



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 SEPTEMBRE 30, 2020**

**Published by**

Canada Economic Development Agency for Quebec Regions  
Montreal, Quebec H3B 1X9

[www.dec-ced.gc.ca](http://www.dec-ced.gc.ca)

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Languages and the Minister responsible for CED, 2020

**Catalogue:**

**ISBN or ISSN:**

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# SECTION 1

## INTRODUCTION

## Introduction

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required by section 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 document has not been subject to an external audit or review.

### 1.1 Authorities, mandate and programs

The mission of Canada Economic Development for Quebec Regions (CED) is to promote the long-term economic development of Quebec regions, with particular emphasis on those areas with weak 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 co-operation and a complementary relationship with Quebec and its communities.

CED is a key federal player in Quebec in terms of promoting the economic development of the regions and small and medium-sized enterprises (SMEs). To fulfil its core responsibility, which is to develop Quebec's economy, CED supports the start-up and performance of businesses. It helps them to become more innovative, productive and competitive. It supports efforts to engage the various Quebec regions and attract investments that will help boost the economic well-being of Quebec and Canada.

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

The following three CED programs support its core responsibility:

- Regional innovation;
- Community vitality;
- Targeted or temporary support.

Additional information on CED's authorities, mandate and programs is available in the [2020-2021 Main Estimates](#) and the [2020-2021 Departmental Plan](#).

## 1.2 Basis of presentation

This quarterly report has been 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 has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

Parliamentary pre-authorization is required before funds can be spent by the government. Authorities available for use are given through appropriation acts in the form of annually approved limits, or through legislation in the form of statutory spending authorities for specific purposes.

When Parliament is dissolved for the purposes of holding 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 that form part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

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

There are two annual appropriations for CED's expenditures management:

- Vote 1 – Net operating expenditures, which include CED authorities related to personnel costs, and operating and maintenance expenses;
- Vote 5 – Grants and contributions, which include 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 do not form part of the annual appropriations bills, include items such as the employer's portion of the employee benefit plan, as well as 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 September 30, 2020, including the authorities available for the year and expenditures incurred during the second quarter, as compared with the previous fiscal year.

The explanation of variances is based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

The details of this financial information are provided in sections 2.1 and 2.2, and in the tables in the Appendix.

**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, thereby allowing the House to continue considering the 2020–2021 Main Estimates until December 2020. Full appropriations are therefore expected in December 2020.

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

### 2.1 Analysis of authorities

At the end of the second quarter, i.e. as at September 30, 2020, CED's annual authorities totalled \$454.1 million. They stood at \$321.0 million as at September 30, 2019.

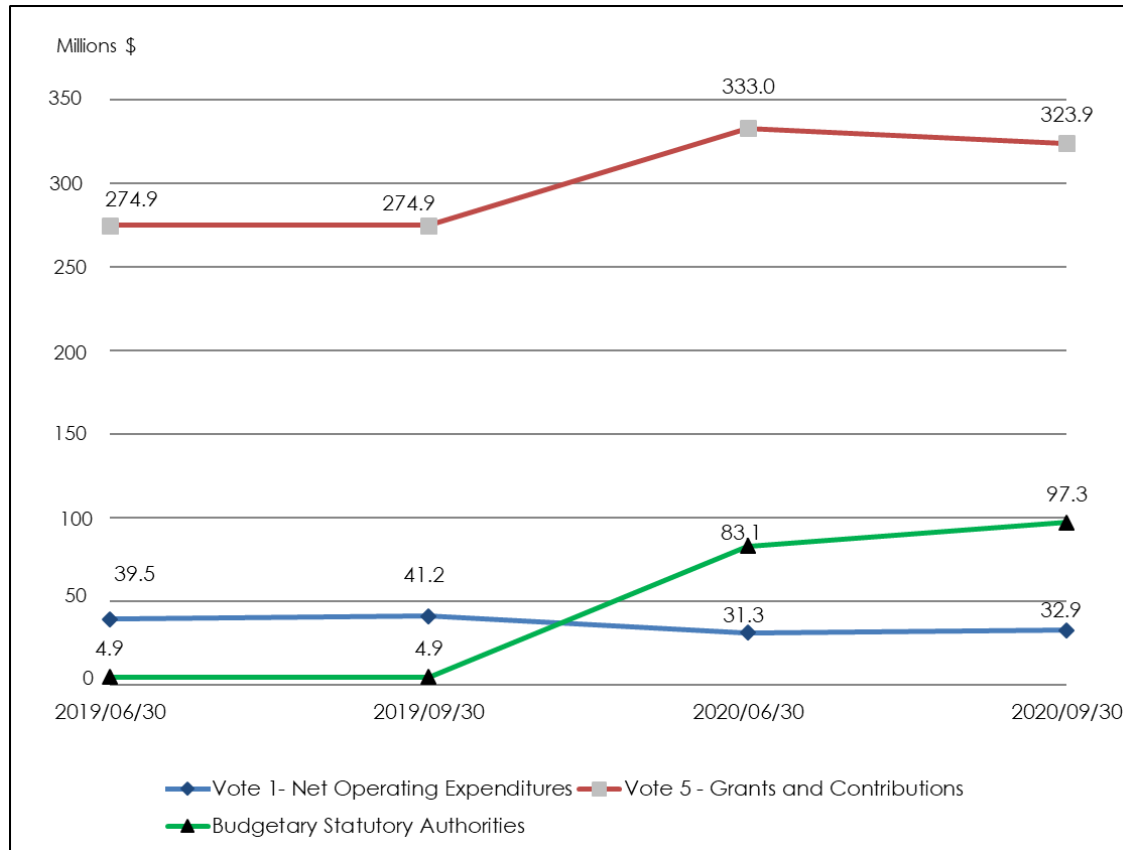
The variance of \$133.1 million (41.5%) is due to the following changes:

- Vote 1 – Net operating expenditures of -\$8.3 million;
- Vote 5 – Grants and contributions of +\$49.0 million;
- Budgetary statutory authorities of +\$92.4 million.

The following chart shows the annual budgetary authorities by vote as at June 30, 2020 and September 30, 2020, compared with the previous fiscal year.



**Annual authorities by budgetary appropriation as at June 30 and September 30, fiscal year 2020-2021, compared with 2019-2020**



**Vote 1 authorities (Net operating expenditures)**

Authorities as at September 30, 2020 are \$32.9 million compared with \$41.2 million at the same date the previous year. Authorities have thus fallen by \$8.3 million this year. As previously noted, only 75% of the appropriations in the 2020-2021 Main Estimates had been allocated as at September 30, 2020. The remaining appropriations are expected to be received by December 2020.

**Vote 5 authorities (Grants and contributions)**

Although CED had received only 75% of the authorities in the 2020-2021 Main Estimates (\$191.7 million instead of \$255.6 million), there is still an increase of \$49.0 million as at September 30, 2020, compared with September 30, 2019.

Authorities totalled \$323.9 million this year, compared with \$274.9 million at September 30 last year. The reasons for the \$49.0 million (17.8%) increase are as follows:

- Receipt of \$132.1 million of voted authorities related to the COVID-19 pandemic as at September 30, 2020, broken down as follows:
  - o *RRRF – Community Futures Program (CFP)*: \$18.3 million;
  - o *RRRF – Regional Economic Growth through Innovation (REGI)*: \$113.8 million.
- Decrease of \$83.1 million in voted authorities as at September 30, 2020, comprising the following items:
  - o Interim supply not received (\$63.9 million);
  - o End of funding for the *Steel and Aluminum Initiative* (\$26.2 million);
  - o End of funding for the *Chrysotile Initiative* (\$4.6 million);
  - o Increase in repayments on repayable contributions (\$4.7 million);
  - o Increase in funding for the *Federal Strategy on Jobs and Tourism* (\$4.4 million);
  - o Increase in *Artificial Intelligence* funding (\$2.8 million);
  - o Other intergovernmental transfers and adjustments (\$0.3 million).

### **Budgetary statutory authorities**

Budgetary statutory authorities were \$4.9 million in the second quarter of 2019–2020, compared with \$97.3 million for the second quarter of 2020–2021. This represents an increase of \$92.4 million for fiscal year 2020–2021. The variance stems from the receipt of funds in the form of statutory appropriations for transfer payments under the *Public Health Events of National Concern Payment Act*, in response to the COVID-19 pandemic. The breakdown is as follows:

- *RRRF- CFP*: \$53 million in transfer payments;
- *RRRF- REGI*: \$25 million in transfer payments and \$0.2 million granted for the employee benefit plan;
- *RRRF- CFP, enhancement*: \$12 million in transfer payments;
- *Canada Seafood Stabilization Fund*: \$2.2 million in transfer payments.

Excluding the new initiatives noted above, authorities for the employee benefit plan remained relatively stable at \$4.9 million.

## 2.2 Analysis of expenditures

CED expenditures in the second quarter of 2020–2021 totalled \$90.5 million, compared with \$63.8 million for the same period last year. This represents a net increase of \$26.7 million (41.8%) compared with the previous fiscal year.

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures of +\$0.8 million;
- Vote 5 – Grants and contributions of +\$0.8 million;
- Budgetary statutory authorities of +\$25.0 million.

On a cumulative basis, total expenditures as at September 30, 2020, were \$173.8 million, compared with \$89.8 million for the same period a year earlier. This represents a net increase of \$83.9 million (93.4%) this year.

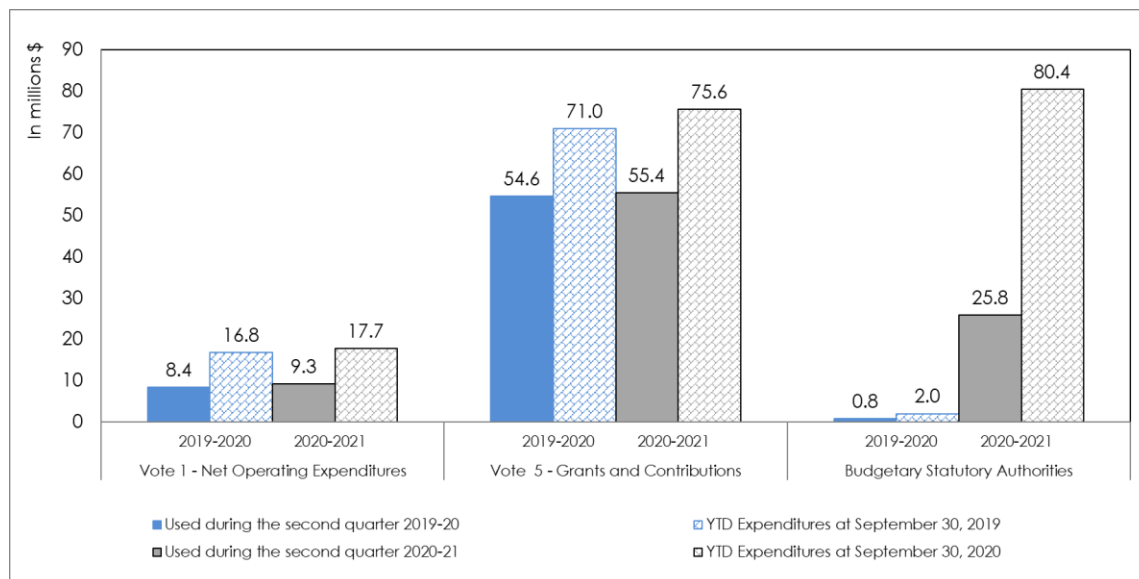
This variance can be broken down as follows:

- Vote 1 – Net operating expenditures of +\$0.9 million;
- Vote 5 – Grants and contributions of +\$4.6 million;
- Budgetary statutory authorities of +\$78.4 million.

\* Totals may not match due to rounding

The following chart shows the expenses incurred during the second quarter of 2020-2021 by appropriation, as well as on a cumulative basis since the start of the year, with comparisons against the previous fiscal year.

### Second quarter and cumulative expenditures to September 30, by budgetary appropriation, fiscal year 2020-2021 compared with 2019-2020



### **Vote 1 expenditures (Net operating expenditures)**

Net operating expenditures for the second quarter of 2020-2021 and the second quarter of 2019-2020 were \$9.3 million and \$8.4 million, respectively.

The variance of \$0.9 million (10.7%) is mainly due to a \$1.1 million increase in salary expenses this quarter. This increase mainly stems from employee salaries that were revised following renewal of the collective agreements last year, as well as new hires made under the *RRRF*.

Cumulatively as at September 30, 2020, expenditures reached \$17.7 million, compared with \$16.8 million at the same date last year. This represents a \$0.9 million (5.3%) increase in expenditures.

(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 second quarter of 2020-2021, CED spent \$55.4 million on grants and contributions (voted authorities). This represents an increase of \$0.8 million (1.5%) compared with the second quarter of 2019-2020, when expenditures reached \$54.6 million. Although this variance is considered immaterial, it is nevertheless made up of many elements, the main ones being the following.

We note a significant decrease in regular programming expenditures this quarter, in the amount of \$18.3 million. This decrease is made up of a \$13.4 million decrease in the *Regional Economic Growth through Innovation (REGI)* program and a \$4.9 million decrease in the *Quebec Economic Development Program (QEDP)*. There was also a \$6.0 million decrease in the *Community Futures Program (CFP)* this quarter. In fact, since the *CFP* agreements were renewed during the first quarter of 2019-2020, payments only began in the second quarter of 2019-2020. Exceptionally, these payments included expenditures for the first half of 2019-2020, which explains the variance between the two quarters. Also, during the second quarter 2019-2020, \$4.0 million was spent on the *Steel and Aluminum* initiative; this initiative ended on March 31, 2020.

These decreases are offset by increases of \$30.0 million in the *RRRF* program: \$16.5 million for *RRRF-REGI* and \$13.6 million for *RRRF-CFP*. Indeed, priority is given to files related to the *Regional Relief and Recovery Fund (RRRF)*, in response to the COVID-19 pandemic, and other initiatives that support economic recovery.

Cumulatively, as at September 30, 2020, CED had spent \$75.6 million on grants and contributions (voted authorities), compared with \$71.0 million for the same period last year. This represents a net increase of

\$4.6 million (6.5%) in 2020-2021. As previously stated, there was a significant decrease in expenditures on the regular programs (\$27.3 million) and the *Steel and Aluminum* initiative (\$4.0 million), which ended on March 31, 2020. However, this decrease is offset by increased expenditures this year on *RRRF* programs (\$34.4 million). The difference of \$3.1 million is made up of various minor variances in the other one-off initiatives and the *CFP*.

### **Expenditures under budgetary statutory authorities**

Expenditures for the second quarter of 2020-2021 totalled \$25.8 million, compared with \$0.8 million for the same period last year. This represents an increase of \$25.0 million. This increase is mainly due to transfer payments made under the *Public Health Events of National Concern Payment Act*. The details of this variance are as follows:

- Transfer payments under the *RRRF-REGI* (statutory appropriations): +\$24.6 million;
- Employee benefit plan: +\$0.4 million.

On a cumulative basis as at September 30, 2020, expenditures came to \$80.4 million, compared with \$2.0 million for the same period last year. This represents an increase in expenditures of \$78.4 million. This variance can be broken down as follows:

- Transfer payments under the *RRRF-CFP*, statutory appropriations: +\$53.0 million;
- Transfer payments under the *RRRF-REGI*, statutory appropriations: +\$25.0 million;
- Employee benefit plan: +\$0.4 million.

(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

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 adapt to new challenges and take advantage of new opportunities. As a result, the inclusion of risk management in departmental 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 due to the COVID-19 pandemic.

The consequences of COVID-19 remain at the epicentre of the organization's risks and uncertainties, particularly with respect to the duration and impact of the second wave. The financial solidity of Quebec companies, during and after the crisis, as well as the repercussions on the global economy, also remain at the heart of the issues. All these factors fuel the risk that companies, now more indebted and having exhausted their contingency funds, will be unable to invest themselves in order to continue their efforts on modernization and productivity gains, which are necessary for their survival and growth. Concerns about labour scarcity are resurfacing in some industrial sectors now in recovery mode.

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

- The introduction of an initial six-month moratorium on client repayments, which is continuing, to alleviate pressure on businesses. This moratorium extension has been granted until January 1, 2021. CED will closely monitor this exceptional situation and will take the necessary measures to ensure sound management of its finances. The organization will work closely with central agencies and other regional development agencies.
- CED has made its grants and contributions management processes more flexible and “paperless”. These changes have allowed CED to pursue its activities and continue to provide its grants and contributions so that clients can go ahead with their investment projects.
- CED has implemented various initiatives to counter the economic impacts of the pandemic in Quebec. It has implemented the *Regional Relief and Recovery Fund (RRRF)*, the goal of which is to provide financial support for liquidity and consulting services to businesses and organizations that have been negatively impacted by the pandemic. CED has also continued to implement the *Canada Seafood Stabilization Fund* and the enhancement associated with the *Women Entrepreneurship Strategy*. 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 a few challenges with respect to staff recruitment 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 resources sector to adapt quickly and is creating new challenges such as teleworking, integration and training of new staff, workforce mobilization and mental health. These challenges will require the appropriate knowledge management and knowledge transfer, as well as a substantial capacity for adjustment and innovation. These factors will have a significant impact on individuals.

Internally, CED remains at risk of having difficulties recruiting staff for routine functions and for certain specialized skill profiles. The current context also creates a risk for our ability to develop new initiatives, redirect our interventions and deliver regular programs in short time frames given the prioritization of new programs put in place 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, continuous monitoring of the status of critical technology solutions is ensured and vendor support is always in place and in effect until the transfer to the new financial solution. Controls, specific processes and monitoring have been put in place 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, comprising an appropriate budgeting and reporting system and other controls, which allow the organization to manage its activities within the limits of the 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 operational process controls.





## SECTION 4

SIGNIFICANT CHANGES IN RELATION TO  
OPERATIONS, PERSONNEL AND PROGRAMS

Because of the exceptional situation created by the COVID-19 pandemic, as at September 30, 2020, only 9/12 of the appropriations in the 2020–2021 Main Estimates had been received. Full supply is expected in December 2020.

The Government of Canada has established the *Regional Relief and Recovery Fund (RRRF)*, a one-year, one-off, targeted initiative with a total budget of \$281.2 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;
- Community Futures Network Fund: \$71.3 million;
- Enhancement - Funding to support small and medium-sized enterprises: \$46.5 million;
- Enhancement - Community Futures Network Fund: \$23.3 million.

Also, two initiatives have been put in place to support targeted client groups following the pandemic:

- *Women Entrepreneurship Strategy Ecosystem Fund*: \$3.1 million;
- *Canada Seafood Stabilization Fund*: \$9.1 million.

Also in connection with the pandemic, the scheduled repayments from our clients' repayable contributions were to have started on October 1, 2020. However, an extension of the moratorium was granted until January 1, 2021. This decision was made after September 30, 2020.

Finally, Marie-Claude Petit is holding the position of Vice-President of Operations since September 1, 2020.



# SECTION 5

APPROVAL BY SENIOR OFFICIALS

## Approval by senior officials

In this section, as required by the Policy on Financial Management, CED senior officials provide their approval as follows:

Approved by:

Original signed by

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**Manon Brassard**

Deputy Minister / President

Montreal, Canada

November 19, 2020

Original signed by

---

**Guy Lepage**

Chief Financial Officer

Montreal, Canada

November 19, 2020



# SECTION 6

APPENDICES

## 6.1 Statement of authorities (unaudited)

### Fiscal year 2020–2021 (in thousands of dollars)

	Total available for use for the year ending March 31, 2021*	Used during the quarter ended September 30, 2020	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	32,915	9,273	17,737
Vote 5 - Grants and contributions	323,869	55,365	75,616
Total budgetary statutory authorities	97,272	25,845	80,429
<b>Total authorities</b>	<b>454,056</b>	<b>90,483</b>	<b>173,782</b>

### Fiscal year 2019–2020 (in thousands of dollars)

	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	41,202	8,442	16,855
Vote 5 - Grants and contributions	274,903	54,551	70,969
Total budgetary statutory authorities	4,877	809	2,021
<b>Total authorities</b>	<b>320,982</b>	<b>63,802</b>	<b>89,845</b>

Includes only authorities available for use for the fiscal year and granted by Parliament at quarter-end.

*Due to rounding, figures may not add up to the totals shown.*

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

Fiscal year 2020–2021 (in thousands of dollars)

	Planned expenditures for the year ended March 31, 2021	Expenditures during the quarter ended September 30, 2020	Year-to-date used at quarter-end
Expenditures:			
Personnel*	32,120	9,279	18,119
Transport and communications	525	16	27
Information	156	29	36
Professional and special services	4,242	1,067	1,410
Leasing	324	103	413
Repairs and maintenance	14	3	4
Utilities, materials and supplies	137	12	14
Acquisition of land and buildings, and works	0	0	0
Acquisition of machinery and equipment	515	1	81
Transfer payments**	416,019	79,996	153,616
Other grants and payments	4	(23)***	62
<b>Total net budgetary expenditures</b>	<b>454,056</b>	<b>90,483</b>	<b>173,782</b>

\* Includes employee benefit plans (EBPs)

\*\* Includes statutory and voted authorities

\*\*\* Will be regularized by March 31, 2021

Fiscal year 2019–2020 (in thousands of dollars)

	Planned expenditures for the year ended March 31, 2020*	Expenditures during the quarter ended September 30, 2019	Year-to-date used at quarter-end
Expenditures:			
Personnel*	37,577	7,795	16,354
Transport and communications	910	176	408
Information	308	26	63
Professional and special services	5,623	937	1,223
Leasing	571	104	402
Repairs and maintenance	22	9	16
Utilities, materials and supplies	237	16	32
Acquisition of land and buildings, and works	0	0	0
Acquisition of machinery and equipment	827	157	177
Transfer payments	274,903	54,551	70,969
Other grants and payments	4	31	201
<b>Total net budgetary expenditures</b>	<b>320,982</b>	<b>63,802</b>	<b>89,845</b>

\* Includes employee benefit plans (EBPs)