



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 DECEMBER 31, 2020**

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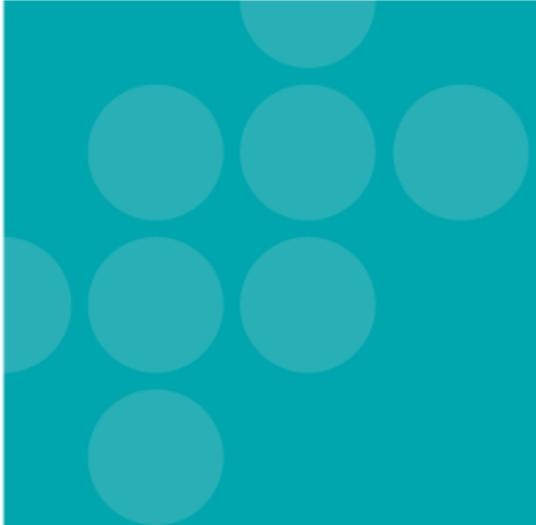
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# SECTION 1

## INTRODUCTION

## Introduction

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required under 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 report has not been subject to 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 the regions of Quebec by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate. 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 promoting economic development of the regions and of small and medium-sized businesses (SMEs). To achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business startups and performance. It helps businesses be more innovative and enhance their productivity and competitiveness. 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 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.

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 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.

Prior authority from Parliament 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 make up 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)

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

- Vote 1 – Net operating expenditures, which includes CED authorities related to personnel costs, and operating and maintenance expenses;
- 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 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 December 31, 2020, including the authorities available for the year and expenditures incurred during the third quarter, as compared with the previous fiscal year.

The explanation of variances in the amounts 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.

**NB:** 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 supply was therefore received in December 2020.

***GIVEN THE CURRENT CIRCUMSTANCES, COMPARISONS WITH THE PREVIOUS FISCAL YEAR ARE NOT REPRESENTATIVE SINCE CED RECEIVED A SIGNIFICANT AMOUNT OF FUNDING IN 2020–2021 TO ADDRESS THE ECONOMIC DIFFICULTIES CAUSED BY COVID-19.***

### 2.1 Analysis of authorities

At the end of the third quarter, i.e., as at December 31, 2020, CED's annual authorities totalled \$595.5 million. They stood at \$322.3 million as at December 31, 2019.

The variance of \$273.2 million (84.8%) is due to the following changes:

- Vote 1 – Net operating expenditures: +\$0.3 million
- Vote 5 – Grants and contributions: +\$180.5 million
- Budgetary statutory authorities of +\$92.4 million.

The following chart shows the annual budgetary authorities by vote as at September 30, 2020 and December 31, 2020, compared with the previous fiscal year.

*\* Totals may not match due to rounding*

**Annual authorities by budgetary appropriation as at September 30 and December 31, fiscal year 2020–2021, compared with 2019–2020**



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

Authorities as at December 31, 2020, amount to \$42.9 million compared with \$42.5 million at the same date the previous year. Authorities have thus increased by \$0.4 million this year. This 0.9% variance is considered insignificant.

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

Authorities as at December 31, 2020, amount to \$455.4 million compared with \$274.9 million at the same date the previous year. This represents an increase this year of \$180.5 million (65.7%). As previously mentioned, CED received funding in 2020–2021 to help address the economic hardships brought about by the COVID-19 pandemic, which explains this considerable rise in voted authorities.

- Receipt of \$200.0 million in voted authorities related to the COVID-19 pandemic as at December 31, 2020, broken down as follows:

- *RRRF – Community Futures Program (CFP)*: \$18.3 million
  - *RRRF – Regional Economic Growth through Innovation (REGI)*: \$113.8 million
  - *RRRF (REGI and CFP) top-up*: \$57.8 million
  - *Canadian Seafood Stabilization Fund*: \$7.0 million
  - *WES COVID-19–related top-up*: \$3.1 million
- Decrease of \$19.5 million in voted authorities as at December 31, 2020, comprising the following items:
    - End of funding for the *Steel and Aluminum Initiative* (\$26.2 million)
    - End of funding for the *Chrysotile Initiative* (\$4.6 million)
    - Increase in repayments on repayable contributions \$4.7 million
    - Increase in funding for the *Federal Strategy on Jobs and Tourism* \$4.4 million
    - Other intergovernmental transfers and adjustments \$2.2 million

### Statutory budgetary authorities

Budgetary statutory authorities were \$4.9 million in the third quarter of 2019–2020, compared with \$97.3 million in the third 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 for the employee benefit plan
- *RRRF – CFP top-up*: \$12 million in transfer payments
- *Canada Seafood Stabilization Fund*: \$2.2 million in transfer payments

Excluding COVID-19–related items, authorities for the employee benefit plan remained unchanged at \$4.9 million.

## 2.2 Analysis of expenditures

CED expenditures in the third quarter of 2020–2021 totalled \$119.8 million, compared with \$79.5 million for the same period last year. This represents a net increase of \$40.3 million (50.7%) compared with the previous fiscal year.

This variance can be broken down as follows:

- Vote 1 – Net Operating Expenditures: **-\$0.4 million**
- Vote 5 – Grants and contributions: **+\$29.1 million**
- Statutory budgetary authorities: **+\$11.6 million**

On a cumulative basis, total expenditures as at December 31, 2020, stood at \$293.6 million, compared with \$169.3 million for the same period a year earlier. This represents a net increase of \$124.3 million (73.4%) this year.

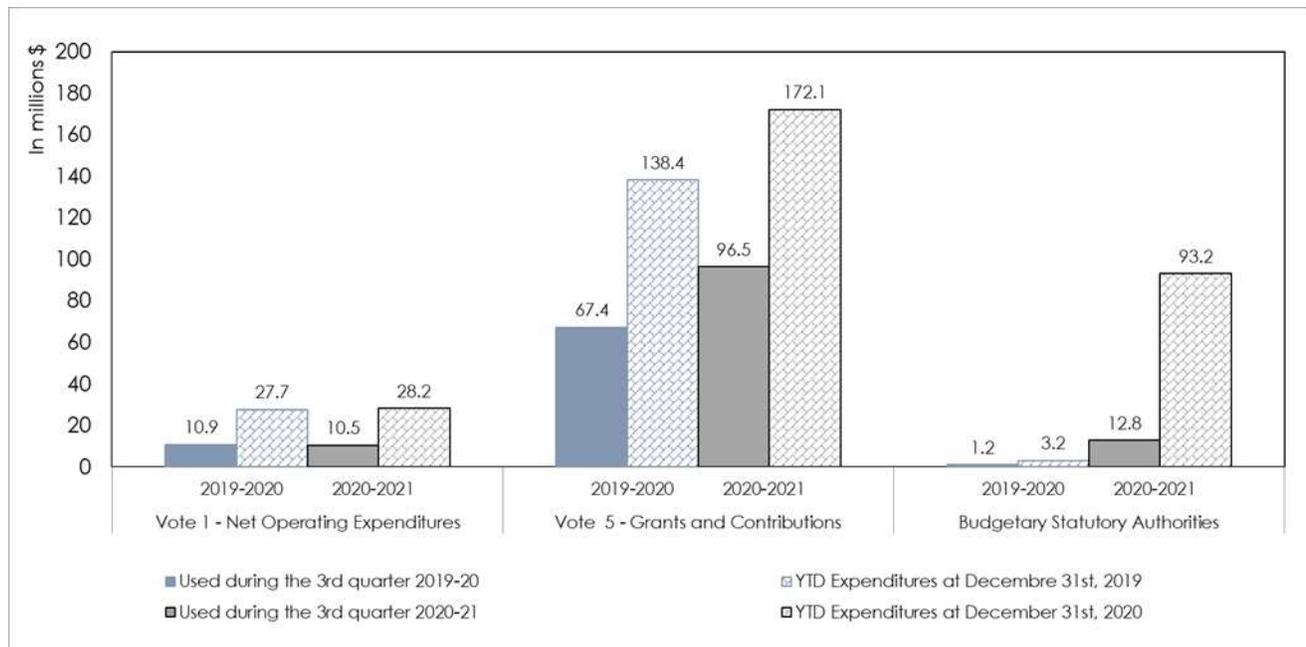
This variance can be broken down as follows:

- Vote 1 – Net operating expenditures: **+\$0.5 million**
- Vote 5 – Grants and contributions: **+\$33.8 million**
- Budgetary statutory authorities: **+\$90.0 million**

*\* Totals may not match due to rounding*

The following chart shows the expenses incurred during the third 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.

### Third-quarter and cumulative expenditures to December 31, 2020, by budgetary appropriation, fiscal year 2020–2021 compared with 2019–2020



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

Net operating expenditures for the third quarter of 2020–2021 and the third quarter of 2019–2020 were \$10.5 million and \$10.9 million, respectively. The \$0.4 million variance between the two quarters represents a year-over-year drop of 3.7%.

Cumulatively as at December 31, 2020, expenditures reached \$28.2 million, compared with \$27.7 million at the same date last year. This represents an increase in expenditures of \$0.5 million (1.8%).

These variances are 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 third quarter of 2020–2021, CED spent \$96.5 million on grants and contributions (voted authorities). This represents an increase of \$29.1 million (43.2%) compared with the third quarter of 2019–2020, when expenditures reached \$67.4 million. This increase can be primarily explained by an increase in spending on COVID-19 initiatives and a decrease in spending on regular programs. Details are provided in the explanation below:

Increases of \$42.2 million for the *RRRF*; \$34.7 million for the *RRRF – REGI* and \$7.5 million for the *RRRF – CFP* were noted. Priority was given to *Regional Relief and Recovery Fund (RRRF)* files associated with the COVID-19 pandemic, as well as to other initiatives that support the economic recovery.

On the other hand, a decline in spending on regular programs was reported, for a total of \$7.5 million. In addition, during the third quarter of 2019–2020, \$5.6 million was spent on the *Steel and Aluminum* initiative; this initiative ended on March 31, 2020.

Cumulatively, as at December 31, 2020, CED had spent \$172.1 million on grants and contributions (voted authorities), compared with \$138.4 million for the same period last year. This represents a net increase of \$33.8 million (24.3%) in 2020–2021. An increase in spending on the *RRRF* programs was reported for \$76.6 million. On the other hand, there was a significant decrease in spending on regular programs (\$32.6 million) and on the *Steel and Aluminum* initiative (\$9.6 million), which ended on March 31, 2020. The difference of (\$0.6 million) is made up of various minor variances in the other ad hoc initiatives.

### Expenditures under statutory budgetary authorities

Expenditures for the third quarter of 2020–2021 totalled \$12.8 million, compared with \$1.2 million for the same period last year. This represents an increase of \$11.6 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 – CFP*, statutory appropriations: +\$12.0 million
- Employee benefit plan: -\$0.4 million

On a cumulative basis as at December 31, 2020, expenditures amounted to \$93.2 million, compared with \$3.2 million for the same period last year. This represents an increase in expenditures of \$90.0 million. The variance can be broken down as follows:

- Transfer payments under the *RRRF – CFP*, statutory appropriations: +\$65.0 million
- Transfer payments under the *RRRF – REGI*, statutory appropriations: +\$25.0 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

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.

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, the state of 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.

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 OPERATIONS, PERSONNEL AND PROGRAMS

The Government of Canada set up the *Regional Relief and Recovery Fund (RRRF)*, a one-year, ad hoc 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 businesses: \$140.1 million
- Community Futures Network Fund: \$71.3 million
- Top-up – Funding to support small and medium-sized businesses: \$46.5 million
- Top-up – Community Futures Network Fund: \$23.3 million

In addition, two other initiatives have been put in place to support targeted client groups in response to the pandemic:

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

Again as concerns the pandemic, the scheduled repayments from our clients' repayable contributions were to have started on October 1, 2020; however, the moratorium has been extended until January 1, 2021.

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



# 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

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**Manon Brassard**

Deputy Minister / President

Montréal, Canada

February 12, 2021

Original signed by

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**Guy Lepage**

Chief Financial Officer

Montréal, Canada

February 12, 2021



# SECTION 6

## APPENDICES

## 6.1 Statement of Authorities (unaudited)

### Fiscal year 2020–2021 (\$000's)

	Total available for use for the year ended March 31, 2021*	Used during the quarter ended December 31, 2020	Year-to-date used at quarter-end
Vote 1 – Net Operating expenditures	42,863	10,498	28,235
Vote 5 – Grants and contributions	455,394	96,529	172,144
Total statutory budgetary authorities	97,272	12,810	93,239
<b>Total authorities</b>	<b>595,529</b>	<b>119,837</b>	<b>293,618</b>

### Fiscal year 2019–2020 (\$000's)

	Total available for use for the year ended March 31, 2020*	Used during the quarter ended December 31, 2019	Year-to-date used at quarter-end
Vote 1 – Net Operating expenditures	42,549	10,855	27,710
Vote 5 – Grants and contributions	274,903	67,404	138,372
Total statutory budgetary authorities	4,877	1,213	3,234
<b>Total authorities</b>	<b>322,329</b>	<b>79,472</b>	<b>169,316</b>

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

Figures may differ from the total indicated because of rounding.

## 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 December 31, 2020	Year-to-date used at quarter-end
Expenditures:			
Personnel*	40,064	9,573	27,692
Transport and communications	680	16	43
Information	202	38	74
Professional and special services	5,489	615	2,025
Leasing	420	403	816
Repairs and maintenance	18	2	6
Public utilities, materials and supplies	178	6	21
Acquisition of machinery and equipment	666	222	303
Transfer payments**	547,807	108,529	262,144
Other grants and payments	5	432	494
<b>Total net budgetary expenditures</b>	<b>595,529</b>	<b>119,836</b>	<b>293,618</b>

\*Includes employee benefit plans (EBPs)

\*\*Includes statutory and voted appropriations.

Fiscal year 2019–2020 (\$000's)

	Planned expenditures for the year ended March 31, 2020	Expenditures during the quarter ended December 31, 2019	Year-to-date used at quarter-end
Expenditures:			
Personnel*	38,924	10,172	26,526
Transport and communications	910	237	645
Information	308	39	102
Professional and special services	5,623	1,363	2,586
Leasing	571	88	490
Repairs and maintenance	22	7	23
Public utilities, materials and supplies	237	21	53
Acquisition of machinery and equipment	827	139	317
Transfer payments	274,903	67,404	138,372
Other grants and payments	4	2	202
<b>Total net budgetary expenditures</b>	<b>322,329</b>	<b>79,472</b>	<b>169,316</b>

\*Includes employee benefit plans (EBPs).