



Canada Economic  
Development  
for Quebec Regions

Développement  
économique Canada  
pour les régions du Québec

Canada

## **Canada Economic Development**

for Quebec Regions

Standing by businesses,  
Standing by regions.

**QUARTERLY FINANCIAL  
REPORT FOR THE QUARTER  
ENDED JUNE 30, 2020**

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# SECTION 1

## INTRODUCTION

## Introduction

This quarterly financial report was prepared by Canada Economic Development for Quebec Regions (CED) as required under subsection 65.1 of the Financial Administration Act and in the form and manner prescribed by the Treasury Board.

This report should be read in conjunction with the [2020–2021 Main Estimates](#) and the [2020–2021 Departmental Plan](#).

This report has not been subject to external audit or review.

### 1.1 Authority, mandate and programs

The mission of the Economic Development Agency of Canada for the Regions of Quebec (CED) is to promote the long-term economic development of the regions of Quebec with particular emphasis on those areas with slow economic growth or inadequate productive employment opportunities. CED carries out its mandate in accordance with the provisions of the Economic Development Agency of Canada for the Regions of Quebec Act, which came into force on October 5, 2005. CED is also committed to promoting cooperation and a complementary relationship with Quebec and its communities.

CED is a key federal player in Quebec in promoting economic development of the regions and of small and medium-sized enterprises (SMEs). To fulfil its core responsibility, which is to develop Quebec's economy, CED supports business start-up and performance. It helps businesses become more innovative, productive and competitive. It supports community engagement efforts in Quebec's regions and helps to attract investment that will enhance the prosperity of the Quebec and Canadian economies.

CED contributes to the economic vitality of all Quebec regions by leveraging their regional competitive advantages. It supports the transition and diversification of communities that remain dependent on a small number of industries or have been affected by an economic shock, such as the Lac Mégantic rail disaster.

CED has three programs supporting its core responsibility:

- Regional Innovation
- Vitality of Communities
- Targeted or temporary support

For further information about CED's authority, mandate and programs, see [2020–2021 Main Estimates](#) and the [2020–2021 Departmental Plan](#).

## 1.2 Basis of Presentation

This quarterly report was prepared by CED using an expenditure basis of accounting. The accompanying Statement of Authorities includes CED's spending authorities granted by Parliament and those used by CED, consistent with the 2020–2021 Main Estimates. This quarterly report was prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

CED uses the full accrual method of accounting to prepare and present its annual financial statements, which form part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

## 1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)

CED manages its expenditures under two annual votes:

- Vote 1 – Net Operating Expenditures, which includes CED's authorities related to personnel costs and operation and maintenance expenditures; and
- Vote 5 – Grants and Contributions, which includes all authorities related to transfer payments.

Expenses under statutory budgetary authorities, for which payments are made under an act previously approved by Parliament and which are not part of the annual appropriations bills, include items such as employer's portion of the employee benefit plan and transfer payments under the *Public Health Events of National Concern Payments Act*.

Exceptionally this year, CED is using a temporary statutory appropriation to administer its *Regional Relief and Recovery Fund (RRRF)* for the COVID-19 pandemic.



## SECTION 2

HIGHLIGHTS OF FISCAL  
QUARTER AND FISCAL YEAR-  
TO-DATE RESULTS

## Highlights of fiscal quarter and fiscal year-to-date results

This section presents a variety of financial information as at June 30, 2020, including the authorities available for the year and expenditures incurred during the first quarter, as compared with the previous fiscal year.

In the explanations of variances, changes of less than 5% are considered to have a minimal impact on the interpretation of the results.

Detailed financial information is provided in sections 2.1 and 2.2, and in the tables in the Appendices.

**Note** : On April 20, 2020, because of the exceptional situation caused by the COVID-19 pandemic, the House of Commons adopted a motion to amend Standing Order 81 for the 2020 calendar year, allowing the House to continue considering the 2020–2021 Main Estimates until December 2020. Full supply is therefore expected in December 2020.

***IN THESE CIRCUMSTANCES, COMPARISONS WITH THE PREVIOUS FISCAL YEAR ARE NOT REPRESENTATIVE.***

### 2.1 Authorities analysis

At the end of the first quarter, i.e., at June 30, 2020, CED's annual authorities totalled \$447.4 M. On June 30, 2019, they were \$319.2 M.

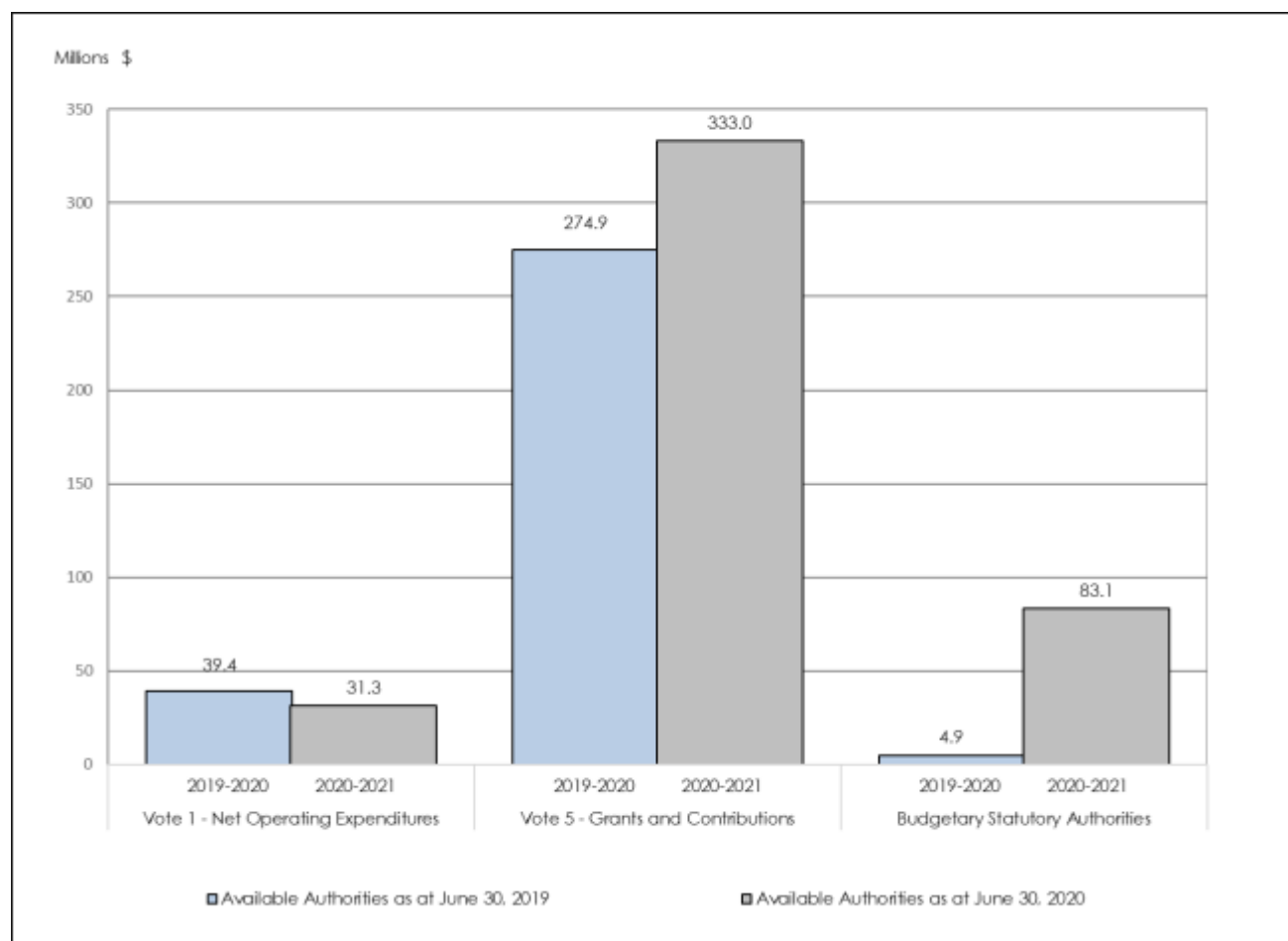
The variance of \$128.2 M (40.2%) is due to the following changes:

- Vote 1 – Net Operating Expenditures: -\$8.1M
- Vote 5 – Grants and Contributions: +\$58.1M
- Budgetary Statutory Authorities: +\$78.2M



The chart below shows the annual budgetary appropriation authorities as at June 30, 2020, compared with the previous fiscal year.

### Annual budgetary appropriation authorities as at June 30, fiscal year 2020–2021 compared with 2019–2020



#### Vote 1 authorities (Net Operating Expenditures)

Compared with 2019–2020, authorities decreased by \$8.1M. As previously noted, only 75% of the appropriations in the 2020–2021 Main Estimates had been allocated as at June 30, 2020. The remaining supply is expected to be received by December 2020.

#### Vote 5 authorities (Grants and Contributions)

Although CED received only 75% of the authorities in the 2020–2021 Main Estimates (\$191.7M instead of \$255.6M), there is an increase of \$58.1M as at June 30, 2020, compared with June 30, 2019.

Authorities totalled \$333.0M this year, compared with \$274.9M last year. The reasons for the \$58.1M increase are as follows:

- Receipt of \$141.2M in voted funding related to the COVID-19 pandemic as at June 30, 2020, broken down as follows:
  - o *RRRF – Community Futures Program: \$18.3M*
  - o *RRRF – Regional Economic Growth through Innovation: \$113.8M*
  - o *RRRF – Canadian Seafood Stabilization Fund: \$9.1M*
- Decrease of \$83.1M in voted funding for the following items:
  - o Interim supply not received in the first quarter (\$63.9M)
  - o End of funding for the *Steel and Aluminum Initiative* (\$26.2M)
  - o End of funding for the *Chrysotile Initiative* (\$4.6M)
  - o Increase of \$4.7M in repayments on repayable contributions
  - o Increase of \$4.4M in funding for the *Federal Strategy on Jobs and Tourism*
  - o Increase of \$2.8M in *Artificial Intelligence* funding
  - o Other intergovernmental transfers and adjustments (\$0.3M)

### Statutory budgetary authorities

Statutory budgetary authorities were \$4.9M for the first quarter of 2019–2020 and \$83.1M for the first quarter of 2020–2021. This is an increase of \$78.2M for the 2020–2021 fiscal year. The reasons for the increase are as follows:

- *RRRF – Community Futures Program: \$53M* in transfer payments in the form of statutory appropriations
- *RRRF – Regional Economic Growth through Innovation: \$25M* in transfer payments in the form of statutory appropriations and \$0.2M for the employee benefit plan.

## 2.2 Analysis of expenditures

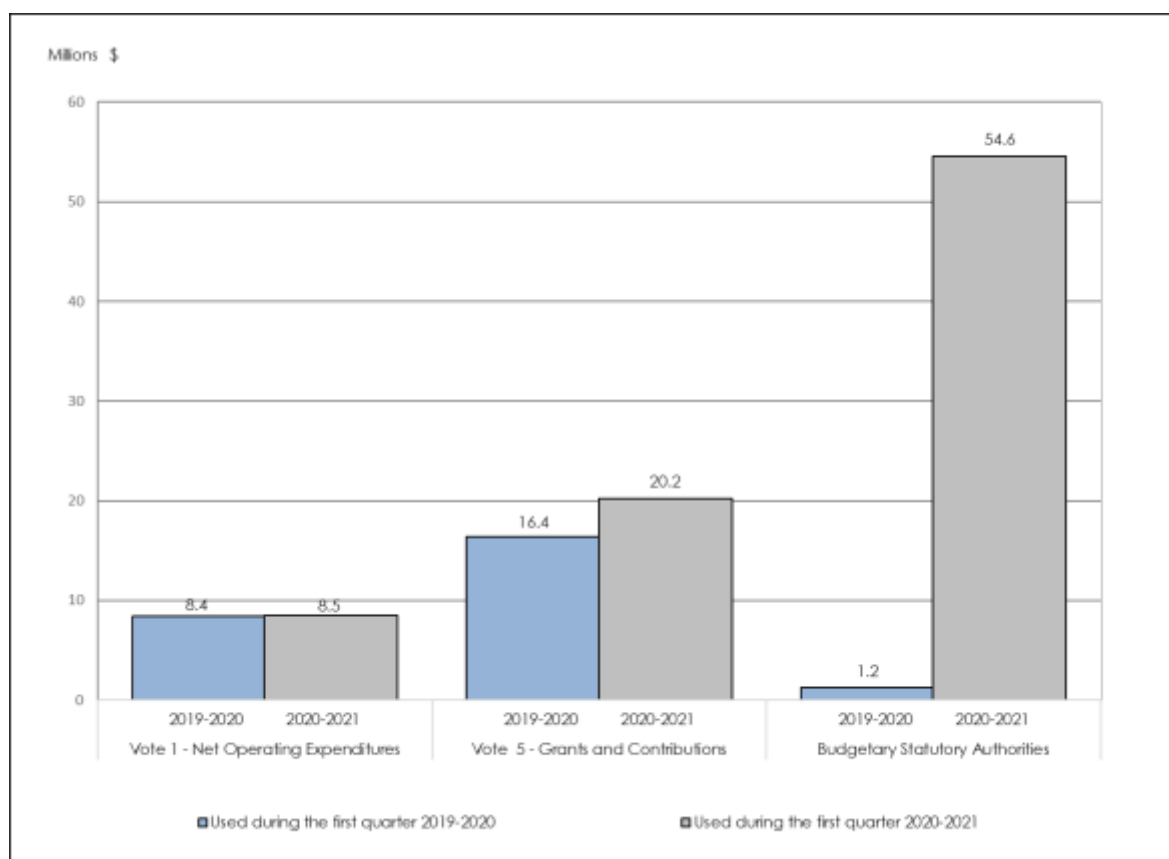
CED expenditures in the first quarter of 2020–2021 totalled \$83.3M, compared with \$26.0M for the same period last year. This is a net increase of \$57.3M (220.4%) compared with the previous fiscal year.

This increase can be broken down as follows:

- Vote 1 – Net Operating Expenditures: +\$0.1M
- Vote 5 – Grants and Contributions: +\$3.8M
- Statutory budgetary authorities: +\$53.4M

The chart below shows expenditures in the first quarter of 2020–2021 by budgetary appropriation, compared with the previous fiscal year.

### First-quarter expenditures by budgetary appropriation, 2020–2021 and 2019–2020



### Vote 1 expenditures (Net Operating Expenditures)

Net operating expenditures for the first quarter of 2020–2021 and the first quarter of 2019–2020 were \$8.5M and \$8.4M, respectively.

The \$0.1M (1.2%) variance is considered insignificant.

(For further details on these expenditures, see the table entitled “Departmental budgetary expenditures by standard object” in Appendix 6.2.)

### Vote 5 expenditures (Grants and Contributions)

In the first quarter of 2020–2021, CED spent \$20.2M on grants and contributions (voted funding). This is an increase of \$3.8M (23.2%) over the first quarter of 2019–2020, including \$8.2M for the *Community Futures Program (CFP)* alone. CFP agreements were renewed in the first quarter of 2019–2020. Since the agreements were not in force, payments did not begin until the second quarter of 2019–2020.

In addition, a total of \$4.3M was disbursed under the *RRRF-CFP* (voted funding).

To offset this increase, a decrease in expenditures was noted in the *Quebec Economic Development Program* (-\$4.3M) and the *Regional Economic Growth through Innovation program* (-\$4.4M), since the *Regional Relief and Recovery Fund (RRRF)* for the COVID-19 pandemic and other initiatives supporting economic recovery were given priority.

### Expenditures under statutory budgetary authorities

Compared with the first quarter of 2019–2020, expenditures increased by \$53.4M in the first quarter of 2020–2021. The reasons for the increase are as follows:

- Transfer payments under the *RRRF-CFP* (statutory appropriations): +\$53M
- Transfer payments under the *RRRF-REGI* (statutory appropriations): +\$0.4M

(For further details on these expenditures, see the table entitled “Departmental budgetary expenditures by standard object” in Appendix 6.2.)



## SECTION 3

### RISKS AND UNCERTAINTIES

## Risks and uncertainties

CED ensures that it has an overall view of the changing factors that influence its environment and activities. It incorporates these factors into its decision-making processes so that it can adjust to new challenges and take advantage of new opportunities. The inclusion of risk management in corporate planning allows CED to implement appropriate risk management strategies in a timely manner to achieve its results.

During the period covered by this report, Quebec introduced extraordinary lockdown measures and faced a major economic slowdown caused by the COVID-19 pandemic.

Prior to March 2020, CED had been focusing on issues related to labour shortages, trade and productivity for business support. Now, the impact of COVID-19 is at the epicentre of the organization's risks and uncertainties, and the key issues are the financial health of Quebec companies, during and after the crisis, and the impact on the global economy.

In response to these concerns, CED has implemented various measures to support its clients, including:

- The introduction of a six-month moratorium on client repayments (principal and interest) to alleviate pressure on businesses. The impact of this decision is the deferral of an estimated \$39 million. CED will closely monitor this exceptional situation and will take the necessary measures to ensure sound financial management. The organization will work closely with central agencies and the other regional development agencies.
- CED has made its grant and contribution management processes more flexible and paperless. These changes have allowed CED to pursue its activities and continue to provide grants and contributions funding so that clients can go ahead with their investment projects.
- Implementation of the *Regional Relief and Recovery Fund (RRRF)*, the goal of which is to provide financial assistance and advice services for businesses and organizations that have been negatively impacted by the pandemic. The *RRRF* was launched on May 13, 2020, and the first projects were approved as early as May 29, 2020. The *RRRF* includes the following programs: the small and medium enterprises support fund; the Community Futures Network fund; the Canadian Seafood Stabilization Fund; and the Women Entrepreneurship Strategy ecosystem.

CED will continue to closely monitor changes in the regional economic context and the intervention strategies of the main players. The regional watch will be maintained, notably for the development of targeted or temporary initiatives in response to issues specific to the regions.

Over the next few years, Quebec employers will continue to face several challenges with respect to employee recruiting and retention (retirements, labour shortages, need for specialized IT skills, change and project management, etc.). However, the current global health crisis is forcing the human resource sector to quickly adjust, and is creating new challenges such as telework, new employee integration and training, workforce mobilization and mental health. These challenges will require the appropriate management of knowledge and knowledge transfer, as well as a strong capacity for adjustment and innovation. These factors will have a significant impact on individuals.

Internally, CED remains at risk of experiencing difficulties recruiting staff for routine functions and for certain specialized skill profiles. The current context is also creating a risk in terms of its ability to deliver its regular programs, given the prioritization of new programs introduced in response to COVID-19.

To mitigate this risk, innovative talent recruitment and retention strategies are being implemented. CED is being proactive and is currently identifying at-risk positions, particularly those related to our digital strategy. The use of employment equity groups and the development of employee versatility are being promoted. Finally, CED is supporting its employees and managers to facilitate the adoption and buy-in of the new tools and skills required in this exceptional context and for a return to a new normal.

Some technology solutions are reaching the end of their useful life, particularly those related to financial management. There is thus a risk related to the integrity of available data. To mitigate this risk, CED has undertaken a project to replace its financial system with the enterprise solution (GCfm) selected by the Office of the Comptroller General. In the meantime, the status of critical technological solutions is being constantly monitored. Controls and specific processes have been put in place and follow-up is being done to ensure that the integrity of financial information is maintained.

Finally, CED manages its resources according to a well-defined framework of responsibilities, policies and procedures, including an appropriate budgeting and reporting system and other controls, which allow the organization to manage its activities within the limits of available resources and parliamentary authorities. CED regularly monitors the progress and effectiveness of their implementation by means of various budget and activity review processes, and by analyzing expenditures and budget forecasts by organizational unit on a monthly basis. Financial risks are largely mitigated by strong internal controls over financial reporting. CED conducts periodic assessments, such as entity controls, general IT controls, and business process controls.



## SECTION 4

SIGNIFICANT CHANGES IN  
OPERATIONS, STAFF AND  
PROGRAMS



## Significant changes in operations, staff and programs

Because of the exceptional situation created by the COVID-19 pandemic, in the first quarter of 2020–2021, only 9/12 of the appropriations in the 2020–2021 Main Estimates were received. Full supply is expected in December 2020.

The Government of Canada established the *Regional Relief and Recovery Fund (RRRF)*, a one year, one-time, targeted initiative with a total envelope of \$223.6 million for CED, in response to the COVID-19 pandemic.

This initiative is broken down as follows:

- Funding to support small and medium-sized enterprises: \$140.1 million
- Funding for the Community Futures Network: \$71.3 million
- Women Entrepreneurship Strategy Ecosystem Fund: \$3.1 million (funds and authorization to be received in the fall of 2020)
- Canadian Seafood Stabilization Fund: \$9.1 millions

Also in connection with the pandemic, the scheduled repayments from our clients' repayable contributions were deferred for a period of six months. Collection of repayments is expected to resume on October 1, 2020.

Jean-Philippe Brassard has been Acting Vice-President of Operations since May 18, 2020. A process is under way and is expected to conclude in the next quarter.



# SECTION 5

APPROVAL OF SENIOR OFFICERS

## Approval of senior officers

The purpose of this section is to provide senior management approval, as required by the Financial Management Policy, as follows:

Approved by:

Original signed by

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**Manon Brassard**

Deputy Minister/ President

Montreal, Canada

August 11, 2020

Original signed by

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**Thierry Cadieux**

Acting Chief Financial Officer

Montreal, Canada

August 11, 2020



# SECTION 6

## APPENDICES

## 6.1 Statement of Authorities (unaudited)

### Fiscal year 2020–2021 (\$000's)

	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Vote 1 – Net Operating expenditures	31,326	8,464	8,464
Vote 5 – Grants and Contributions	333,011	20,250	20,250
Total statutory budgetary authorities	83,122	54,584	54,584
<b>Total authorities</b>	<b>447,459</b>	<b>83,298</b>	<b>83,298</b>

### Fiscal year 2019–2020 (\$000's)

	Total available for use for the year ended March 31, 2020*	Used during the quarter ended June 30, 2019	Year-to-date used at quarter-end
Vote 1 – Net Operating expenditures	39,452	8,413	8,413
Vote 5 – Grants and Contributions	274,903	16,417	16,417
Total statutory budgetary authorities	4,877	1,213	1,213
<b>Total authorities</b>	<b>319,232</b>	<b>26,043</b>	<b>26,043</b>

More information is available in the attached table.

\* Includes only authorities available for use and granted by Parliament at quarter-end.

## 6.2 Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2020–2021 (\$000's)

	Planned expenditures for the year ending March 31, 2021	Expenditures during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Expenditures:			
Staff*	30,718	8,839	8,839
Transport and communications	509	10	10
Information	151	7	7
Professional and special services	4,107	342	342
Leasing	314	309	309
Repair and maintenance services	14	1	1
Public utilities, materials and supplies	133	3	3
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	498	81	81
Transfer payments**	411,011	73,619	73,619
Other grants and payments	4	87	87
<b>Total net budgetary expenditures</b>	<b>447,459</b>	<b>83,298</b>	<b>83,298</b>

\* Includes employee benefit plans (EBPs).

\*\* Includes statutory and voted funding

Fiscal year 2019–2020 (\$000's)

	Planned expenditures for the year ended March 31, 2020	Expenditures during the quarter ended June 30, 2019	Year-to-date used at quarter-end
Expenditures:			
Staff*	36,682	8,559	8,559
Transport and communications	910	232	232
Information	308	37	37
Professional and special services	4,768	286	286
Leasing	571	298	298
Repair and maintenance services	22	7	7
Public utilities, materials and supplies	237	16	16
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	827	20	20
Transfer payments	274,903	16,418	16,418
Other grants and payments	4	170	170
<b>Total net budgetary expenditures</b>	<b>319,232</b>	<b>26,043</b>	<b>26,043</b>

\* Includes employee benefit plans (EBPs).