinces. However, the public accounts show the components of gross debt, that is, the consolidated direct debt, the net retirement plans liability and the net employee future benefits liability. Therefore, it is possible to calculate the level of the gross debt according to the same concept used by Québec.

The debt concepts used in budget documents may also differ from one government to another. For instance, the commitment to reduce the debt burden of the federal government concerns solely the debt representing accumulated deficits, whereas Québec's debt reduction objectives concern the gross debt and the debt representing accumulated deficits.

TABLE E.6

Debt of governments in Canada as at March 31, 2016 according to various concepts

(millions of dollars)

	N.L.	Qué.	Fed.	Ont.	Man.	N.S.	N.B.	B.C.	P.E.I.	Sask.	Alta.
Consolidated direct debt	**9 137**	**185 124**	**693 813**	**341 558**	**24 226**	**13 525**	**12 126**	**64 472**	**1 920**	**6 211**	**22 194**
Net liability in respect of the retirement plans and employee future benefits	7 429	26 745	236 269	12 107	2 865	2 739	1 071	2 315	−281	7 922	10 566
Generations Fund	—	−8 522	—	—	—	—	—	—	—	—	—
Gross debt	**16 566**	**203 347**	**930 082**	**353 665**	**27 091**	**16 264**	**13 197**	**66 787**	**1 639**	**14 133**	**32 760**
% of GDP	*55.0*	*53.4*	*46.8*	*46.3*	*41.1*	*40.4*	*39.9*	*26.7*	*26.5*	*17.8*	*10.0*
Less: Financial assets, net of other liabilities	−3 912	−18 322	−236 331	−48 432	−5 658	−1 167	463	−27 152	531	−6 234	−33 991
Net debt(1)	**12 654**	**185 025**	**693 751**	**305 233**	**21 433**	**15 097**	**13 660**	**39 635**	**2 170**	**7 899**	**−1 231**
% of GDP	*42.0*	*48.6*	*34.9*	*40.0*	*32.5*	*37.5*	*41.3*	*15.9*	*35.1*	*9.9*	*−0.4*
Less: Non-financial assets	−4 484	−67 095	−77 765	−102 536	−12 621	−5 813	−8 958	−43 014	−1 026	−9 394	−47 311
Plus: Stabilization reserve	—	2 191	—	—	—	—	—	—	—	—	—
Debt representing accumulated deficits(1)	**8 170**	**120 121**	**615 986**	**202 697**	**8 812**	**9 284**	**4 702**	**−3 379**	**1 144**	**−1 495**	**−48 542**
% of GDP	*27.1*	*31.5*	*31.0*	*26.6*	*13.4*	*23.1*	*14.2*	*−1.4*	*18.5*	*−1.9*	*−14.9*

(1) A negative entry indicates that the government has net assets or an accumulated surplus.
Sources: Public accounts of the provinces and the federal government and Statistics Canada.

Public sector debt

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, 2017, Québec's public sector debt is expected to stand at $276 201 million, or 70.4% 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)

	2013	2014	2015	2016	2017
Government's gross debt	191 866	197 807	203 957	203 347	206 953
Hydro-Québec	39 631	40 361	41 662	43 843	43 585
Municipalities(1)	21 820	22 622	23 305	23 846	24 055
Universities other than the Université du Québec and its constituents(2)	1 739	1 610	1 624	1 608	1 608
Other government enterprises(3)	1 479	433	383	308	—
PUBLIC SECTOR DEBT	**256 535**	**262 833**	**270 931**	**272 952**	**276 201**
% of GDP	***72.5***	***72.1***	***73.0***	***71.7***	***70.4***

(1) These amounts correspond to the long-term debt contracted by municipalities in their own name. Part of this debt is subsidized by the government ($3 409 million as at March 31, 2017).
(2) These amounts correspond to the debt contracted by universities other than the Université du Québec and its constituents in their own name. Part of this debt is subsidized by the government ($692 million as at March 31, 2017).
(3) These amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity. As of 2017, this debt is included in the gross debt ($258 million as at March 31, 2017).

6. FINANCING AND DEBT MANAGEMENT

6.1 Financing program

The government's financing program for 2016-2017 amounted to $22 675 million, which is $8 697 million more than forecast in the March 2016 Québec Economic Plan. This upward revision is primarily attributable to pre-financing.

TABLE E.7

The government's financing program in 2016-2017
(millions of dollars)

	March 2016	Revisions	March 2017
GENERAL FUND			
Net financial requirements(1)	2 740	−1 959	781
Repayments of borrowings	9 322	592	9 914
Change in cash position(2)	−7 584	−929	−8 513
Deposits in the Retirement Plans Sinking Fund (RPSF)(3)	—	1 500	1 500
Transactions under the credit policy(4)	—	2 238	2 238
Contributions to the Sinking Fund for borrowings	—	2 308	2 308
Pre-financing	—	5 433	5 433
GENERAL FUND	**4 478**	**9 183**	**13 661**
FINANCING FUND	**9 000**	**−1 242**	**7 758**
FINANCEMENT-QUÉBEC	**500**	**756**	**1 256**
TOTAL	**13 978**	**8 697**	**22 675**
Including: repayments of borrowings	13 835	780	14 615

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.
(2) The change in cash position corresponds to pre-financing carried out the previous year.
(3) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.
(4) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts because of movements in exchange rates. These amounts have no effect on the debt.

The financing program will amount to $11 264 million in 2017-2018 and $20 559 million in 2018-2019. In 2019-2020, 2020-2021 and 2021-2022, it is expected to amount to $17 881 million, $16 803 million and $19 056 million, respectively.

TABLE E.8

The government's financing program, 2017-2018 to 2021-2022
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
GENERAL FUND					
Net financial requirements(1)	3 013	1 911	1 069	2 138	2 328
Repayments of borrowings	5 484	7 748	7 712	6 565	11 628
Change in cash position(2)	−5 433	—	—	—	—
GENERAL FUND	**3 064**	**9 659**	**8 781**	**8 703**	**13 956**
FINANCING FUND	**7 000**	**9 500**	**7 500**	**7 000**	**4 500**
FINANCEMENT-QUÉBEC	**1 200**	**1 400**	**1 600**	**1 100**	**600**
TOTAL	**11 264**	**20 559**	**17 881**	**16 803**	**19 056**
Including: repayments of borrowings	10 992	16 042	13 566	10 468	15 000

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.
(2) The change in cash position corresponds to pre-financing carried out the previous year.

6.2 Financing strategy

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.

6.2.1 Diversification by market

Financing transactions are carried out regularly on most markets, namely, in Canada, the United States, Europe, Australia and Asia.

Over the past ten years, 17% of borrowings have been contracted on average in foreign currencies. Nonetheless, the government keeps no exposure of its debt to those currencies (see section 2.5).

More precisely, in 2016-2017, the government carried out 31.1% of its borrowings on foreign markets:

— US$5 billion (CAN$6.4 billion);

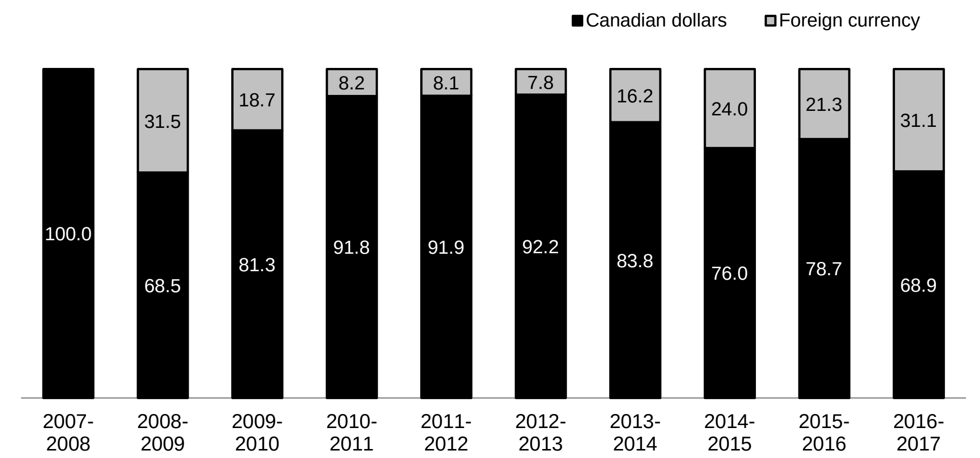
— AU$510 million (CAN$526 million);

— HK$540 million (CAN$89 million).

With regard to financing on foreign markets, it has been an exceptional year with excellent opportunities presenting themselves for Québec, particularly in the United States where three benchmarks were issued for a total of US$5 billion. This is the largest amount ever raised in a single fiscal year on the U.S. market.

CHART E.7

Long-term borrowings by currency
(per cent)



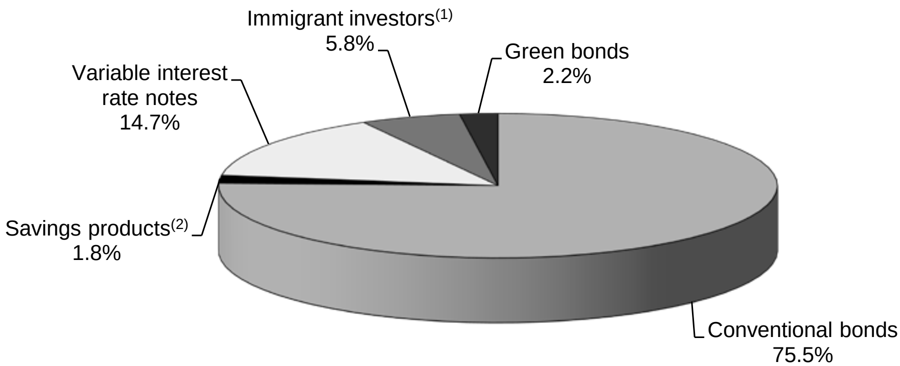
6.2.2 **Diversification by instrument**

To satisfy investors' needs, an extensive array of financial products is used in the course of financing transactions.

Long-term instruments consist primarily of bonds (conventional and green) and variable interest rate notes.

CHART E.8

Long-term borrowings contracted in 2016-2017 by instrument
(per cent)



(1) These borrowings are from immigrant investors. The sums advanced by immigrant investors are lent to the government through Investissement Québec. With the income generated by the investments, Investissement Québec funds two assistance programs for Québec businesses: the Business Assistance – Immigrant Investor Program and the Employment Integration Program for Immigrants and Visible Minorities.
(2) Savings products issued by Épargne Placements Québec.

Launching of the Green Bond program

The government is engaging in green finance with the launching of a Green Bond program that will fund projects generating tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change.

In this way, the government is contributing to the development of a socially responsible investment market and facilitating the shift to a low-carbon intensity economy.

The inaugural issue of green bonds, totalling CAN$500 million, took place on February 24, 2017. Through this inaugural issue, the government plans, in particular, to fund public transit projects such as the replacement of Société de transport de Montréal métro cars (with AZUR trains) and the purchase of hybrid buses.

Besides seeking to diversify its sources of funding, the Ministère des Finances du Québec wishes to be at the forefront of infrastructure financing trends. By putting this program in place, Québec is demonstrating not only its commitment to developing the green bond market, but also its commitment to the environment.

Highlights

- Québec's green bonds, which are part of the government's annual borrowing program, have the same characteristics as conventional bonds as far as price, yield, maturity and credit ratings are concerned.
- The Green Bond program draws on the Green Bond Principles, a set of core guidelines introduced in 2014 by a group of financial institutions seeking to improve transparency in this growing market.
- The framework of Québec's Green Bond program has received the highest rating possible from CICERO (Center for International Climate and Environmental Research – Oslo).
- Québec is the second province, after Ontario, to issue green bonds on the Canadian market.

For further details, please visit:
www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp

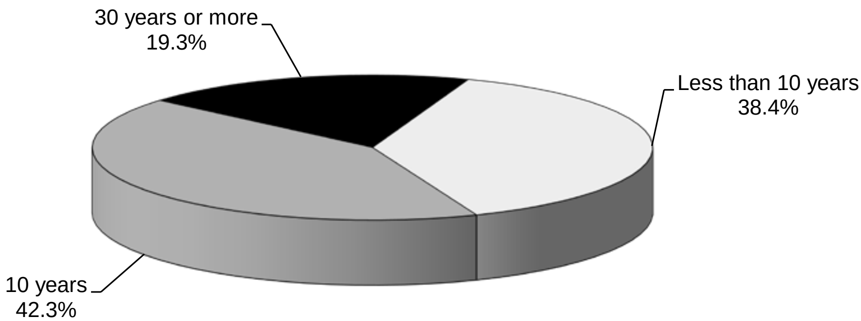
6.2.3 **Diversification by maturity**

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government's regular presence on capital markets.

In 2016-2017, 38.4% of contracted borrowings had a maturity of less than 10 years, 42.3% a maturity of 10 years and 19.3% a maturity of 30 years or more.

CHART E.9

Long-term borrowings[(1)] contracted in 2016-2017 by maturity
(per cent)



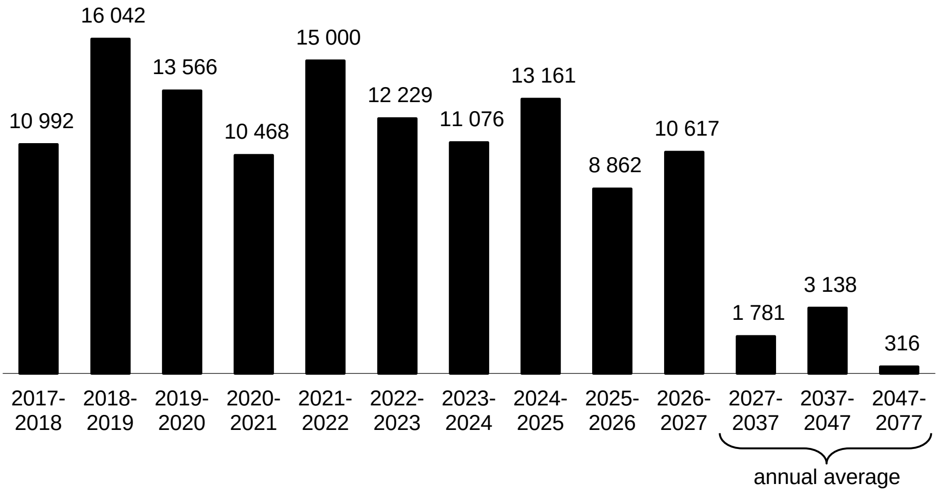
(1) Long-term borrowings correspond to borrowings with a maturity of more than one year.

This diversification by maturity is reflected on the maturity of the debt. As at March 31, 2017, the average maturity of the debt, that is, of all borrowings contracted, is expected to be 11 years.

The following chart shows, for each year, the maturity of the long-term debt as at March 31, 2017. For example, repayments of borrowings will amount to $10 992 million in 2017-2018 and $16 042 million in 2018-2019. The maturity of the debt extends to 2076-2077, with one borrowing maturing on December 1, 2076.

CHART E.10

Maturity of the long-term debt as at March 31, 2017
(millions of dollars)



Note: Long-term debt of the general fund, the Financing Fund and Financement-Québec.

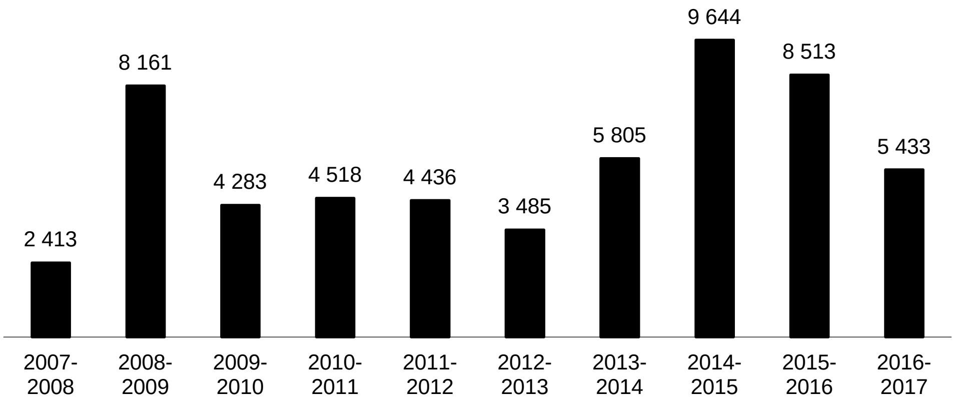
6.3 Pre-financing

The government carries out pre-financing to take advantage of favourable market conditions. These are borrowings that would normally be contracted during the subsequent fiscal year.

In 2016-2017, the government carried out pre-financing totalling $5.4 billion. The average for the past 10 years is $5.7 billion per year.

CHART E.11

Pre-financing
(millions of dollars)

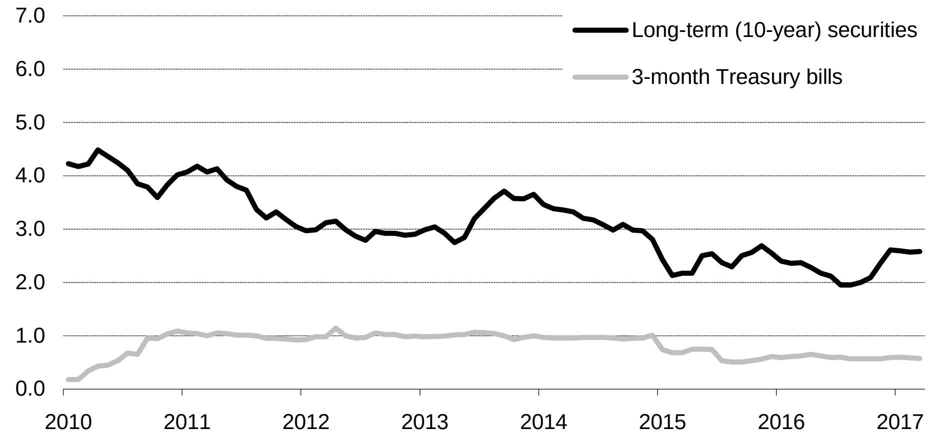


6.4 Yield

The yield on the Québec government's 10-year securities is currently about 2.6%, while that on short-term securities is roughly 0.6%. Since the beginning of year 2010, the yield has averaged 3.1% for long-term securities and 0.8% for short-term securities.

CHART E.12

Yield on the Québec government's securities
(per cent)



Sources: PC-Bond and Ministère des Finances du Québec.

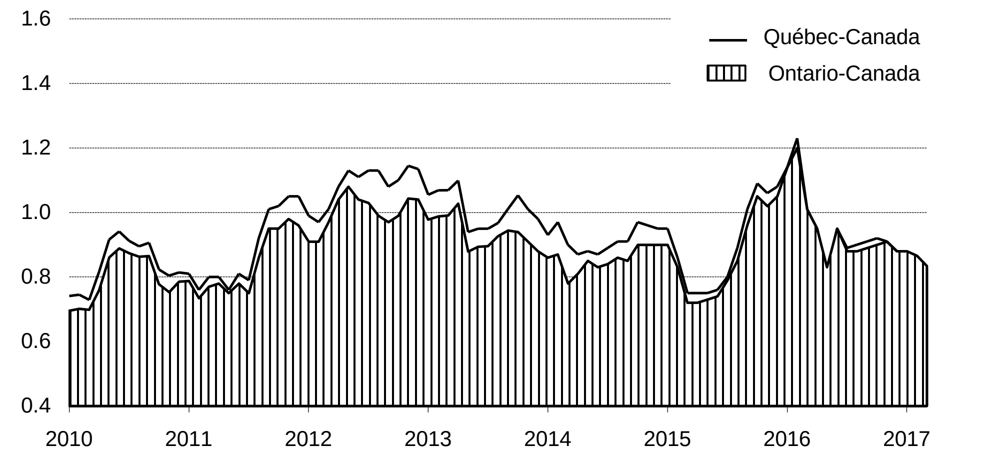
Since January 1, 2010, the spread between the yield on 10-year securities of the Québec government and those of the federal government has varied between 0.7 and 1.2 percentage points. The spread is currently about 0.8 percentage point.

The same trend has been observed with regard to the spread between the yield on the long-term securities of Ontario and the federal government. Since January 1, 2010, the spread has varied between 0.7 and 1.2 percentage points and it is currently about 0.8 percentage point.

No spread is observed at the moment between the yield on long-term securities of Québec and Ontario.

CHART E.13

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

6.5 Debt management

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

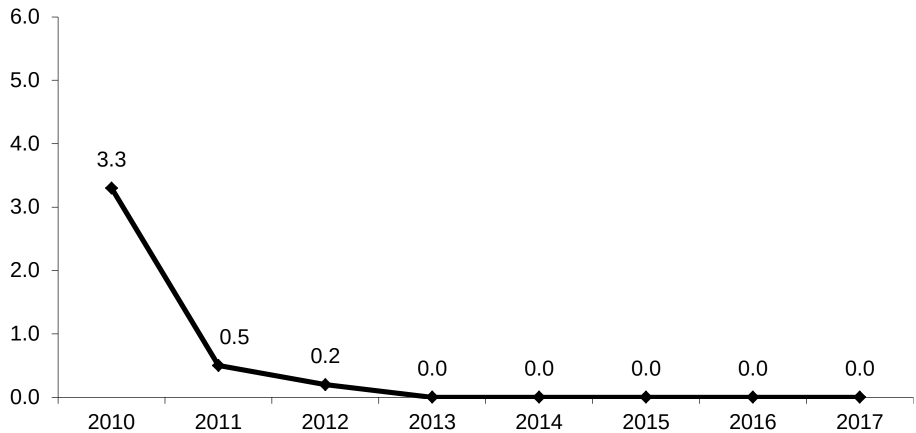
The government uses a range of financial instruments, particularly interest rate and currency swap agreements, to achieve desired debt proportions by currency and interest rate.

❑ Proportion of the gross debt in foreign currency

As at March 31, 2017, the proportion of the government's gross debt in foreign currency, after taking into account interest rate and currency swap agreements, will be nil.[7] This proportion has been nil since 2013.

CHART E.14

Proportion of the gross debt in foreign currency as at March 31
(per cent)



Note: Gross debt including pre-financing.

[7] As at March 31, 2017, before taking into account interest rate and currency swap agreements, the proportion of the gross debt will be 83.7% in Canadian dollars, 9.5% in U.S. dollars, 4.5% in euros, 1.2% in Swiss francs and 1.1% in other foreign currencies (yen, Australian dollars, Hong Kong dollars and pounds sterling).

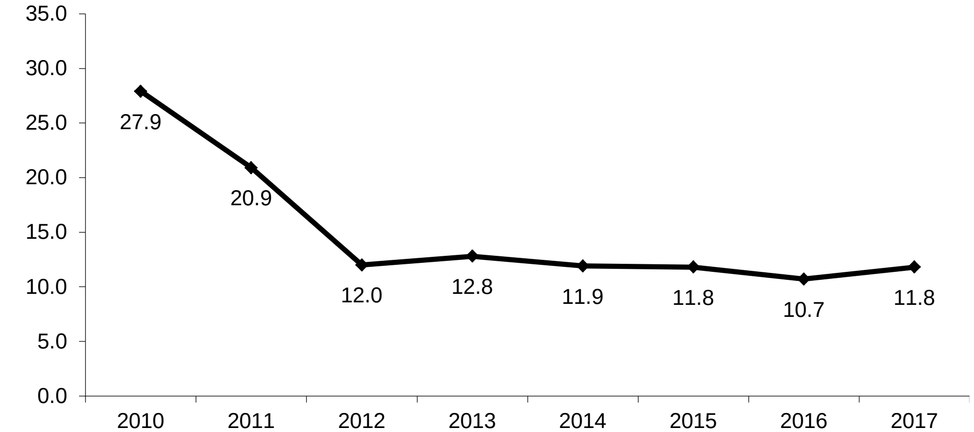
❑ Proportion of the gross debt at variable interest rates

The government keeps part of its debt at variable interest rates and part at fixed interest rates.

After taking into account interest rate and currency swap agreements, the proportion of the gross debt at variable interest rates is expected to be 11.8% as at March 31, 2017. Since 2012, this proportion has been approximately 12% on average.

CHART E.15

Proportion of the gross debt at variable rates as at March 31(1)
(per cent)



Note: Gross debt including pre-financing.
(1) The debt at variable interest rates includes variable interest rate financial instruments as well as fixed interest rate financial instruments that mature in one year or less.

6.6 Borrowings contracted

TABLE E.9

Summary of long-term borrowings in 2016-2017

Currency	$ million	%
CANADIAN DOLLAR		
Conventional bonds	11 375	50.2
Variable interest rate notes	2 021	8.9
Immigrant investors	1 321	5.8
Green bonds	499	2.2
Savings products issued by Épargne Placements Québec	414	1.8
Subtotal	**15 630**	**68.9**
OTHER CURRENCIES		
U.S. dollar	6 430	28.4
Australian dollar	526	2.3
Hong Kong dollar	89	0.4
Subtotal	**7 045**	**31.1**
TOTAL	**22 675**	**100.0**

Note: Borrowings contracted or negotiated as at March 13, 2017.

7. INFORMATION ON THE RETIREMENT PLANS AND ON FUNDS DEPOSITED BY THE MINISTÈRE DES FINANCES WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

7.1 Retirement plans

The Québec government participates financially in the retirement plans of its employees. These plans had 592 797 active participants and 366 719 beneficiaries as at December 31, 2015.

TABLE E.10

Retirement plans of public and parapublic sector employees as at December 31, 2015

	Active participants	Beneficiaries
Government and Public Employees Retirement Plan (RREGOP)	545 932	262 897
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	27 747	30 152
Other plans:		
– Teachers Pension Plan (TPP)(1) and Pension Plan of Certain Teachers (PPCT)(1)	38	42 685
– Civil Service Superannuation Plan (CSSP)(1)	8	18 473
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	5 625	5 274
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	4 048	1 910
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	294	368
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)(2)	142	195
– Pension Plan of the Members of the National Assembly (PPMNA)	122	427
– Pension Plan of the Université du Québec (PPUQ)	8 841	4 338
Total for other plans	19 118	73 670
TOTAL	**592 797**	**366 719**

(1) These plans have not accepted any new participants since July 1, 1973.
(2) This plan has not accepted any new participants since it came into effect on January 1, 1992.
Source: *Public Accounts 2015-2016.*

❑ Retirement plans liability

In its financial statements, the government discloses the present value of the retirement benefits it will pay to its employees, taking into account the conditions governing their plans as well as their years of service. This value is called the retirement plans liability. It does not take into account the sums accumulated to pay retirement benefits, particularly the Retirement Plans Sinking Fund (RPSF).

The actuarial valuations of the liability of the various retirement plans are carried out by Retraite Québec, following the rules of the Canadian Institute of Actuaries (CIA) and the Chartered Professional Accountants of Canada (CPA Canada) for the public sector. The liability valuation for the Pension Plan of the Université du Québec (PPUQ) is performed by a private-sector actuarial firm.

As at March 31, 2016, the liability for the retirement plans of public and parapublic sector employees stood at $86 436 million (net of the plans' assets). This amount is recognized in the government's gross debt.

TABLE E.11

Retirement plans liability as at March 31, 2016
(millions of dollars)

Government and Public Employees Retirement Plan (RREGOP)	54 903
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 962
Other plans:	
– Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)	10 762
– Civil Service Superannuation Plan (CSSP)	3 412
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	4 016
– Pension Plan of the Université du Québec (PPUQ)	3 657
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	555
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	620
– Pension Plan of the Members of the National Assembly (PPMNA)	205
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)	156
– Plans' assets(1)	−4 812
Total for other plans	18 571
RETIREMENT PLANS LIABILITY	**86 436**

(1) Plans' assets, particularly those of the PPFEQ, SPMSQ and PPUQ.

Summary description of the retirement plans

The retirement plans of public and parapublic sector employees are defined benefit retirement plans. Benefits are calculated on the basis of participants' average income for the best paid years (generally five) and their number of years of service. The pension usually represents 2% of an employee's average income per year of service. Benefits are partially indexed to inflation.

RREGOP and PPMP, which account for nearly 97% of active participants, are cost-sharing plans: the government is responsible for paying 50% of the benefits, and the participants are responsible for paying the other portion, that is, 50%.[1]

Most of the other retirement plans are cost-balance plans. The government covers the cost of these plans, net of contributions paid by participants.

Retraite Québec is responsible for administering the plans.[2]

The actuarial obligation in regard to certain retirees under the PPMP will be assumed by the government

In December 2016, the government reached an agreement with its management personnel on the renewal of their working conditions. With a view to long-term global remuneration, the government agreed to pay the pensions of retirees under the Pension Plan for Management Personnel (PPMP) as at December 31, 2014 and of their surviving spouses. This obligation, as well as the assets that these retirees had built up in the participants' fund, both of which amount to roughly $5 billion,[3] will be transferred to the government.

The assets of these retirees will be deposited in the Retirement Plans Sinking Fund (RPSF). This transfer of funds, together with the transfer of the obligation, will thus not affect the achievement of the government's objective, namely, that the book value of the sums accumulated in the RPSF be equal, in 2020, to 70% of the actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

In addition, as a result of the agreement, certain changes will be made to restructure the PPMP: pension eligibility criteria will be changed, the reduction applicable in the case of early retirement will be increased, the average salary used to calculate the pension will now be that of the five best paid years and not the three best paid ones; and partial indexation of pensions will be suspended for a period of five years and will be changed thereafter.

1 This cost-sharing formula has been in effect since July 1, 1982. Previously, the government was responsible for payment of 7/12 of the benefits (58.3%). The agreement entered into in December 2016 for the PPMP stipulates that the government will cover payments for retirees under this plan as at December 31, 2014. Participants' assets will also be transferred.

2 Except for the PPUQ.

3 The amounts of the actuarial obligation and transferred assets will be slightly different, but the agreement ensures that the cost to the government will not exceed $150 million.

❑ Annual retirement plans expenditure

Every year, the government records its expenditure as an employer with regard to the retirement plans. This expenditure comprises two components:

— the net cost of vested benefits, namely, the present value of retirement benefits that employees have accumulated for work performed during the year, net of contributions paid, that is, $2 268 million in 2015-2016;

— the amortization of revisions to the government's actuarial obligations arising from previous updates of actuarial valuations, for a cost of $869 million in 2015-2016.

In 2015-2016, government spending in respect of the retirement plans thus stood at $3 137 million.

TABLE E.12

Spending in respect of the retirement plans
(millions of dollars)

	2015-2016
Net cost of vested benefits	2 268
Amortization of revisions stemming from actuarial valuations	869
SPENDING IN RESPECT OF THE RETIREMENT PLANS	**3 137**

❑ Interest on the retirement plans liability

The government records an interest charge on the retirement plans liability. This stems from the fact that, historically, it decided to manage its contributions to the retirement plans of its employees internally rather than have an external fund manage them.

This reduced borrowings on financial markets and growth in the direct debt. On the other hand, the commitments in respect of the retirement plans of government employees are shown as a liability and the government must record an interest charge calculated on the value of the actuarial obligations in respect of these plans.

However, the investment income of the RPSF must be subtracted from this amount. The interest charge on the retirement plans liability is included in the government's debt service.

TABLE E.13

Interest on the retirement plans liability
(millions of dollars)

	2015-2016
Interest on the actuarial obligations relating to the retirement plans(1)	5 709
Less: Investment income of the RPSF	−2 975
INTEREST ON THE RETIREMENT PLANS LIABILITY	**2 734**

(1) Net of the income of specific funds of the plans.

7.2 Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) is an asset that was created in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

As at March 31, 2017, the RPSF's book value is expected to be $64 599 million.

TABLE E.14

Change in the RPSF
(millions of dollars)

	Book value, beginning of year	Deposits	Imputed investment income	Book value, end of year
1993-1994	—	850	4	854
1994-1995	854	—	−5	849
1995-1996	849	—	74	923
1996-1997	923	—	91	1 014
1997-1998	1 095(1)	—	84	1 179
1998-1999	1 179	944	86	2 209
1999-2000	2 209	2 612	219	5 040
2000-2001	5 040	1 607	412	7 059
2001-2002	7 059	2 535	605	10 199
2002-2003	10 199	900	741	11 840
2003-2004	11 840	1 502	862	14 204
2004-2005	14 204	3 202	927	18 333
2005-2006	18 333	3 000	1 230	22 563
2006-2007	22 437(1)	3 000	1 440	26 877
2007-2008	26 877	3 000	1 887	31 764
2008-2009	31 749(2)	2 100	2 176	36 025
2009-2010	36 025	—	2 175	38 200
2010-2011	38 200	2 000	2 065	42 265
2011-2012	42 265	1 000	2 087	45 352
2012-2013	45 352	1 000	1 992	48 344
2013-2014	48 344	1 000	1 989	51 333
2014-2015	51 333	1 500	2 430	55 263
2015-2016	55 263	1 500	2 975	59 738
2016-2017	59 738	1 500	3 361	64 599

(1) These amounts take into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.
(2) This amount takes into account an adjustment arising from consideration of the expected average remaining service life (EARSL) of participants in the PPMP.

As at March 31, 2016, the market value of the RPSF was higher than its book value.

TABLE E.15

Book value and market value of the RPSF as at March 31
(millions of dollars)

	Book value	Market value	Difference
1994-1995	849	831	18
1995-1996	923	954	−31
1996-1997	1 014	1 095	−81
1997-1998	1 179	1 321	−142
1998-1999	2 209	2 356	−147
1999-2000	5 040	5 703	−663
2000-2001	7 059	7 052	7
2001-2002	10 199	9 522	677
2002-2003	11 840	9 240	2 600
2003-2004	14 204	12 886	1 318
2004-2005	18 333	17 362	971
2005-2006	22 563	23 042	−479
2006-2007	26 877	28 859	−1 982
2007-2008	31 764	32 024	−260
2008-2009	36 025	25 535	10 490
2009-2010	38 200	29 559	8 641
2010-2011	42 265	35 427	6 838
2011-2012	45 352	38 222	7 130
2012-2013	48 344	42 562	5 782
2013-2014	51 333	49 034	2 299
2014-2015	55 263	57 432	−2 169
2015-2016	59 738	60 084	−346

❑ A decline in debt service

Deposits in the RPSF entail a reduction in the government's debt service. Indeed, the rates of return on funds managed by the Caisse de dépôt et placement du Québec are generally higher than interest rates on Québec government bonds issued to finance deposits in the RPSF. Therefore, the income of the RPSF, which is applied against the government's debt service, is usually higher than the additional interest charge that arises from new borrowings. This leads to a net decrease in the government's debt service.

Since the RPSF was created, the return obtained by the Caisse has been higher than the cost of new borrowings by the government 18 years out of 23.

TABLE E.16

Comparison of the RPSF's annual return and the Québec government's borrowing costs
(per cent, on a calendar year basis)

	Return of the RPSF	**Cost of new borrowings(1)**	**Difference** (percentage points)
1994	−3.3(2)	9.2	−12.5
1995	17.0	8.9	8.1
1996	16.1	7.7	8.4
1997	13.4	6.5	6.9
1998	10.4	5.8	4.6
1999	15.3	6.0	9.3
2000	7.2	6.5	0.7
2001	−4.7	6.1	−10.8
2002	−8.5	5.8	−14.3
2003	14.9	5.2	9.7
2004	11.4	5.0	6.4
2005	13.5	4.5	9.0
2006	13.5	4.6	8.9
2007	5.2	4.7	0.5
2008	−25.6	4.5	−30.1
2009	10.7	4.4	6.3
2010	13.4	4.1	9.3
2011	3.5	3.7	−0.2
2012	9.4	3.0	6.4
2013	12.6	3.3	9.3
2014	11.9	3.2	8.7
2015	8.3	2.4	5.9
2016	7.8	2.2	5.6

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
(2) From February to December 1994.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

❑ A flexible deposit policy

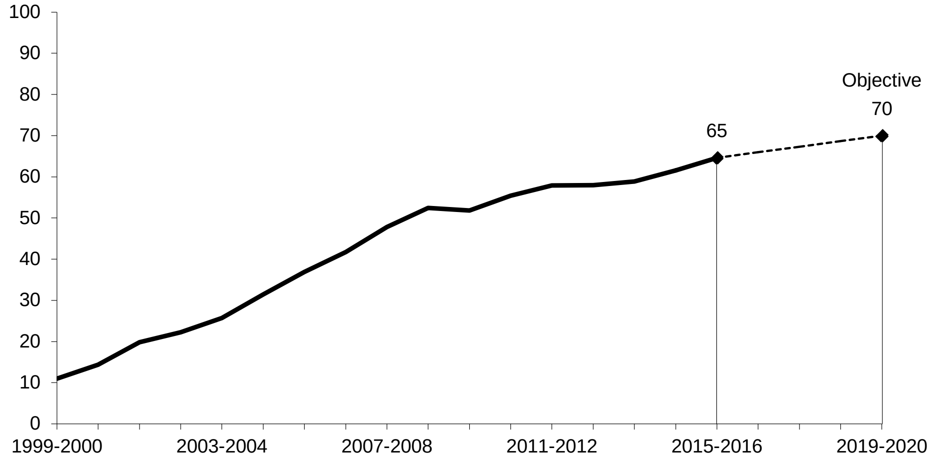
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the amounts accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

However, the government has all the necessary flexibility in applying this policy. Deposits in the RPSF are made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

As at March 31, 2016, the RPSF's book value represented 65% of the government's actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

CHART E.16

Book value of the RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees
(per cent)



7.3 Generations Fund

The following table shows the book and market values of the Generations Fund since its creation. As at March 31, 2016, the market value of the Generations Fund was higher than its book value.

TABLE E.17

Book value and market value of the Generations Fund as at March 31
(millions of dollars)

	Book value	Market value	Difference
2006-2007	584	576	8
2007-2008	1 233	1 147	86
2008-2009	1 952	1 598	354
2009-2010	2 677	2 556	121
2010-2011	3 437	3 524	−87
2011-2012	4 277	4 375	−98
2012-2013	5 238	5 550	−312
2013-2014	5 659	6 299	−640
2014-2015	6 938	8 182	−1 244
2015-2016	8 522	9 562	−1 040

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government nine years out of ten.

TABLE E.18

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

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

7.4 Returns on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

Funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (the RPSF, the Generations Fund and the Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse.

This investment policy is established taking several factors into account, including 10-year return, standard deviation and correlation forecasts for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2016, the return on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec was 7.83% for the RPSF, 7.33% for the Generations Fund and 7.79% for the Accumulated Sick Leave Fund. The investment policy of these funds is presented in the box on page E.48.

TABLE E.19

Market value and return in 2016 on funds deposited with the Caisse de dépôt et placement du Québec by the Ministère des Finances

	Return	Market value as at December 31, 2016
	(%)	($ million)
Retirement Plans Sinking Fund (RPSF)	7.83	65 422
Generations Fund	7.33	11 211
Accumulated Sick Leave Fund (ASLF)	7.79	1 095

7.4.1 Retirement Plans Sinking Fund

The RPSF posted a return of 7.83% in 2016. Its market value was $65 422 million as at December 31, 2016.

The investment policy of the RPSF consists of 33.5% fixed-income securities (bonds, real estate debt, etc.), 18.0% inflation-sensitive investments (real estate and infrastructure) and 48.5% equities.

TABLE E.20

Investment policy of the RPSF as at January 1, 2017
(per cent)

	Benchmark portfolio of the RPSF	Average benchmark portfolio of depositors as a whole(1)
Fixed-income securities	33.5	34.2
Inflation-sensitive investments	18.0	17.5
Equities	48.5	48.3
TOTAL	**100.0**	**100.0**

(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

With its investment policy, the RPSF should generate an annual return 6.35%. It is important to note that the RPSF's investment policy is based on a long-term horizon and constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the RPSF's assets, particularly to take fluctuations in the economic and financial situation into account.

7.4.2 **Generations Fund**

The Generations Fund posted a return of 7.33% in 2016. Its market value was $11 211 million as at December 31, 2016.

The investment policy of the Generations Fund consists of 38.5% fixed-income securities (bonds, real estate debt, etc.), 16.0% inflation-sensitive investments (real estate and infrastructure) and 45.5% equities.

TABLE E.21

Investment policy of the Generations Fund as at January 1, 2017
(per cent)

	Benchmark portfolio of the Generations Fund	Average benchmark portfolio of depositors as a whole(1)
Fixed-income securities	38.5	34.2
Inflation-sensitive investments	16.0	17.5
Equities	45.5	48.3
TOTAL	**100.0**	**100.0**

(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

7.4.3 **Accumulated Sick Leave Fund**

The Accumulated Sick Leave Fund (ASLF) posted a return of 7.79% in 2016. Its market value was $1 095 million as at December 31, 2016.

The assets of the ASLF are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse. The ASLF's investment policy is identical to that of the RPSF.[8]

[8] The difference in relation to the return of the RPSF in 2016 (7.83% for the RPSF compared with 7.79% for the ASLF) is due to asset allocation adjustments made by the Caisse.

Comparison of investment policies

Investment policies as at January 1, 2017
(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
Bonds and Real Estate Debt	32.5	37.5	32.1
Long-Term Bonds	0.0	0.0	1.0
Total – Fixed income	**33.5**	**38.5**	**34.2**
Real Return Bonds	0.0	0.0	0.4
Infrastructure	6.5	6.0	5.4
Real Estate	11.5	10.0	11.7
Total – Inflation-Sensitive Investments	**18.0**	**16.0**	**17.5**
Public Equity	35.5	34.5	36.9
Private Equity	13.0	11.0	11.4
Total – Equity	**48.5**	**45.5**	**48.3**
TOTAL	**100.0**	**100.0**	**100.0**

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.
(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

8. CREDIT RATINGS

8.1 The Québec government's credit ratings

A borrower's credit rating measures its capacity to pay the interest on its debt and repay the principal at maturity. To establish the credit rating of a borrower like the Québec government, credit rating agencies analyze a series of factors. Among the main factors are the size, structure and vitality of the economy, the situation on the labour market, fiscal competitiveness and the budgetary situation, as well as debt and liquidity levels.

To express the quality of a borrower's credit, credit rating agencies use rating scales, namely, a scale for long-term debt and a scale for short-term debt.

The following table shows the rating scales used by rating agencies for long-term debt. The higher the credit quality, the higher will be the rating on the scale. This means, for example, that a borrower rated “AA” presents a lower credit risk than a borrower rated “A”.

The Québec government’s current credit ratings are shown in the boxes. They differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

TABLE E.22

Credit rating scales for long-term debt

	Moody’s	Standard & Poor’s	Fitch	DBRS	Japan Credit Rating Agency
Highest credit quality	Aaa	AAA	AAA	AAA	AAA
↑	Aa1	AA+	AA+	AA (high)	[AA+]
	[Aa2]	AA	AA	AA	AA
	Aa3	AA−	[AA−]	AA (low)	AA−
	A1	[A+]	A+	[A (high)]	A+
	A2	A	A	A	A
	A3	A−	A−	A (low)	A−
	Baa1	BBB+	BBB+	BBB (high)	BBB+
	Baa2	BBB	BBB	BBB	BBB
	Baa3	BBB−	BBB−	BBB (low)	BBB−
	Ba1	BB+	BB+	BB (high)	BB+
	Ba2	BB	BB	BB	BB
	Ba3	BB−	BB−	BB (low)	BB−
	B1	B+	B+	B (high)	B+
	B2	B	B	B	B
	B3	B−	B−	B (low)	B−

Credit rating agencies add an "outlook" to the rating that indicates the trend the credit rating may follow in the future. The outlook may be positive, stable or negative. In the case of Québec, two changes occurred in this regard in June 2016.

First, Standard & Poor's (S&P) improved the outlook related to Québec's credit rating, by raising it from "stable" to "positive". In its report, S&P explained that this improvement stemmed from the fact that Québec had returned to a balanced budget through responsible management of spending. S&P also underscored the strength of the Québec economy, which includes major sectors such as aerospace, transport, telecommunications and aluminium production.

Second, Fitch also improved the outlook related to Québec's credit rating, by raising it from "negative" to "stable" due to the return to a balanced budget. Fitch had lowered this outlook in December 2013, following the postponement of a balanced budget to 2015-2016, announced in November 2013.

Moody's, DBRS and Japan Credit Rating Agency (JCR) assign a stable outlook to Québec's credit rating.

TABLE E.23

The Québec government's credit ratings

Credit rating agency	Credit rating	Outlook in 2015	→	Outlook in 2016
Moody's	Aa2	Stable		Stable
Standard & Poor's (S&P)	A+	Stable		Positive
Fitch	AA−	Negative		Stable
DBRS	A (high)	Stable		Stable
Japan Credit Rating Agency (JCR)	AA+	Stable		Stable

The following table shows the rating scales used by rating agencies for short-term debt. The higher the credit quality, the higher will be the rating on the scale. The Québec government's current credit ratings are shown in the boxes.

TABLE E.24

Credit rating scales for short-term debt[1]

	Moody's	Standard & Poor's	Fitch	DBRS
Highest credit quality ↑	$\boxed{\text{P−1}}$	$\boxed{\text{A−1+}}$ A−1	$\boxed{\text{F1+}}$ F1	R−1 (high) $\boxed{\text{R−1 (middle)}}$ R−1 (low)
	P−2	A−2	F2	R−2 (high)
	P−3	A−3	F3	R−2 (middle) R−2 (low) R−3
	Not Prime[2]	B−1 B−2 B−3 C	B C	R−4 R−5
	Not Prime[2]	D	D	D

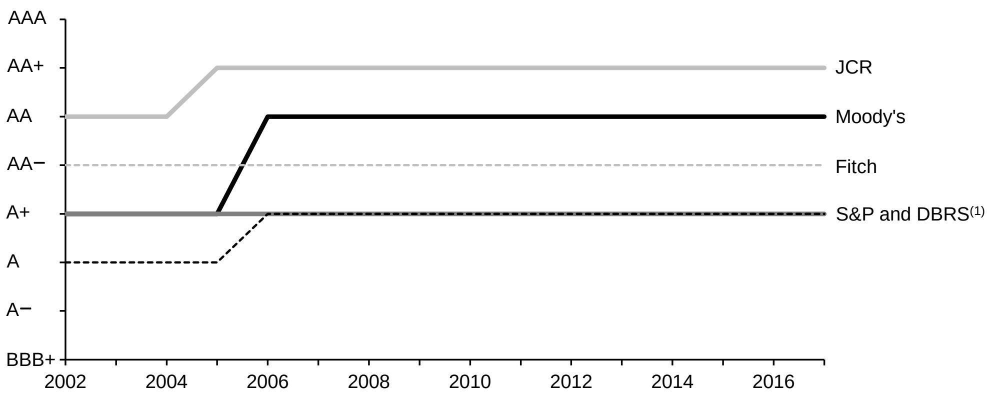
(1) JCR does not assign a credit rating to Québec's short-term debt.
(2) Moody's uses the "Not Prime" category for all securities not included in the upper categories.

❑ Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2002. The most recent increases in Québec's credit rating date back to 2006 (Moody's and DBRS raised Québec's credit rating), while the last time Québec's credit rating was lowered was in 1996 (DBRS lowered Québec's credit rating).

CHART E.17

Change in Québec's credit ratings



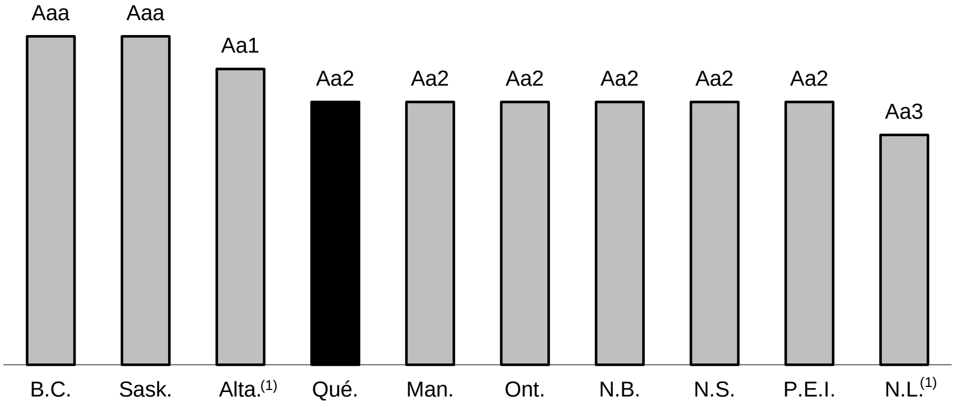
(1) Dotted line.
Note: The credit ratings for 2017 are those in effect as at March 13, 2017.

8.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces as at March 13, 2017. No chart is given for JCR since Québec is the only province that receives a credit rating from that agency.

CHART E.18

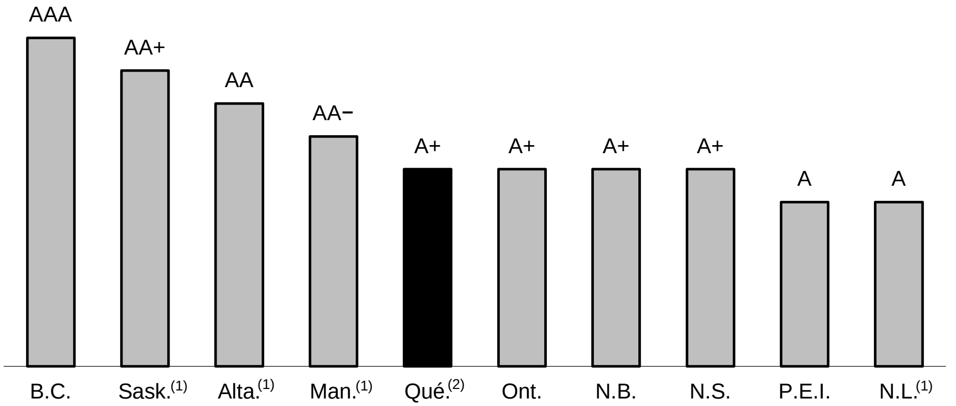
Credit rating of the Canadian provinces – Moody's



(1) Negative outlook.

CHART E.19

Credit rating of the Canadian provinces – Standard & Poor's



(1) Negative outlook.
(2) Positive outlook.

CHART E.20

Credit rating of the Canadian provinces – DBRS

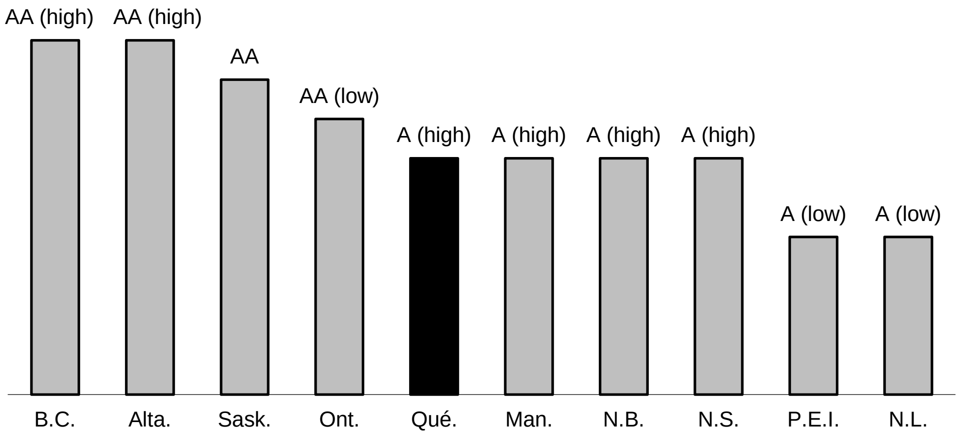
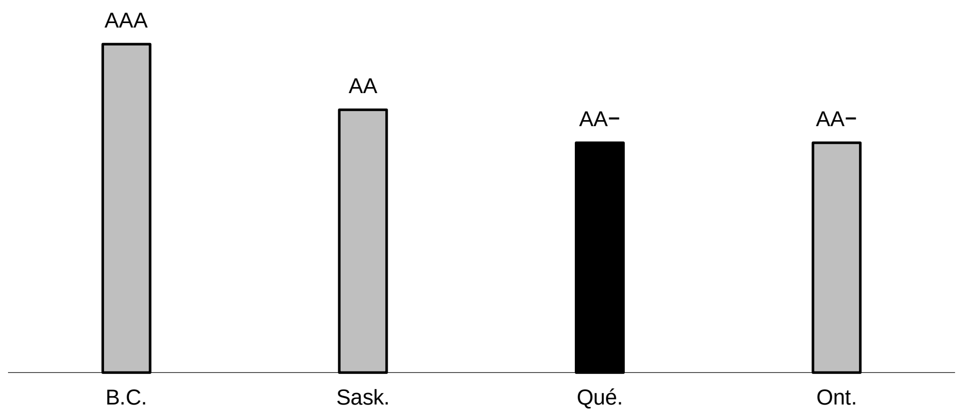


CHART E.21

Credit rating of the Canadian provinces – Fitch



Note: British Columbia, Saskatchewan, Québec and Ontario are the only provinces that receive credit ratings from this agency.

Exhibit 99.22

Excerpts from "Budget Speech 2017-2018", March 28, 2017

TABLE 25

Québec government
Summary of consolidated budgetary transactions
Preliminary results for 2016-2017
(millions of dollars)

	2016-2017
CONSOLIDATED REVENUE	
Own-source revenue	81 968
Federal transfers	20 498
Total	**102 466**
CONSOLIDATED EXPENDITURE	
Expenditure	–90 387
Debt service	–9 687
Total	**–100 074**
Contingency reserve	–100
SURPLUS	**2 292**
Deposits of dedicated revenues in the Generations Fund	–2 042
BUDGETARY BALANCE[1]	**250**

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

TABLE 26

Québec government
Summary of consolidated budgetary transactions
Forecasts for 2017-2018
(millions of dollars)

	2017-2018
CONSOLIDATED REVENUE	
Own-source revenue	84 279
Federal transfers	22 029
Total	**106 308**
CONSOLIDATED EXPENDITURE	
Expenditure	–93 852
Debt service	–9 868
Total	**–103 720**
Contingency reserve	–100
SURPLUS	**2 488**
Deposits of dedicated revenues in the Generations Fund	–2 488
BUDGETARY BALANCE (1)	**—**

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

TABLE 27

Québec government
Consolidated revenue
Forecasts for 2017-2018
(millions of dollars)

	2017-2018
OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	30 569
Contributions for health services	6 036
Corporate taxes	7 227
School property tax	2 257
	46 089
Consumption taxes	
Sales taxes	15 757
Fuel	2 286
Tobacco products	1 003
Alcoholic beverages	635
	19 681
Revenue from government enterprises	
Hydro-Québec	2 150
Loto-Québec	1 142
Société des alcools du Québec	1 089
Other	99
	4 480
Duties and permits	3 710
Miscellaneous revenue	10 319
TOTAL OWN-SOURCE REVENUE	**84 279**
FEDERAL TRANSFERS	
Equalization	11 081
Health transfers	6 110
Transfers for post-secondary education and other social programs	1 640
Other programs	3 198
TOTAL FEDERAL TRANSFERS	**22 029**
TOTAL CONSOLIDATED REVENUE	**106 308**

TABLE 28

Québec government
Consolidated expenditure
Forecasts for 2017-2018

(millions of dollars)

	2017-2018
MISSION EXPENDITURES	
Program spending of the General Fund(1)	–72 591
Other consolidated expenditure(2)	–21 261
Total	**–93 852**
DEBT SERVICE	
General Fund	–7 776
Other sectors(2)	–2 092
Total	**–9 868**
CONSOLIDATED EXPENDITURE	**–103 720**

(1) Program spending includes transfers intended for consolidated entities.
(2) Includes, in particular, consolidation adjustments.

TABLE 29

Québec government
Expenditure of the General Fund
Forecasts for 2017-2018
(millions of dollars)

	2017-2018
PROGRAM SPENDING OF THE GENERAL FUND	
Assemblée nationale	137.5
Persons appointed by the National Assembly	103.0
Affaires municipales et Occupation du territoire	1 880.2
Agriculture, Pêcheries et Alimentation	876.7
Conseil du trésor et Administration gouvernementale	1 593.5
Conseil exécutif	425.2
Culture et Communications	689.8
Développement durable, Environnement et Lutte contre les changements climatiques	152.8
Économie, Science et Innovation	916.2
Éducation et Enseignement supérieur	17 881.7
Énergie et Ressources naturelles	72.1
Famille	2 546.0
Finances (excluding debt service)	200.6
Forêts, Faune et Parcs	465.4
Immigration, Diversité et Inclusion	305.5
Justice	933.6
Relations internationales et Francophonie	106.3
Santé et Services sociaux	36 763.5
Sécurité publique	1 436.8
Tourisme	147.7
Transports, Mobilité durable et Électrification des transports	673.1
Travail, Emploi et Solidarité sociale	4 284.2
Total	**72 591.4**
DEBT SERVICE	**7 776.0**
TOTAL EXPENDITURE OF THE GENERAL FUND	**80 367.4**

TABLEAU 30

Québec government
Non-budgetary transactions
Forecasts for 2017-2018
(millions of dollars)

	2017-2018
INVESTMENTS, LOANS AND ADVANCES	**–2 047**
CAPITAL EXPENDITURES	
Investments	–7 643
Amortization	3 866
Less: PPP investments	98
Total	**–3 679**
RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS	**3 165**
OTHER ACCOUNTS	**–480**
TOTAL FINANCING TRANSACTIONS	**–3 041**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

To view the Final Terms in full, please paste the following URL into the address bar of your browser.

Exhibit 99.19 of the Amendment dated March 31, 2017 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2016
http://www.rns-pdf.londonstockexchange.com/rns/●

Exhibit 99.20 of the Amendment dated March 31, 2017 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2016
http://www.rns-pdf.londonstockexchange.com/rns/●

Exhibit 99.21 of the Amendment dated March 31, 2017 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2016
http://www.rns-pdf.londonstockexchange.com/rns/●

Exhibit 99.22 of the Amendment dated March 31, 2017 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2016
http://www.rns-pdf.londonstockexchange.com/rns/●

Exhibits 99.19, 99.20, 99.21, 99.22 of the Amendment dated March 31, 2017 to Québec's Annual Report (on Form 18-K) for the fiscal year ended March 31, 2016 (containing excerpts from Québec's Budget 2017-2018 – The Québec Economic Plan – March 2017 and Budget Speech) and filed with the US Securities and Exchange Commission on March 31, 2017 submitted to the National Storage Mechanism and will shortly be available for inspection at: **http://www.morningstar.co.uk/uk/NSM**.

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