



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 ON JUNE 30, 2021**

Published by

Canada Economic Development for Quebec Regions

Montreal, Quebec H3B 1X9

www.dec-ced.gc.ca

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by the Minister of Economic Development and Official
Languages and the Minister responsible for CED, 2020

Catalogue: Iug0-1/19E-PDF

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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 section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board.

This report must be read in conjunction with the [2021-2022 Main Estimates – Canada.ca](#) and the [2021-2022 Departmental Plan – Regarding this publication – Canada Economic Development for Quebec Regions](#).

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

1.1 Authority, mandate and programs

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

CED is a key federal player in Quebec for the promotion of economic development in the regions and among small and medium-sized enterprises (SMEs). To achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business start-ups and performance. It helps them become more innovative, productive and competitive. It supports community engagement efforts in the various regions of Quebec and helps attract investment aimed at boosting economic prosperity in Quebec and Canada.

CED contributes to the economic vitality of all of Quebec's 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 to support its core responsibility, namely:

- Regional innovation
- Community vitality
- Targeted or temporary support

Additional information on CED's authorities, mandate and programs is available in the [2021-2022 Main Estimates – Canada.ca](#) and the [2021-2022 Departmental Plan – With regard to this publication – Canada Economic Development for Quebec Regions](#).

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 used by CED, consistent with the 2021-2022 Main Estimates. This quarterly financial report was prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

Prior authority from Parliament is required before funds can be spent by the Government. Authorities available are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory 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 that are part of the departmental results-reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

1.2 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 includes CED authorities related to staff costs, and operating and maintenance expenditures.
- Vote 2 – 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 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*.

Note: Exceptionally in 2020-2021, CED used 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 (YTD) RESULTS

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

This section presents a variety of financial information as at June 30, 2021, such as the authorities available for the year and expenditures incurred during the first quarter, as compared with the previous fiscal year.

The explanation of variances considers 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: Due to the exceptional situation created by the COVID-19 pandemic in 2020-2021, the House of Commons continued to review the 2020-2021 Main Estimates until December 2020. Full appropriations were only received in December 2020.

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

2.1 Authorities analysis

At the end of the first quarter, i.e., as at June 30, 2021, CED's annual authorities totalled \$438.2M. On June 30, 2020, they stood at \$447.5M.

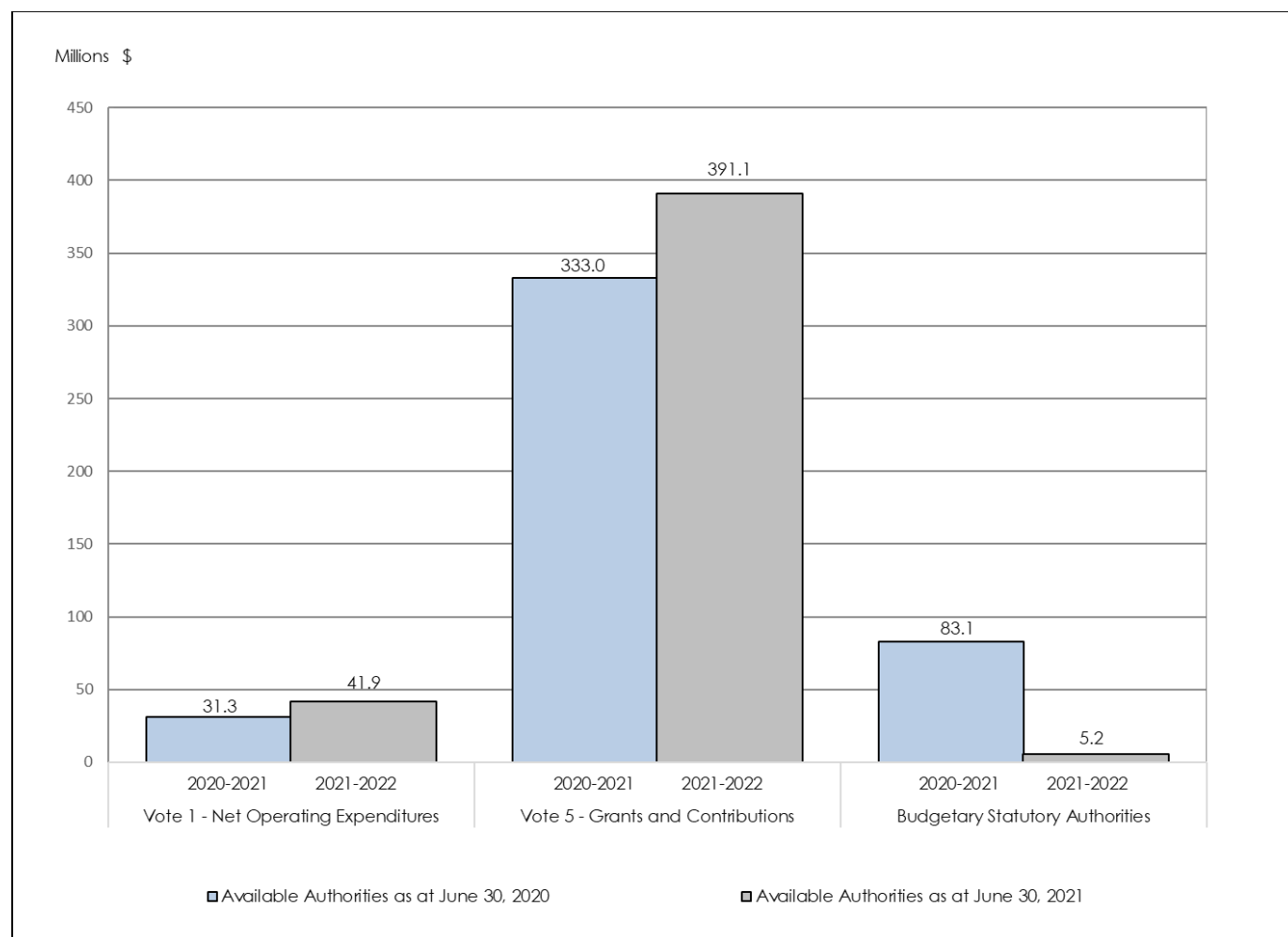
The noted \$9.2 M (2.1%) downward variance can be explained by the following variations:

- Vote 1 – Net Operating Expenditures of +\$10.6M;
- Vote 5 – Grants and Contributions of +\$58.1M;
- Budgetary Statutory Authorities of -\$77.9M*.

The following graph shows the annual budgetary authorities by vote as at June 30, 2021, compared with the previous fiscal year.

**In the report, the totals may not add up due to rounding.*

Annual budgetary appropriation authorities as at June 30, fiscal year 2021-2022, compared to 2020-2021



Vote 1 authorities (Net Operating Expenditures)

At June 30, 2021, the authorities totalled \$41.9 M, while they were \$31.3M at June 30, 2020. This is therefore an increase of \$10.6M (33.9%).

As previously noted, in 2020-2021, only 75% of the appropriations in the 2020-2021 Main Estimates had been allocated at June 30, 2020. The remaining appropriations were received in December 2020, which substantially explains this variance.

Vote 5 authorities (Grants and Contributions)

At June 30, 2021, the appropriations totalled \$391.1M, while they were \$333.0M at June 30, 2020. This is therefore an increase of \$58.1M (17.4%).

The details of this variance are as follows:

\$163.3M increase in funding in 2021-2022, compared to 2020-2021, comprising the following elements:

- Interim supply not received by the first quarter of 2020-2021: \$63.9M
- Increased funding for the *Regional Air Transportation Initiative*: \$43.1M
- Reprofile of unused funds in G&C from 2020-2021 to 2021-2022, into the *RRRF – Regional Economic Growth Through Innovation (RRRF-REGI)*: \$23.0M
- Increased funding for the *Initiative for the development of regional economic infrastructure in Quebec*: \$17.4M
- Increase in repayments on repayable contributions: \$9.1M
- Increased funding for the *Black Entrepreneurship Program*: \$3.8M
- Reprofile of unused funds in G&C from 2020-2021 to 2021-2022, into the *RRRF – Community Futures Program (RRRF-CFP)*: \$3M

\$105.2M decrease in funding in 2021-2022 compared to 2020-2021, comprising the following elements:

- Decrease in funding for the *RRRF – REGI*: (\$75.1M)
- Decrease in funding for the *RRRF – CFP*: (\$12.3M)
- Decrease in funding for the *Canadian Seafood Stabilization Fund*: (\$9.1M)
- Decrease in funding for the *Federal Strategy on Employment and Tourism*: (\$7.5M)
- Other intergovernmental transfers and adjustments: (\$1.2M).

Budgetary statutory authorities

At June 30, 2021, the authorities totalled \$5.2M while they were \$83.1M at June 30, 2020. This is therefore a decrease of \$77.9M.

This variance can be mainly explained by the following elements:

- Decrease in funding in 2021-2022 compared to 2020-2021 for the *RRRF – CFP*: \$53M in transfer

- payments in the form of statutory appropriations;
- Decrease in funding in 2021-2022 compared to 2020-2021 for the *RRRF-REGI*: \$25M in transfer payments in the form of statutory appropriations and \$0.2M granted for the employee benefit plan.

2.2 Expenditure analysis

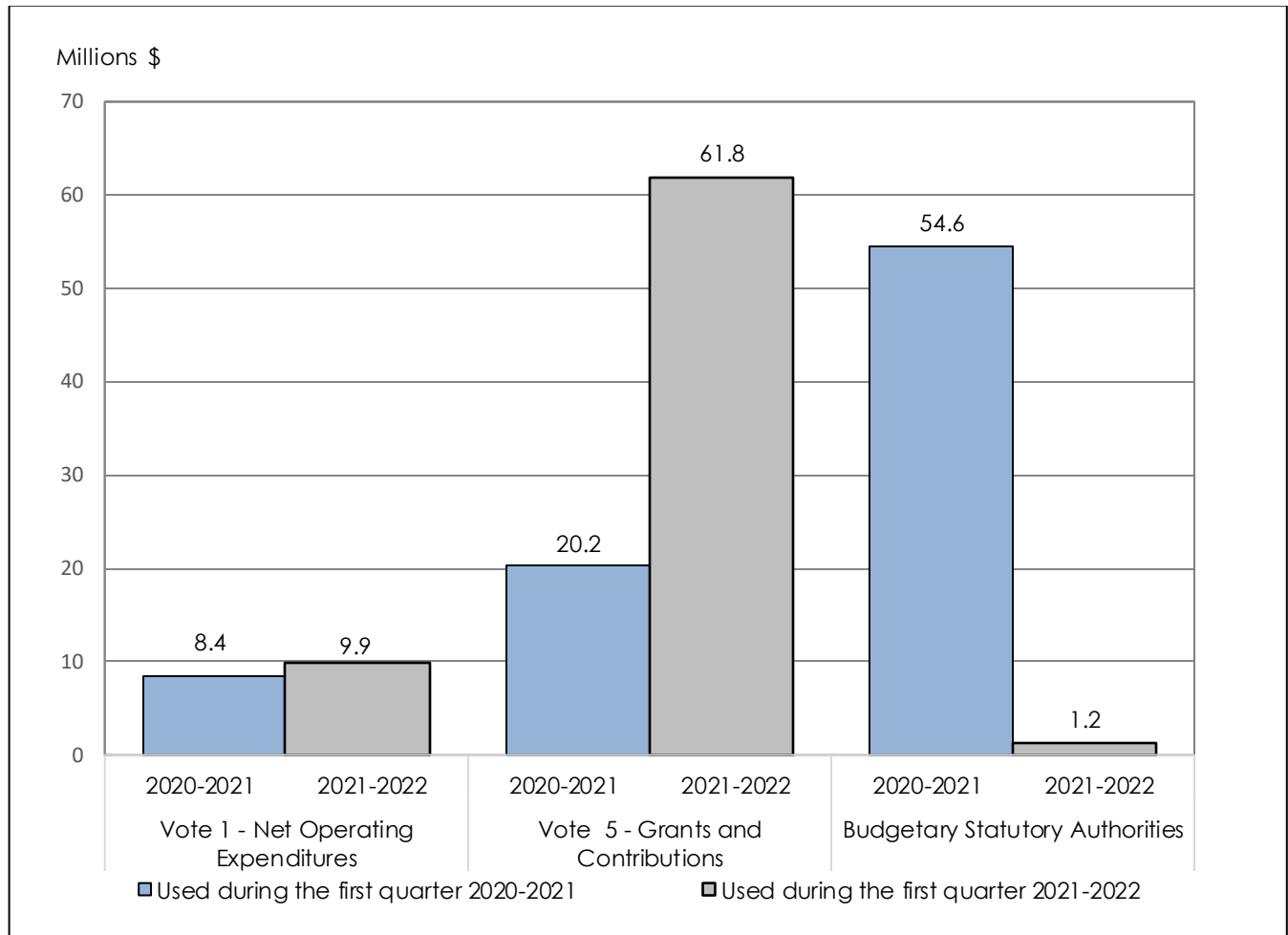
CED's total expenditures recorded during the first quarter of 2021-2022 totalled \$73.0M, while they totalled \$83.3M at the same period last year. This represents a net decrease of \$10.3M (12.4%) compared to the previous fiscal year.

This difference can be explained by the following variances:

- Vote 1 – Net operating expenditures of +\$1.5M;
- Vote 5 – Grants and Contributions of +\$41.6M;
- Budgetary statutory authorities of -\$53.3M.

The following graph illustrates expenditures made in the first quarter of 2021-2022 by budgetary appropriation, in comparison with the previous fiscal year.

First Quarter Expenditures by Budgetary Appropriation, 2021-2022 Fiscal Year Compared to 2020-2021



Vote 1 expenditures (Net operating expenditures)

The net operating expenditures of the first quarter of 2021-2022 and of the first quarter of 2020-2021 totalled \$9.9M and \$8.5M, respectively.

The \$1.4M (16.5%) increase is largely due to an increase in salary expenditures. In order to deliver the new temporary initiatives and the initiatives in response to COVID-19, it was necessary to hire additional staff.

(For more detailed information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table presented in Appendix 6.2.)

Vote 5 expenditures (Grants and Contributions)

The Grants and Contributions expenditures at June 30, 2021 (voted and statutory appropriations) totalled \$61.8M, while they totalled \$20.3M at June 30, 2020. This is therefore an increase of \$41.5M.

In 2021-2022, an increase in regular programming expenditures was noted; \$2.8M more in the *Quebec Economic Development Program (QEDP)* and \$3.2M more in the *Regional Economic Growth through Innovation Program (REGI)*. Also, there was a \$38.7M increase in the *RRRF-REGI*, which is a temporary initiative in response to the COVID-19 pandemic.

The \$3.2M difference consists in minor variances in the other targeted or temporary initiatives.

Expenditures under budgetary statutory authorities

Compared to the first quarter of 2020-2021, a \$53.3M decrease in expenditures was noted for the first quarter of 2021-2022. This variance can be explained as follows:

- Decrease in transfer payments under the *RRRF-CFP* (statutory appropriations): -\$53.0M;
- Decrease in transfer payments under the *RRRF-REGI* (statutory appropriations): -\$0.4M.

(For additional information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table presented in Appendix 6.2.)



SECTION 3

RISKS AND UNCERTAINTIES

The consequences of COVID-19 remain at the epicentre of the organization's risks and uncertainties. The financial solidity of Quebec companies, during and after the crisis, and 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. However, 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. CED will continue to closely monitor changes in the regional economic context and the intervention strategies of the main players.

Programs to provide emergency financial assistance to SMEs and economically oriented organizations across all economic sectors have been put in place so that they can remain operational. This particular type of assistance in new industries for the organization and a new clientele during the pandemic increases the risk of non-repayment of contributions and possibly the workload to recover amounts due in future years.

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 proactive and is inventorying different options enabling us to quickly fill key positions. The use of employment equity groups and the development of employee versatility are being promoted. Lastly, 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 technological solutions are reaching the end of their useful life, particularly those related to financial management. Thus, there is 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 (SAP) selected by the Office of the Comptroller General. In the meantime, the status of critical technological solutions is being monitored on an ongoing basis. Controls, specific processes and monitoring have been put in place to ensure that the integrity of financial information is maintained.

Lastly, 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 the available resources and parliamentary authorities.

It regularly monitors the progress and effectiveness of their implementation through several budgetary review processes and activities, together with expenditure analysis and budgetary estimates by organizational unit on a monthly basis. The financial risks are mitigated in large part by the implementation of strong internal control 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

Significant changes in operations, staff and programs

In 2020-2021, the Government of Canada established the *Regional Relief and Recovery Fund (RRRF)*, a targeted and temporary initiative, initially lasting one year and with a total envelope of \$223.6 million dollars for CED, in response to the COVID-19 pandemic.

In 2021-2022, the *RRRF* continues with the addition of the following funding:

- Funding to support small- and medium-sized enterprises: \$39.8 million;
- Funding for the Community Futures Network: \$6.0 million.

Also, since the funds allocated in 2020-2021 were not all spent in Grants and Contributions, the following amounts were carried over to 2021-2022, thereby adding to the new funding received:

- Funding to support small- and medium-sized enterprises: \$23.0 million;
- Funding for the Community Futures Network: \$3.0 million.

Also in 2021-2022, CED will continue with the implementation of other targeted and temporary initiatives, in response to COVID-19, such as the *Regional Air Transportation Initiative*, the *Black Entrepreneurship Program*, as well the *Canada Seafood Stabilization Fund*.



SECTION 5

APPROVAL BY SENIOR OFFICIALS

Approval by Senior Officials

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

Approved by:

Original signed by:

Manon Brassard

Deputy Minister / President

Original signed by:

Maxime Garon

Acting Chief Financial Officer

Montreal, Canada

August 11, 2021

Montreal, Canada

August 11, 2021



SECTION 6

APPENDICES

6.1 Statement of Authorities (unaudited)

Fiscal Year 2021-2022 (in thousands of dollars)

	Total available for use for the fiscal year ending March 31, 2022 *	Used during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	41,926	9,938	9,938
Vote 5 – Grants and Contributions	391,102	61,821	61,821
Total budgetary statutory authorities	5,218	1,250	1,250
Total Authorities	438,246	73,009	73,009

Fiscal Year 2020-2021 (in thousands of dollars)

	Total available for use for the fiscal 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	8,64	8,464
Vote 5 – Grants and Contributions	333,011	20,250	20,250
Total budgetary statutory authorities	83,122	54,584	54,584
Total authorities	447,459	83,298	83,298

Additional information is provided 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 2021-2022 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended June, 2021	Year-to-end used at quarter-end
Expenditures:			
Staff*	39,814	9,820	9,820
Transportation and communication	844	11	11
Information	270	6	6
Professional and special services	4,554	979	979
Leasing	582	281	281
Repair and maintenance services	32	0	0
Public utilities, materials and supplies	204	3	3
Acquisition of land, buildings and works	0	0	0
Acquisition of machinery and equipment	844	42	42
Transfer payments	391,102	61,821	61,821
Other subsidies and payments	0	46	46
Total net budgetary expenditures	438,246	73,009	73,009

* Includes employee benefit plans (EBPs)

Fiscal year 2020-2021 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended June 30, 2020	Year-to-end used at quarter-end
Expenditures:			
Staff*	30,718	8,839	8,839
Transportation and communication	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
Utilities, materials and supplies	133	3	3
Acquisition of machinery and equipment	498	81	81
Transfer payments	411,011	73,619	73,619
Other subsidies and payments	4	87	87
Total net budgetary expenditures	447,459	83,298	83,298

* Includes employee benefits plan (EBPs)