

August 31, 2023



Creative Export Strategy – A Budgetary Analysis



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
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The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report provides a budgetary analysis of the Creative Export Strategy.

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Yves Giroux

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Highlights

Total actual spending under the federal government's Creative Export Strategy (CES) amounted to \$125.9 million between 2018-19 to 2022-23. This amount is \$15.9 million lower than what was planned.

The largest programs/initiatives funded by the CES were the Creative Export Canada (CEC) program (\$36.2 million) and the Frankfurt Book Fair (\$14.5 million). Additionally, \$18.1 million was used to fund costs to administer the CES, including salary, employee benefit plans and corporate costs.

More than 90% of spending dedicated to specific locations was spent in Germany (\$18 million), Canada (\$15.8 million) and the United States (\$1.8 million).

The CES was renewed in 2022-23 with a planned funding of \$62 million over three years (2023-24 to 2025-26).

Summary

This report is in response to a request by Member of Parliament Michelle Rempel Garner, P.C. (Calgary Nose Hill) for a budgetary analysis of the federal government’s Creative Export Strategy (CES).

In October 2017, the Government of Canada announced the CES. The Government’s stated objective for the CES is “to help Canadian creative industries to maximize their export potential.”

In June 2018, \$125 million was allocated to the CES over a period of five years, ending in 2022-23 (\$25 million per year). In 2021-22 and 2022-23 \$16.8 million in additional funding was allocated to the CES through the Main and Supplementary Estimates, bringing the total available funding to \$141.8 million.

Over the period from 2018-19 to 2022-23, total actual spending under the CES amounted to \$125.2 million (Table S-1). That is \$15.9 million lower than planned or an average gap of \$3.2 million per year.

Table S-1

Actual spending compared to planned funding (\$M)

Fiscal Year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Actual Spending	22.5	25.4	22.1	28.8	27.0	125.9
Planned Funding	25.0	25.0	25.0	34.3	32.5	141.8

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

The largest initiatives funded by the CES were the Creative Export Canada (CEC) program (\$36.2 million) and the Frankfurt Book Fair (\$14.5 million). Additionally, \$18.1 million was used to fund costs to administer the CES, including salary, employee benefit plans and corporate costs.

Although not all spending was tracked by location, more than 90% of spending dedicated to specific locations was spent in Germany (\$18 million), Canada (\$15.8 million) and the United States (\$1.8 million).

The Fall Economic Statement 2022 and Budget 2023 announced \$62 million over three years to renew the CES (Table S-2). Canadian Heritage expects to spend an average of 31.6% of its allocated funding on administrative costs, which seems significantly above other similar programs. Parliamentarians may wish to enquire to the department about this high proportion.

Table S-2

Total planned funding under the renewed CES by organization
(\$M)

Fiscal year	2023-24	2024-25	2025-26	Total
Canadian Heritage	19.0	19.0	19.0	57.0
Global Affairs Canada	2.5	2.5	0.0	5.0
Total	21.5	21.5	19.0	62.0

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

Introduction

This report is in response to a request by Member of Parliament Michelle Rempel Garner, P.C (Calgary Nose Hill) for a budgetary analysis of the Creative Export Strategy (CES).

In October 2017, the Government of Canada announced the Creative CES.¹ The Government's stated objective for the CES is "to help Canadian creative industries to maximize their export potential."²

In June 2018, \$125 million was allocated to the CES over a period of five years, ending in 2022-23 (\$25 million per year). Canadian Heritage received \$18 million per year, Telefilm Canada \$1 million per year and Global Affairs Canada \$6 million per year.

In 2021-22 and 2022-23, Canadian Heritage received additional funding estimated at \$16.8 million, which was comprised of:

- \$7.2 million obtained via Supplementary Estimates (B) 2021-22 to support the one-year extension of Canada as Guest of Honour at the 2021 Frankfurt Book Fair;³
- \$2.1 million obtained from the Covid 19 - Recovery Funds through Supplementary Estimates (A) 2021-22;⁴
- \$7.5 million obtained from the Covid 19 - Recovery Funds through Main Estimates 2022-23.⁵

The Fall Economic Statement 2022 and Budget 2023 announced \$62 million over three years (2023-24 to 2025-26) to renew the CES.

While information on the funding allocated to the CES was publicly available, actual and planned spending data by fiscal year, initiative and location were provided by Canadian Heritage, Telefilm Canada and Global

Affairs Canada in response to PBO information requests. The details are highlighted in the sections that follow.

1. Creative Export Strategy

From 2018-19 to 2022-23, total actual spending under the CES amounted to \$125.9 million (Table 1-1).

Canadian Heritage spent \$102.4 million, Telefilm Canada \$5 million and Global Affairs Canada \$18.5 million.

Table 1-1

Total actual spending by organization (\$M)

Fiscal year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Canadian Heritage	17.2	18.1	18.3	25.6	23.2	102.4
Telefilm Canada	1.0	1.0	1.0	1.0	1.0	5.0
Global Affairs Canada	4.3	6.3	2.9	2.2	2.8	18.5
Total	22.5	25.4	22.1	28.8	27.0	125.9

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

1.1. Actual spending compared to planned funding

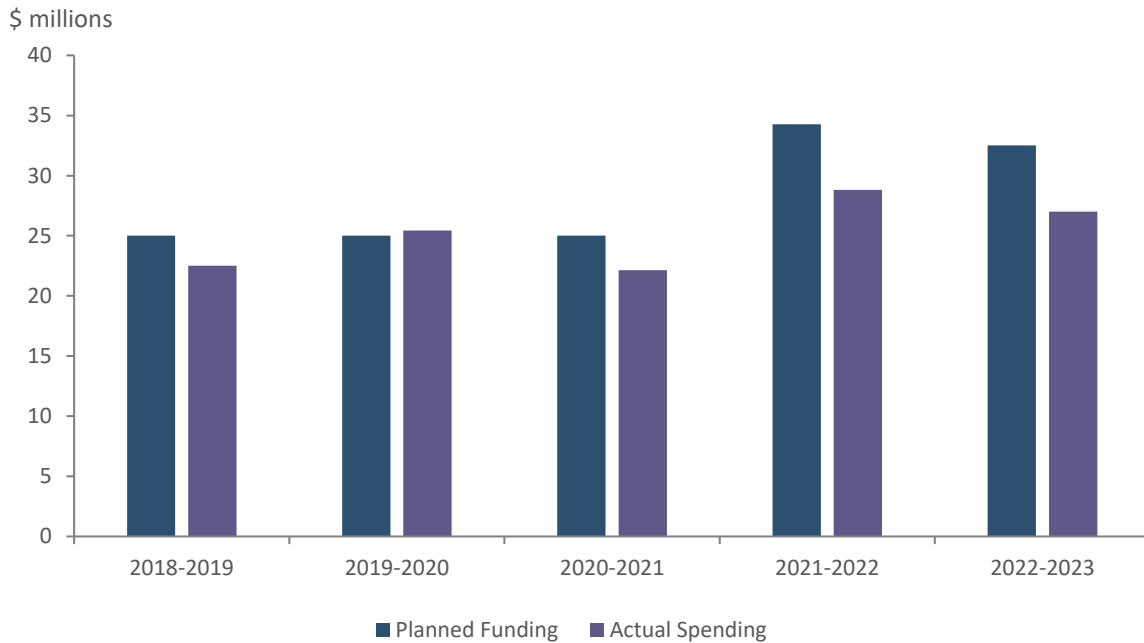
Figure 1-1 shows that actual spending under the Creative Export Strategy (CES) was lower than the planned funding.⁶

Over 2018-19 to 2022-23, total spending under the CES amounted to \$25.2 million per year, or 88.8 per cent of total planned funding. This is an average gap of \$3.2 million per year.

Canadian Heritage spent \$102.4 million or 96.5 per cent of its planned funding, Telefilm Canada spent \$5 million or 100 per cent of its planned funding and Global Affairs Canada spent \$18.5 million or 61.6 per cent of its planned funding.⁷

Figure 1-1

Actual spending compared to planned funding



Textual description:

Fiscal Year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Actual Spending (\$M)	22.5	25.4	22.1	28.8	27.0	125.9
Planned Funding (\$M)	25.0	25.0	25.0	34.3	32.5	141.8

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

1.2. Actual spending by initiative

1.2.1. Initiatives funded by Canadian Heritage

In response to PBO's information request (IR0696), Canadian Heritage provided actual spending information by initiative.

The largest initiatives funded by the CES were the Creative Export Canada (CEC) program (\$36.2 million) and the Frankfurt Book Fair (\$14.5 million). Additionally, \$18.1 million was used to fund costs to administer the CES, including salary, employee benefit plans and corporate costs.

Appendix A of this report provides a summary of the descriptions of the initiatives presented in Table 1-2.

Table 1-2

Canadian Heritage's total actual spending by initiative (\$M)

Fiscal year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Administrative costs*	3.6	3.6	3.6	3.6	3.6	18.1
CEC program	7.7	7.2	7.5	7.0	6.8	36.2
Frankfurt Book Fair**	1.1	2.7	2.8	7.9	0.0	14.5
Canada Music Fund	2.5	2.5	2.5	2.5	2.8	12.8
Covid-19 - Recovery Funds	0.0	0.0	0.0	1.9	7.5	9.4
Other initiatives***	2.3	2.1	1.8	2.7	2.5	11.5
Total	17.2	18.1	18.3	25.6	23.2	102.4

Sources:

Canadian Heritage and Office of the Parliamentary Budget Officer.

Notes:

Totals may not add due to rounding.

* Administrative costs include salary, employee benefit plans and corporate costs.

** Additional funds received via Supplementary Estimates (B) 2021-22 to support the one-year extension of Canada as Guest of Honour at the 2021 Frankfurt Book Fair are included.

*** Other initiatives include the Canada Periodical Fund, Canada Book Fund, Canada Arts Presentation Fund, trade policy and trade operations.

1.2.2. Initiatives funded by Telefilm Canada

In response to PBO's information request (IR0696), Telefilm Canada provided actual spending information by initiative.⁸ CES funds were used to support Canadian audiovisual co-productions. Telefilm indicated that no funds were earmarked for administrative costs.

Table 1-3

Telefilm Canada's total actual spending by initiative (\$M)

Financial year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Audiovisual co-productions	1.0	1.0	1.0	1.0	1.0	5.0

Sources:

Canadian Heritage, Telefilm Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

1.2.3. Initiatives funded by Global Affairs Canada

In response to PBO's information request (IR0695), Global Affairs Canada was able to provide only high-level details on actual spending information by initiative.

The department did not provide any information on costs related to the administration of the CES.

Appendix A of this report provides a summary of the description of each initiative presented in Table 1-4.

Table 1-4

Global Affairs Canada's total actual spending by initiative (\$M)

Fiscal year	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Cultural Diplomacy	4.0	6.0	2.7	2.0	2.5	17.2
Trade Promotion Program Funding	0.3	0.3	0.2	0.2	0.2	1.3
Total	4.3	6.3	2.9	2.2	2.8	18.5

Sources:

Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

1.3. Actual spending by location

Actual spending under the CES from 2018-19 to 2022-23 can be grouped into three categories:

- Spending that is not dedicated to specific locations. This category includes administrative costs and amounts spent by Global Affairs Canada on Cultural Diplomacy initiatives, which are not tracked by location.
- Spending dedicated to projects and companies that export worldwide.
- Spending dedicated to projects, events and activities in specific locations.

Table 1-5

Actual spending by category (\$M)

Fiscal year	2018-19	2019-20	2020-21	2021-22	2022-23	Total	Shares (%)
Spending not dedicated to or tracked by specific locations	9.0	11.1	6.8	7.2	8.2	42.4	33.7
Spending dedicated to projects and companies that export worldwide	7.7	7.3	7.4	8.6	13.4	44.4	35.3
Spending dedicated to specific locations	5.8	7.0	7.9	13.0	5.4	39.1	31.0
Total spending	22.5	25.4	22.1	28.8	27.0	125.9	100.0

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

Table 1-6 shows that more than 90% of spending that was dedicated to specific locations was spent in Germany (\$18 million), Canada (\$15.8 million) and the United States (\$1.8 million). This funding was mainly used to support export-related activities in the music sector in Canada, Canada's participation as Guest of Honour at the Frankfurt Book Fair and Canadian creative exports to the United States.

The remainder of the funding was spent in different countries and regions, including France, United Kingdom, China, Sweden, United Arab Emirates, Netherlands and Italy.

Table 1-6

Actual spending by location (\$M)

Fiscal year	2018-19	2019-20	2020-21	2021-22	2022-23	Total	Shares (%)
Canada	2.9	3.1	2.8	3.3	3.6	15.8	40.4
Germany	1.6	3.3	4.7	8.5	0.1	18.0	46.2
United States	0.2	0.2	0.1	0.4	0.9	1.8	4.6
Other locations	1.0	0.4	0.4	0.9	0.8	3.4	8.8
Total*	5.8	7.0	7.9	13.0	5.4	39.1	100.0

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

2. The renewed Creative Export Strategy

The Fall Economic Statement 2022 and Budget 2023 announced \$62 million over three years (2023-24 to 2025-26) to renew the Creative Export Strategy (CES) (Table 2-1).

Canadian Heritage will receive \$19 million per year for three years (2023-24 to 2025-26) and Global Affairs Canada will receive \$2.5 million per year for two years (2023-24 to 2024-25).⁹

Table 2-1

Total planned funding under the renewed CES by organization (\$M)

Fiscal year	2023-24	2024-25	2025-26	Total
Canadian Heritage	19.0	19.0	19.0	57.0
Global Affairs Canada	2.5	2.5	0.0	5.0
Total	21.5	21.5	19.0	62.0

Sources:

Canadian Heritage, Telefilm Canada, Global Affairs Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

2.1. Initiatives funded by Canadian Heritage

Canadian Heritage annual planned funding over 2023-24 to 2025-26 is, on average, equal to the sum of its funding (\$18 million) and Telefilm Canada's funding (\$1 million) over 2018-19 to 2022-23, that is under the original CES.

Its administrative costs, estimated at \$18 million (31.6 per cent) (Table 2-2), will represent the second most expensive "initiative", which seems

significantly higher than what would normally be expected for a program of this nature. Parliamentarians may wish to seek explanations from the Department on this high ratio. In addition to administrative costs, Canadian Heritage plans to fund the Creative Export Canada Program (CEC) and four other initiatives (the Creative Export Advisory Service, the Creative Industry Advisory Table, trade policy and trade operations).

Table 2-2

Canadian Heritage's planned spending by initiative (\$M)

Fiscal year	2023-24	2024-25	2025-26	Total	Shares (%)
Administrative costs*	6.0	6.0	6.0	18.0	31.6
Creative Export Canada: Export Ready Stream**	7.0	7.0	7.0	21.0	36.8
Creative Export Canada: Export Development Stream (EDS)**	4.0	4.0	4.0	12.0	21.1
Other initiatives***	2.0	2.0	2.0	6.0	10.5
Total	19.0	19.0	19.0	57.0	100.0

Sources:

Canadian Heritage and Office of the Parliamentary Budget Officer.

Notes:

Totals may not add due to rounding.

* Administrative costs include salary, employee benefit plans and corporate costs.

** Funding for the EDS will partially replace the previous funding for the Canada Music Fund, Canada Periodical Fund, Canada Book Fund, Canada Arts Presentation Fund and Telefilm Canada to support exports.

*** Other initiatives include the Creative Export Advisory Service, the Creative Industry Advisory Table, trade policy and trade operations.

2.1.1. Initiatives funded by Global Affairs Canada

Global Affairs Canada will receive \$2.5 million per year for two years beginning April 1, 2023, to support creative export companies and organizations through the Trade Commissioner Service.

Appendix A: Descriptions of Initiatives

Creative Export Canada program:

Provides financial support to creative industries, to help increase exports and expand international reach.

Canada as Guest of Honour at the Frankfurt Book Fair:

Provides financial support to creative industries, to increase published works rights sales in the European market and internationally.

Canada Music Fund:

Supports international promotion and export-related activities in the music sector.

Covid-19 Recovery Funds:

Additional funds provided to creative export industries in 2021-22 and 2022-23 under the COVID-19 Recovery Plan.

Cultural diplomacy:

Funding to promote Canadian artists and culture abroad and support Canada's international priorities.

Trade Promotion Program Fund:

Funding to support the international business development of Canadian creative export industries and increase their access to export opportunities.

Notes

¹ For more details, see [Fall Economic Statements 2017](#).

² For more details, see the [Creative Export Strategy](#).

³ These funds were obtained with the Treasury Board's submission entitled "Supporting Canada's Artists & Live Music Sector and Canada as Guest of Honour at the 2021 Frankfurt Book Fair", approved under vote 1 of the estimates in 2021-22. They served to support the showcase, export and trade activities of the Canadian book publishing and creative sectors.

⁴ These funds were obtained with the Treasury Board's submission entitled "Arts, Culture, Heritage and Sport Recovery Fund and Reopening Fund for Events and In-person Experiences" in 2021-22.

⁵ In 2021-22, Canadian Heritage received Covid-19- Recovery funds for two years.

⁶ Planned funding include Canadian Heritage, Telefilm Canada and Global Affairs Canada's fundings announced in Fall Economic Statement 2017 and Canadian Heritage's additional planned fundings approved in Supplementary Estimates (A) 2021-22, Supplementary Estimates (B) 2021-22 and main Estimates 2022-23. Global Affairs Canada didn't provide any information regarding in which Estimates its planned funding was approved.

⁷ Planned funding provided by Global Affairs Canada's is not consistent with that announced in Fall Economic Statement 2017 and information provided by Canadian Heritage. We used the information announced in Fall Economic Statement 2017 and provided by Canadian Heritage.

⁸ In July 2018, Canadian Heritage signed a Memorandum of Understanding with Telefilm authorizing Telefilm Canada to use Canadian Heritage funds

allocated through the approved Treasury Board Submission "Creative Export Strategy".

⁹ Canadian Heritage funding was announced in Fall Economic Statement 2022 and Global Affairs Canada funding was announced in budget 2023-24. The breakdown by location of Canadian Heritage and Global Affairs Canada planned fundings under the renewed CES is not provided to PBO.

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