

# Economic Development

# Canada

## Estimates

For the period ending March 31, 2003



*Performance Report*

Handwritten signature of Allan Rock.

**Allan Rock**

Minister Responsible for the  
Economic Development Agency of Canada  
for the Regions of Quebec





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*The 2002-2003 Departmental Performance Report* of the Economic Development Agency of Canada for the Regions of Quebec aims to report on the performance of the Agency's intervention, as observed on March 31, 2003. It is intended for the Parliament and people of Canada. It provides an overview of the Agency's various initiatives and their impact. It also reports on the situation with respect to departmental commitments made in the *2002-2003 Report on Plans and Priorities*. That report may be consulted on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca).





# 1

## MESSAGES

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### Minister's Portfolio Message

Continued investment in research and development, the ingenuity of Canadian researchers, academics and business people and a growing awareness of the importance of innovation in a successful economy have greatly contributed to Canada's increased recognition worldwide as a significant partner in the knowledge-based economy.

By eliminating the deficit, cutting personal and business taxes, making strategic investments and examining its regulatory processes, the Government of Canada has encouraged investment and innovation in Canadian business and has laid the groundwork for success in this competitive world economy.

#### The Industry Portfolio includes:

Atlantic Canada Opportunities Agency  
Business Development Bank of Canada \*  
Canada Economic Development for Quebec Regions  
Canadian Space Agency  
Canadian Tourism Commission \*  
Competition Tribunal  
Copyright Board Canada  
Enterprise Cape Breton Corporation \*  
Industry Canada  
Infrastructure Canada  
National Research Council Canada  
Natural Sciences and Engineering  
Research Council of Canada  
Social Sciences and Humanities Research  
Council of Canada  
Standards Council of Canada \*  
Statistics Canada  
Western Economic Diversification Canada

\* Not required to submit Performance Reports

Since the introduction of *Canada's Innovation Strategy* in February 2002, we have worked with businesses, institutions, associations and governments at all levels to develop a consensus about what must be accomplished if the Canadian economy is to continue to excel. A number of priorities were identified during the November 2002 National Summit on Innovation and Learning, including improving the regulatory environment for businesses in Canada, encouraging the creation and commercialization of knowledge through strategic partnerships and investments, and continuing the growth of our highly skilled work force.

Canadians, wherever we may live, have an opportunity to take part in a dynamic and exciting economy. Some of us are developing expertise in highly skilled specialties like genomics, biotechnology and fuel cell technology. Others are benefiting from expanded access to broadband Internet services and, by extension, the resources of universities, research institutes and virtual networks around the world.

The Industry Portfolio, consisting of 16 departments and agencies, plays an integral role in encouraging innovation. Its many programs at the community, regional and national levels push Canadians to explore opportunities, identify new products, start new businesses and develop successful markets here and abroad.

Canada Economic Development for Quebec Regions focusses on innovation in order to fulfil its mandate, which consists in promoting the economic development of the regions of Quebec. The Agency intervenes directly with enterprises, and works with a network of collaborators in every region of Quebec. Through its activities, it aims to reinforce enterprises' innovation capability so they can become more competitive on both domestic and international markets. Over the past few years, Canada Economic Development has significantly increased the proportion of its financial assistance devoted to projects associated with innovation, thus enabling the Agency to achieve its objectives and commitments with respect to this national priority.

In 2002-2003, the funds invested by the Agency in innovation have led to the staging of many awareness, capability development and guidance activities aimed at strengthening Quebec entrepreneurs' innovation capability. These efforts have meant that close to 350 enterprises have developed and implemented innovation action plans. In this way, many enterprises will now be able to enhance their productivity or develop and fine-tune new products, manufacturing processes, equipment, or innovative technologies.

Through its presence and accessibility throughout the province and its involvement with economic development players, as well as its efforts to bring together and harness the Government of Canada's strengths, knowhow and expertise in the regions of Quebec, Canada Economic Development helps implement major initiatives for enterprise development, improvement of the environment for economic development of the regions of Quebec and development and renewal of community infrastructure.

These and other initiatives championed by Canada Economic Development and our partners in the Industry Portfolio will help us create conditions favourable for innovation by Canadian individuals, firms and institutions. This will help secure Canada's strong economic position and attract investments that will provide wide-ranging economic and social benefits for Canadians.

I invite you to review Canada Economic Development's *Performance Report* for more details on how that Agency encourages innovation and economic growth in Canada.



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Allan Rock  
Minister of Industry

## **Message from the Secretary of State**

In this era of the knowledge economy and innovation, Quebec's entrepreneurs need to have the appropriate resources and means to adapt rapidly, thus continuing their regions' economic development and ensuring the prosperity of our fellow citizens. Here, as elsewhere, excellence is linked to adaptability to change and the ability to be alert to new opportunities.

In this spirit, I subscribe wholeheartedly to Canada Economic Development's mandate when it talks of promoting the economic development of the regions of Quebec, paying special attention to those experiencing slow growth and inadequate employment. The Agency is concerned to adequately equip those regions undergoing certain adjustment difficulties so as to help them demonstrate leadership in meeting the challenges facing them and to realize their full economic and social development potential. In that respect, in 2002-2003, the Agency provided more than 50% of its financial assistance in Quebec's outlying regions.

The Government of Canada is more determined than ever to fulfil its commitment to promoting equality of opportunity throughout the nation for all Canadians. That is why, in close co-operation with economic development agents in the regions of Quebec, Canada Economic Development has drawn up and instituted Regional Intervention Strategies across the province. These forward-looking strategies seek to undertake and pursue economic development in a manner geared to the development context specific to each region. They build on the regions' competitive advantages, assets, niches of excellence and development potential with a view to generating tangible results.

And once again it is on innovation, one of our government's priorities, that the Agency is building in order to foster the attainment of its targeted results. Over the past three fiscal years, the relative share of financial assistance provided by the Agency for projects associated with innovation rose from 40% in 2000-2001, to 57% in 2001-2002, to 69% in 2002-2003. To meet the innovation challenge, we have to be able to count on all players in the economy. We also have to be able to combine the desire to change things with the willingness to take risks, two ingredients in the brand image of today's entrepreneurs.

By building on the potential of Quebec's regions as well as on innovation, the Agency, like myself, is constantly concerned with achieving tangible, lasting results for Quebecers in all regions of the province. As it is for enterprises, our success is the result of hard work, perseverance and the desire to excel.

In closing, I should like to restate that our objective is to ensure that enterprises, which drive the regions' economies, successfully grow and thus create lasting employment. Through its involvement in creating conditions conducive to development, Canada Economic Development is helping to build a country where equality of opportunity and quality of life become tangible realities for all Canadians. I should therefore like to thank all Agency staff for having contributed to the achievement of the results described in the report, which speak for themselves.

A handwritten signature in black ink, appearing to read 'Drouin', is positioned above a horizontal line.

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The Honourable Claude Drouin  
Secretary of State  
Economic Development Agency of Canada  
for the Regions of Quebec



## 2

## AGENCY OVERVIEW

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The Canada Economic Development Agency for Quebec Regions, as a member of the Industry Portfolio, reports to the Minister of Industry. The Minister, supported by a Secretary of State, is responsible for promotion of the economic development of the regions of Quebec. The objectives and responsibilities of the Minister responsible for the Agency are defined in Part II of the *Department of Industry Act*.<sup>1</sup>

### Mandate

The mandate of Canada Economic Development  
for Quebec Regions is to

**promote the economic development of the regions of Quebec,  
paying special attention to those experiencing slow  
economic growth and inadequate employment,  
with a view to the enhancement of prosperity  
and employment in the long term.**

### Government of Canada's economic development policy

The Government of Canada has made a formal undertaking to foster economic development so as to promote equality of opportunity for all Canadians. In fulfilling its mandate, the Agency helps the Government of Canada deliver on this commitment in the different regions of Quebec.

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<sup>1</sup> The text of the *Department of Industry Act* may be consulted at the following Web address:  
<http://laws.justice.gc.ca/en/I-9.2/text.html>

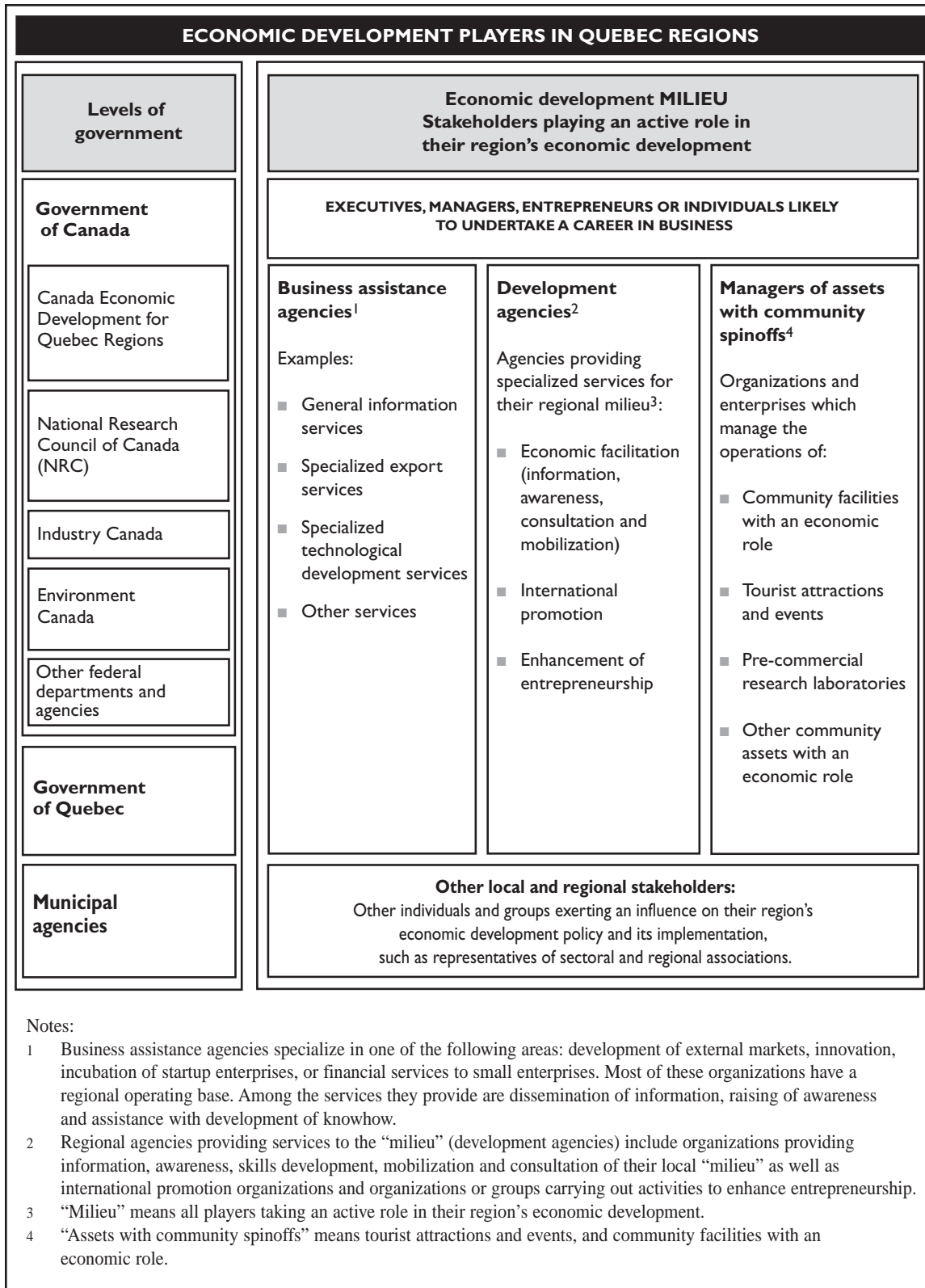
As far as its areas of competency permit, the Agency, through its intervention, makes a significant contribution to the Government of Canada's efforts to achieve the objectives set out in the Speech from the Throne presented on September 30, 2002:

- to target its regional economic development activities to better meet the needs of the knowledge economy and address the distinct challenges of Canada's urban, rural and northern communities;
- to work with small and medium-sized enterprises (SMEs) in the development and application of new technologies in traditional and emerging sectors;
- to position Canada as a world leader in such areas as health sciences, biotechnology and clean energy;
- to build world-class cities and healthy communities; and
- to modernize infrastructure.

The Agency fulfils its mandate in such a way as to contribute also to the attainment of other national priorities, including those related to innovation, export development, sustainable development and Aboriginal economic development.

## **Economic development players**

As the diagram on the following page shows, the Agency carries out its mandate in a complex environment consisting of a variety of players, of which it is an integral part. Each of these players has a role to play to foster growth in Quebec's communities and regions.



## Agency strategy

### Strategic intervention framework

The Agency targets three strategic outcomes for the economic development of the regions of Quebec:

- Foster Enterprise development;
- Contribute to improving the environment for economic development of the regions; and
- Facilitate Development and renewal of community infrastructure.

The first two outcomes comprise the Agency's core mandate, while the third corresponds to a special mandate.

### Strategic outcome #1

The first strategic outcome targeted is enterprise development. Enterprises are the prime engine of economic development and wealth creation. The growth of enterprises which innovate and export has a particularly stimulating effect on economic development and lasting employment growth. The Agency works notably with small and medium-sized enterprises (SMEs) and non-profit organizations that provide services for enterprises. For this strategic outcome, the Agency's main priorities concern the establishment of strategic enterprises, enterprises' competitiveness and development of small enterprises. The following table presents the different priorities associated with the first strategic outcome.

STRATEGIC OUTCOME #1: Foster enterprise development	
PRIORITIES	
1.1	General information and awareness
1.2	Establishment of strategic enterprises
1.3	Enterprises' competitiveness
1.3.1	Competitiveness — New business practices
1.3.2	Competitiveness — Innovation in processes, equipment and products
1.3.3	Competitiveness — Commercialization
1.4	Development of small enterprises

## Strategic outcome #2

Since enterprises need an environment conducive to their development, the second strategic outcome concerns improving the environment for economic development of the regions. In this case, the Agency interacts in particular with the key economic agents in the different regions of Quebec, such as agencies providing specialized services for their regional milieu and managers of assets with an economic role, tourist attractions and pre-commercial research laboratories, for instance. With regard to this strategic outcome, the Agency's priorities concern local capability to energize development of the local economy, economic enhancement of regional development assets, and development and reinforcement of knowledge-based competitive advantages. The following table presents the priorities associated with the second strategic outcome targeted by the Agency.

<b>STRATEGIC OUTCOME #2: Contribute to improving the environment for economic development of the regions of Quebec</b>	
PRIORITIES	
2.1	Local capability to energize development of the local economy
2.2	Economic enhancement of regional development assets
2.3	Development and reinforcement of knowledge-based competitive advantages

## Strategic outcome #3

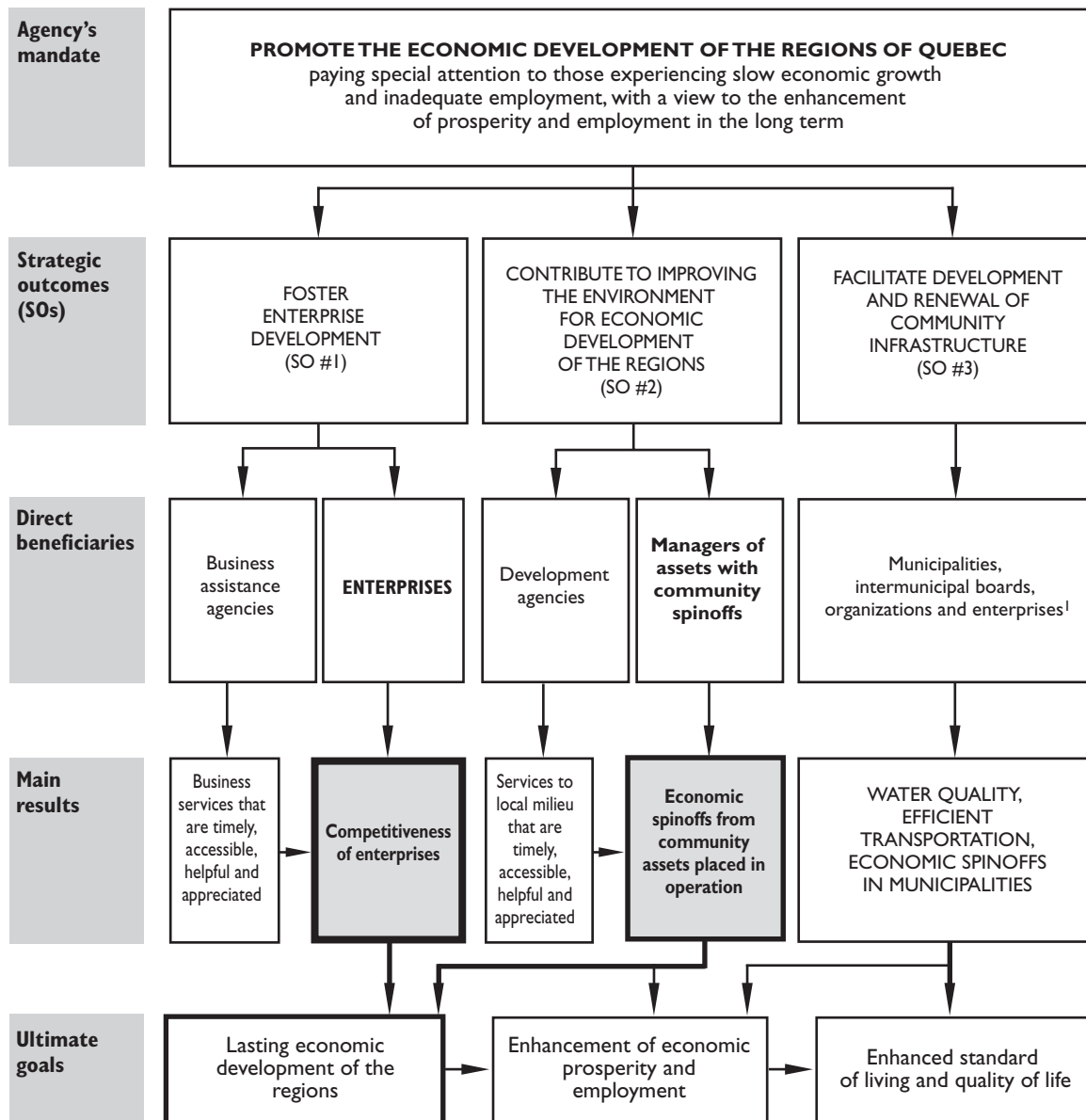
Since infrastructure is essential to a region's economic vitality, enterprises' operations and residents' quality of life, the third strategic outcome concerns development and renewal of community infrastructure in the different regions of Quebec. The Agency works toward this third strategic outcome in co-operation with the Government of Quebec, intermunicipal boards and municipalities.

This final strategic outcome reflects a special mandate, namely, responsibility for implementation of the Infrastructure Canada Program in Quebec, entrusted to the Agency by the Government of Canada. The following table presents the priorities associated with the Agency's third strategic outcome.

<b>STRATEGIC OUTCOME #3: Facilitate development and renewal of community infrastructure</b>	
PRIORITIES	
3.1	Drinking water and wastewater infrastructure
3.2	Local transportation infrastructure
3.3	Projects with urban or regional economic impact

The Agency's strategic outcomes are shown in the following diagram. The first two strategic outcomes are directly associated with the Agency's core mandate. This diagram illustrates how the pursuit of these strategic outcomes enables Canada Economic Development to contribute to fulfilment of its mandate. It also shows how the Agency plays an active role in enhancing economic prosperity and job creation in the regions, two fundamental aspects of Quebecers' standard of living.

### Mandate, strategic outcomes and ultimate goals



Note:

- <sup>1</sup> Municipalities, intermunicipal boards, non-profit organizations and enterprises receive Agency funding through the Government of Quebec.

## Regional intervention strategies

To work on enterprise development and improvement of the environment for economic development, the Agency has set up a forward-looking Regional Intervention Strategy (RIS) in each region of Quebec. These strategies build significantly on innovation and are geared to the development context specific to each region. Made to measure so as to enhance each region's potential, these strategies build on their economic strengths, local industrial and institutional fabric, competitive advantages and niches of excellence (for instance, aluminum processing in Saguenay—Lac-Saint-Jean, the mining industry in Abitibi, the marine sector in Eastern Quebec, or optics-photonics in Quebec City). The regional intervention strategies were developed through a process of consultation and dialogue with, and mobilization of, regional economic agents. They enable each region, as it were, to specify how it will be able to use Agency programs and services to achieve maximum results.

## Nature of intervention (outputs)

The Agency elicits, accompanies and supports the completion of economic development projects whose implementation proper lies with the economic development players receiving its assistance.

### Contribution and grant programs in effect as of March 31, 2003

The Agency's support for economic development players primarily takes the form of contributions<sup>2</sup> or grants under the following programs:

- programming relative to the Agency's core mandate contributing to attainment of the first two strategic outcomes targeted:
  - Program of assistance for development of SMEs in Quebec (IDEA-SME)
  - Regional Strategic Initiatives (RSI) Program
  - Community Futures Program (CFP)
  - Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy
  - Special Coastal Quebec Fund (CQF) (terminated March 31, 2003);
- programming relative to the special mandate entrusted to the Agency by the Government of Canada contributing to attainment of the third strategic outcome targeted:
  - Infrastructure Canada Program (2000)
  - Canada Infrastructure Works (1994).

Appendix I may be consulted for a brief description of the Agency's financial assistance programs, and the following address: [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) may be visited to review their contribution to each intervention priority.

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<sup>2</sup> Contributions awarded by the Agency are repayable when the recipient's activities are commercial and non-repayable in the case of non-profit organizations, for instance.

Alongside its financial support, the Agency guides development players and project promoters by facilitating their access to timely information, raising their awareness of the development issues affecting them, and pointing them toward networks of competent resources in line with their specific needs. It also supports them by providing them with advice and other forms of guidance in order to foster their projects' success.

Appendix I briefly describes non-financial support. Much of this support may be provided by Agency personnel as well as by non-profit organizations in the Agency's network of collaborators.

### Network of collaborators

The Agency has developed, among development players, a network of collaborators in each region of Quebec with which it works in synergy to implement its intervention strategy.

Often the Agency's action on development is carried out through business assistance agencies or development agencies that the Agency helps to finance. The Agency's network in the regions of Quebec helps it not only to extend its reach in the province and implement its intervention framework, but also to stay well-informed as to the evolving challenges of Quebec SMEs and regional issues.

The Agency works with more than 100 local organizations, many of which have the mandate to provide specialized services to regional enterprises. Many organizations work with volunteer networks and reflect citizens' desire to play a major role in economic development. For instance, the Community Futures Development Corporations (CFDCs), Business Development Centres (BDCs) and Community Economic Development Corporations (CEDCs) can count on the involvement of a vast network of volunteers in the different regions of Quebec.

Many other examples of co-operation should be emphasized. The Agency works closely with Montreal's World Trade Centre and a network of regional export-assistance organizations to contribute to the attainment of national objectives for development of international markets. The Agency also works with the *Association de la recherche industrielle du Québec* (ADRIQ) and the *Ordre des ingénieurs du Québec* (OIQ) to promote innovation in enterprises. The *Groupement des chefs d'entreprise*, the *Manufacturiers et exportateurs du Québec*, various trade associations and the boards of trade and chambers of commerce are just some of those working with the Agency.

The Agency works dynamically and in close co-operation with several departments and agencies of the Government of Canada to foster implementation of initiatives, using a complementary approach that builds on each organization's specific expertise. Especially close co-operation has been instituted through such co-ordination mechanisms as Team Canada and the Canadian Technology Network (CTN). The Agency also works with the National Research Council Canada (NRC), a member of the Industry Portfolio, Environment Canada, Canadian Heritage (including Parks Canada), Transport Canada, Fisheries and Oceans Canada, Natural Resources Canada (including Forestry Canada), and many others.

In some cases, other federal departments or agencies act as prime contractors for projects which, in line with the Agency's regional intervention strategies, appear to have the most strategic impact on a region's economic development. For instance, Canada Economic Development and the NRC are working together to set up the Aluminum Technology Centre in Saguenay and to establish the Aerospace Manufacturing Technology Centre in Montreal, as well as jointly supporting the Biotechnology Research Institute, also located in Montreal.

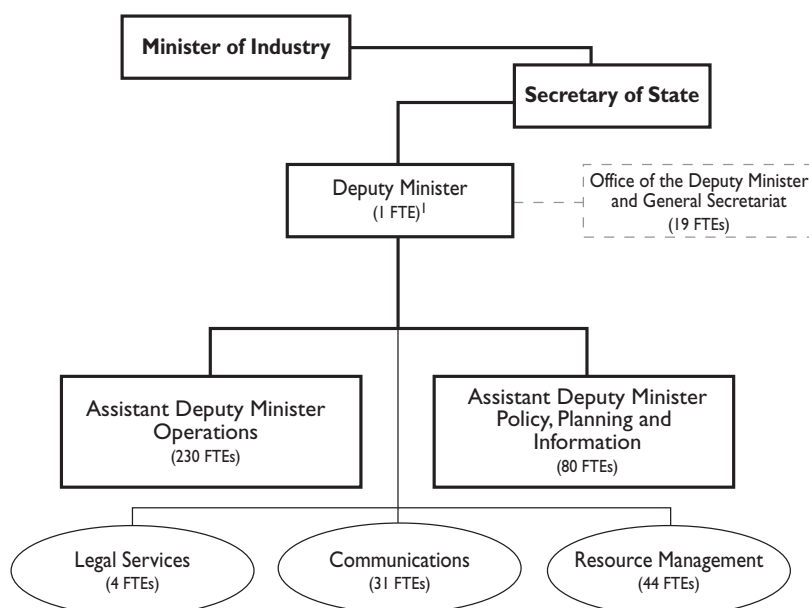
In the case of programs corresponding to its core mandate, the Agency co-operates on a case-by-case basis, without any formal framework, with several Quebec government departments and agencies to foster implementation of development projects when they correspond to the priorities of the Government of Canada, the Agency and the local economic milieu. In this context, projects supported by the Agency are frequently also backed by the Quebec government, other Government of Canada departments and agencies, or municipal authorities. Moreover, in the case of the Infrastructure Canada Program, a formal co-operation agreement was signed with the Quebec government.

## Resources

### Human resources and corporate structure

To intervene vis-à-vis economic development players and work toward attainment of planned strategic outcomes, the Agency had in 2002-2003 the equivalent of 409 full-time employees in 14 business offices across Quebec, an office in Gatineau ensuring liaison with the federal government and a Head Office in Montreal. A list of business offices may be consulted in Appendix V, or on the Web at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Programs".

Economic Development Agency of Canada organization chart



Note:

<sup>1</sup> FTE: Full-time equivalent

## Financial resources

For fiscal year (FY) 2002-2003, the Agency's contribution and grant expenditures stood at \$277.8 million, while operating expenditures amounted to \$42 million.

The following table presents the breakdown of contribution and grant expenditures for the 2000-2001 to 2002-2003 fiscal years for each planned strategic outcome.

ACTUAL EXPENDITURES BY STRATEGIC OUTCOME over the past three fiscal years	2000-2001		2001-2002		2002-2003	
	\$M	%	\$M	%	\$M	%
<b>Core mandate:</b>						
Foster enterprise development	79.5	57	72.0	47	123.1	51
Contribute to improving the environment for economic development of the regions	59.8	43	81.2	53	116.5	49
Subtotal	139.3	100	153.2	100	239.6	100
<b>Special mandate:</b>						
Facilitate development and renewal of community infrastructure <sup>1</sup>	10.2	-	21.9	-	38.2	-
<b>Total</b>	<b>149.5</b>	<b>-</b>	<b>175.1</b>	<b>-</b>	<b>277.8</b>	<b>-</b>

Note:

- 1 Includes expenditures associated with the Infrastructure Canada Program (2000) and related management expenses, as well as residual expenditures from the Canada Infrastructure Works Program (1994).

With regard to its core mandate, actual expenditures made by the Agency in 2002-2003 stood at \$123.1 million (51%) for fostering enterprise development and \$116.5 million (49%) for contributing to improving the environment for economic development, for a total of \$239.6 million. As to its special mandate, the Agency spent \$38.2 million to facilitate development and renewal of community infrastructure.

Comparing actual expenditures for FY 2002-2003 with those made in 2001-2002, the percentage breakdown reveals an increase in expenditures in 2002-2003 in favour of enterprise development, from 47% to 51%.

Appendix II provides further detail concerning the Agency's financial performance for FY 2002-2003.



# 3

## PERFORMANCE INFORMATION

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### Section plan

The *Performance Information* section constitutes the core of Canada Economic Development's Performance Report. It contains data on the Agency's outputs and main results, as well as certain documented medium-term results.

This section is divided into four subsections. The Introduction provides readers with some keys to guide their analysis of the results presented; it briefly presents the methodology and its limitations, a topic developed in greater detail in Appendix III. The second subsection depicts the context prevailing at the start of the decade, which had an impact on the Agency's results with respect to economic development of the regions of Quebec. The following subsection profiles Agency interventions and how they evolved from 2000-2001 to 2002-2003. This subsection shows the scale of the adjustments the Agency made to its activities to realize more rapidly the commitments it had made in its previous Reports on Plans and Priorities (RPPs) and place greater emphasis on innovation, the knowledge economy and communities experiencing adjustment difficulties. The fourth subsection provides the Agency's results as observed on March 31, 2003. This subsection first gives a performance overview, followed by a detailed review of outputs and short- and medium-term results for each of the three strategic outcomes. The performance review under each strategic outcome starts with an overview, followed by a reporting on each priority specific to the strategic outcome under review.

### Introduction

The Agency carries out its activities in the spirit of the Government of Canada's management framework: *Results for Canadians*. As a results-oriented organization, each year it tries to improve its management and measurement tools in order to perform ongoing monitoring of the impact generated by completion of projects for which it provides support. In a perspective of sound management of public funds and judicious spending, the information generated by continuous monitoring of results enables the Agency to adjust its intervention and respond dynamically to the development opportunities specific to each region.

For instance, to illustrate the importance placed by the Agency on continuous monitoring of results, managers conducted a strategic reflection exercise based on the results contained in the *2001-2002 Performance Report* when setting their priorities for the current fiscal year. The observations and conclusions arising from this strategic reflection exercise thus gave fuel to Agency senior management's decision-making with regard to the selection of major strategic priorities, which then found their way into the *2003-2004 Report on Plans and Priorities*.

## Interpretation of results and reference bases for reporting

### Interpretation of results

The Agency is a results-oriented organization targeting economic development. But the very nature of the economic development process involves the long term. This report presents only short-term results, along with some medium-term results. As the Performance Report is a yearly follow-up document, the report and its underlying methodology lack the hindsight required to document long-term results, so the report presents only part of the results which Agency intervention helps generate. But ripple effects, which spread and grow over time, are the main results targeted by Agency action and cannot be shown in this report. For a more accurate idea of the economic development results obtained, it is necessary to refer to the evaluation reports on Agency intervention. Numerous reports have been produced over the past few years, and they provide a wealth of information.

The results presented in this report must be interpreted in light of the following observations. First, the Agency's mandate is to promote economic development, that is, support and accompany the completion of economic development projects in Quebec. The implementation or actual achievement of economic development lies with enterprises and local and regional stakeholders, who themselves design and bring into reality the projects supported by the Agency. The result is great interdependence between, on the one hand, the drive of all the players involved and, on the other hand, the Agency's level of activity and results, over which it consequently does not have absolute control. In fact, while the Agency takes a proactive approach and works to mobilize development players, it is clearly they who decide on the projects they put forward, those they end up carrying out, the timetable they follow, and the projects they abandon along the way.

Moreover, the Agency's support for the funding of a project generally corresponds to no more than a fraction of its total cost; in this way, the Agency encourages the implementation of the project which, in a large number of cases, also benefits from support from other stakeholders. Although the results obtained from completion of the project are a consequence of the support from the Agency, they cannot be fully attributed to the Agency's contribution alone.

The following facts may influence the picture of the Agency's performance with regard to its prior commitments.

In early 2002, when establishing the commitments presented in its *2002-2003 Report on Plans and Priorities*, owing to the information-gathering practices and tools in place, the Agency had only partial information available on the results of its activities. This being the case, it likely underestimated its commitments with regard to its real aptitude and potential to attain results.

Over the past few years, as well as improving its performance capability in terms of results, the Agency has significantly upgraded its ability to monitor its achievements and gather information on the results of its interventions. Hence, it now has more information on results, and this can therefore apply results-oriented management effectively and report more comprehensively on its achievements.

## Reference bases for presenting performance

Two reference bases are used in this report to illustrate the Agency's achievements and its performance. On the one hand, to present the Agency's main outputs, that is, services provided by the Agency to attain the planned results, the reference base used is that of new financial contribution agreements approved during the fiscal year.

On the other hand, when the time comes to present the main results observed as of March 31, 2003, the reference base used is that of projects in progress, that is, projects for which an expenditure was made during FY 2002-2003. In fact, to be able to report results for a project, that project has to have been the subject of an expenditure, which justifies the completion of work that can lead to results. Thus, this reference base contains projects in progress that may have begun, continued or ended in 2002-2003; some of these projects were still in the process of implementation as of March 31, 2003 and will be completed during subsequent fiscal years.

## Some terminology...

<b>* OUTPUTS:</b> Direct products or services provided by the Agency to economic development agents	
<b>BASELINE AND TERMS USED</b>	
<b>■ New contribution agreement</b> means an agreement reached between the Agency and a development agent during a given fiscal year for implementation of a project.	<b>■ Financial assistance approved</b> means the amount of money subject to a contribution agreement between the Agency and a development agent. This amount constitutes a financial commitment from the Agency toward a development agent that may be spread over several years.

<b>▲ RESULTS:</b> Consequences attributable in whole or in part to the products and services provided by the Agency.	
<b>BASELINE AND TERMS USED</b>	
<b>■ Project in progress</b> means a project that has been subject to an expenditure during a given fiscal year.	<b>■ Expenditure</b> means an amount of money spent within the framework of a project in progress following a request for payment from a development agent.

These two reference bases are not mutually exclusive. Many new contribution agreements approved during FY 2002-2003 were the subject of an expenditure — pointing to the start of a results chain — and are therefore included in the projects in progress for which this document reports on results observed. Appendix III explains the scope and limitations of the methodology used to generate the information contained in this report.

## **Performance context**

### **Economic context**

Whether at the global, national provincial or regional level, the economic context is one of the factors that influence the Agency's interventions in the economic development sphere and, as a consequence, the attainment of results.

Major changes from the planning context

Compared with what was anticipated in the Agency's *2002-2003 Report on Plans and Priorities*, the Quebec economy performed better than expected following September 11, 2001, thus helping the Agency achieve its goals. Some unforeseen events did occur, notably the softwood lumber dispute with the United States starting in May 2002 and the elimination of certain duties on textile and clothing products, leading to quick action from the Agency in these sectors.

Overall situation

After a slight cooling period in 2001, the gross domestic product (GDP) of the Quebec economy rebounded in 2002, with real growth of 4.3%. This was on top of 1.1% growth between 2000-2001 and 4.7% in the previous period. But Quebec's GDP accounted for only 21% of Canada's GDP in 2002, the relative size of the Quebec economy having decreased constantly for several decades. Small and medium-sized enterprises (SMEs) are an important component of Quebec's economy and the principal target group for many of the Agency's initiatives. SMEs account for some 29% of value-added manufacturing in Quebec.

The strong overall performance of the Quebec economy was also noticed in the labour market. The average annualized employment count for 2002 was 3,592,700, up an impressive 3.3% from 2001. SMEs are a vital component of the labour force as they account for 43% of all employment in the province. Gains were made in both full-time and part-time work. The increase was also spread among several industries, with manufacturing, educational services and professional, scientific and technical services reporting the strongest employment gains.

These strong results helped lower the unemployment rate in 2002 to 8.6%, one percentage point higher than the national average, but the second lowest rate Quebec has seen in a long time. Even the fact that there were more unemployed people in Quebec, up 1.6% in 2002 from 2001, can be interpreted as a positive sign in that it indicates more people were entering, or more importantly returning to, the labour force in the hopes of finding that job which had long eluded them. Quebec's low participation rate continuously increased throughout 2002, reaching 65.9% in December, an all-time high, but still 1.6 percentage points below the national rate.

Another area of clear improvement in the Quebec economy was found in the level of investment in the province. Over the past several years, Quebec has represented only 19% of total national investment, or less than its share of GDP. After slow but steady growth in investment across the province in 2000 and 2001, 2002 saw a solid gain in this regard. The total of public and private investment jumped 8% between 2001 and 2002, well above the national increase of 2%. Construction activities, strongly buoyed by the robust market for new residential buildings, as well as machinery and equipment creation were equally responsible for this growth. Expenditures on new equipment are important for SMEs, which, to meet the growing objective of staying competitive, have to invest in newer, more productive equipment. Several interventions undertaken by the Agency are directed specifically at SMEs to help them increase their productivity.

#### Regional perspective

The regions posting the strongest employment performances included Quebec City, Chaudière-Appalaches, Mauricie and Centre-du-Québec. But some administrative regions remained in more dire circumstances than others. The 2002 unemployment rate in a number of regions stood well above the national average, with Mauricie (11.4%) and the outlying regions, namely Gaspésie (21.2%), Saguenay—Lac-St-Jean (12.2%), Côte-Nord—Nord-du-Québec (10.9%), Abitibi-Témiscamingue (10.8%) and Bas-St-Laurent (10.4%) all remaining above 10%. These regions, with their local economies heavily dependent on natural resources, sustained substantial losses owing to many different factors. The cod moratorium in the early 1990s and other reductions in fishing quotas have hurt the maritime regions of Côte-Nord and Gaspésie—Îles-de-la-Madeleine. Similarly, the closing of several mines as a result of depletion of minerals in certain areas and falling market prices in others has hurt Nord-du-Québec, Gaspésie and Abitibi-Témiscamingue considerably. Finally, the American criticism of and complaint against softwood lumber practices and the resulting reduction in international trade of softwood lumber have had a strong negative impact on several of these regions. This problem comes on the heels of other difficulties experienced by this industry and its related spinoff sectors, many of which form the core business in smaller towns. The Gaspé town of Chandler, for example, continued to suffer from the 1999 closure of a pulp and paper mill.

Although Montreal is considered the engine of the Quebec economy, in reality the Montreal Census Metropolitan Area (CMA) relies heavily on the areas outside the Island of Montreal to maintain its performance. The administrative region, composed solely of the Island of Montreal, performed under the provincial averages in many employment indicators. Employment growth for the Island of Montreal was less than the provincial average, and the region's employment rate ended 2002 a full 2 percentage points behind the provincial average. The Montreal CMA performed better than the Island by itself, but in comparison with other major CMAs across the country, Greater Montreal again fell behind in many indicators. The Montreal CMA posted a higher unemployment rate (8.5%) in 2002 than Toronto (7.4%) and Vancouver (7.9%). In terms of employment rate, the labour market is weaker in Montreal (61.4%) than in Toronto (64.8%) and Calgary (71.6%).

In 2000, the Montreal region also recorded a 6.8% decrease in its level of investment, arising from a 13.5% drop in private sector investment. Substantial rises in total investment were, however, found in some of the more remote regions of Quebec, with Gaspésie—Îles-de-la-Madeleine, Nord-du-Québec and Côte-Nord all posting increases of at least double the provincial rate. Moreover the share of expenditures on machinery and equipment was also higher in those regions than the provincial average.

#### Innovation and productivity

Quebec continued to lead the Canadian research and development pack in 2000, posting the highest provincial ratio of gross expenditures on R&D (GERD) to GDP, as it had for the previous ten years. Research and development is important for Quebec to stay competitive in the global economy, where new ideas or procedures can either improve productivity or create a new demand from a modified product. Not only is Quebec's GERD/GDP ratio the highest among the provinces, but it also tops the rates of many larger economies such as France and Great Britain. Quebec accounted for 26% of total Canadian R&D spending in 2000, slightly higher than its share of national GDP. When only the private sector contribution to R&D is considered, Quebec's contribution to the national level jumps to 33.5% for 2000.

Innovation, research and development and the use of high-knowledge technology have allowed Quebec to place greater importance on high-technology products in its economy than the national average. In 2000, over 32% of Quebec exports were produced under high-technology manufacturing, compared with only 14% across the nation.

SMEs on the other hand do not follow this trend, as they often lack the resources to adapt their more traditional production methods to high-technology processes. SMEs levels of participation in electronic commerce still leave room for improvement, and they are more heavily concentrated in low-skilled labour. Despite the heavy costs associated with R&D, and the uncertain return, the Agency remains committed to promoting R&D and demonstrating its importance for SMEs. Through R&D, SMEs can help develop a niche market, they can become more productive and better able to compete internationally. They can become important contributors through subcontracting for larger, global companies looking for the newest technologies for their products. The Agency attaches a high level of importance to the promotion of innovation in Quebec, contributing all along SMEs' innovative path from development to testing and experimentation to marketing of products and services.

### Exports

Although the Quebec economy performed strongly after the events of September 11, 2001, the economy of our largest trading partner suffered heavily, resulting in lower demand for Quebec goods. With 85% of Quebec exports destined for the United States, international exports were hard hit by the situation south of the border. Indeed, exports to the U.S. fell 5.4% between 2000 and 2001, accounting for the 4.4% decrease overall in Quebec exports in this period, and another 4.8% between 2001 and 2002 (during which the total fell 3.9%).

As Montreal accounts for the majority of products exported, this situation also contributed to Montreal's woes. The higher duties arising from the softwood lumber crisis also factored into the reduction in exports of this product, thus hurting the economies of the remote, natural resource-based regions.

### Entrepreneurship

The level of entrepreneurship is another major aspect of the Quebec economy with regard to which the Agency has a significant role to play. Although Quebec has been considered one of the provinces with a higher-than-average level of small and medium-sized enterprises (in terms of percentage of total employment within the province), the rate of creation of SMEs has fluctuated substantially in recent years, and in fact for the past few years Quebec has found itself below the national average in terms of startup SMEs. Moreover, 26% of startup SMEs in Quebec are involved in primary sector activities compared with only 12% in the rest of Canada. While the economy as a whole is moving toward service (tertiary) activities, only 13% of SMEs in Quebec are involved in that sector, as against 28% elsewhere in Canada.

## **Business risk management**

Over the past few years, the Agency has identified and updated a series of business risks that may influence the attainment of results under its mandate. To reduce the likelihood of their occurrence and equip employees to manage these risks more effectively, the Agency has implemented a risk management strategy comprising different measures, including a pilot project. The Agency improves its risk management practices on an ongoing basis.<sup>3</sup>

## **Implementation of a new financial and program information system**

Early on in 2002-2003, the Agency implemented a new in-house financial and program information system, and this could have had an impact on its performance. This new information system integrates all the Agency's business processes, and required training for all Agency staff.

During the first months after the system came on stream, considerable adaptability was required from Agency employees. The system is now positively implemented, allowing the Agency to ensure continuity in service delivery to beneficiaries and to attain the planned results.

After one year of use, the financial and program information system is in place and, while adjustments have been needed to make it more user-friendly and consistent with users' needs, Agency staff are now in a position to use it effectively in the performance of their duties. In the medium term, the information generated by this system should to some extent enable the Agency to increase its effectiveness with respect to management and co-ordination of its activities, as well as facilitating decision-making.

## **Agency intervention (outputs) — profile and developments**

This section profiles the Agency's intervention with regard to its three main strategic outcomes for FY 2002-2003. Trends in Agency interventions are then described with respect to some of the intervention priorities it had set for itself in its last three Reports on Plans and Priorities.

### **Profile of intervention in 2002-2003**

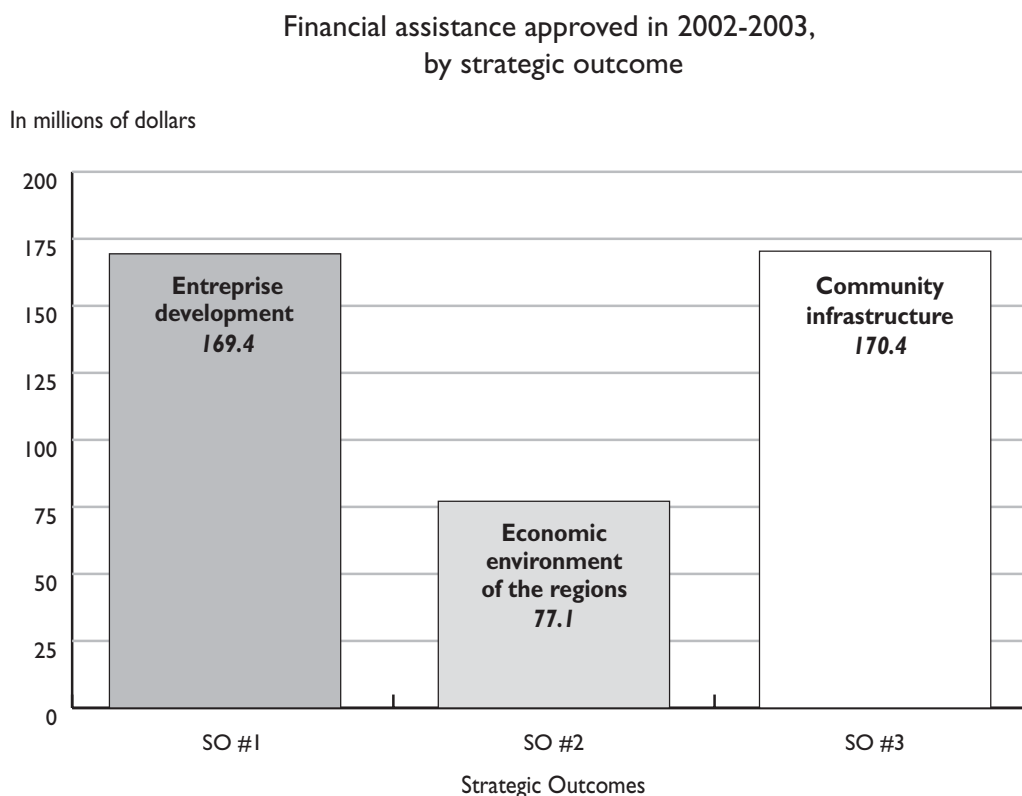
In 2002-2003, in order to contribute to the economic development of the regions of Quebec, the Agency analysed and approved numerous new applications for financial assistance.

Thus, for the three strategic outcomes, the Agency approved 1,075 new contribution agreements with development players, representing financial assistance in excess of \$416 million. This sum will be disbursed over several years, as and when the projects subject to these agreements are completed.

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<sup>3</sup> The subsection on Modern Comptrollership in Section IV provides further information on integrated risk management at the Agency.

The following figure presents, by strategic outcome, the financial assistance approved during 2002-2003.



Under the first strategic outcome, 544 new contribution agreements were approved, 232 under the second and 299 under the third strategic outcome.

From the figure above, it may be seen that the financial assistance approved under the Agency's core mandate (for the first two strategic outcomes alone) stood at \$246.5 million. Financial assistance approved for strategic outcome #1 amounted to \$169.4 million (69%), while assistance approved for strategic outcome #2 totalled \$77.1 million (31%).

Among explanations for the difference between the first two strategic outcomes in terms of the number of new contributions is the high number of projects under the priority in the strategic intervention framework concerning innovation in equipment, processes and products, namely, 186 new contributions approved out of the total of 544 new contributions. As to financial assistance, the \$80-million contribution for the *Papiers Gaspésia* project in Chandler, in the Gaspésie—Îles-de-la-Madeleine region, largely explains the magnitude of the first strategic outcome.

As to the third strategic outcome, the Agency's special mandate, 299 new contribution agreements were approved. These agreements represent a total of \$170.4 million in approved assistance.

## Developments in intervention priorities from 2000-2001 to 2002-2003

A review of the Agency's last three reports on plans and priorities (2000-2001, 2001-2002 and 2002-2003) reveals changes in its intervention priorities reflecting needs and the socio-economic context. The adjustment of the Agency's intervention priorities over the years demonstrates its concern to meet the needs of the different regions of Quebec, and the variation in the level of intensity and the nature of its intervention illustrates its ability to meet the situational and structural challenges associated with regional economic development in Quebec.

First, the *2000-2001 Report on Plans and Priorities* was the first to state the Agency's concern with *Improvement of the environment for economic development of the regions*. In the following year's report, in 2001-2002, the Agency announced its intention to allocate its financial resources equally between *Enterprise development* and *Improvement of the environment for economic development of the regions*. Then in 2002-2003, following the transfer to the Agency of the balance of the Canada Jobs Fund (CJF), the targeted breakdown of funding between the two main areas of intervention was set at 60% for *Enterprise development* and 40% for *Improvement of the environment for economic development*.

Second, the Agency chose to allocate in 2002-2003 the additional funds transferred from the CJF in order to intensify its interventions in the area of innovation and the knowledge economy by emphasizing *Enterprise development*.

Third, in 2000-2001 and 2001-2002, a number of the Agency's intervention priorities were focussed on the Gaspésie—Îles-de-la-Madeleine region. In 2002-2003, these priorities were extended to regions experiencing difficulty adjusting to the new economic context.

The following sections describe developments in the Agency's interventions for each of its intervention priorities.

*From Improvement of the environment for economic development to Enterprise development*

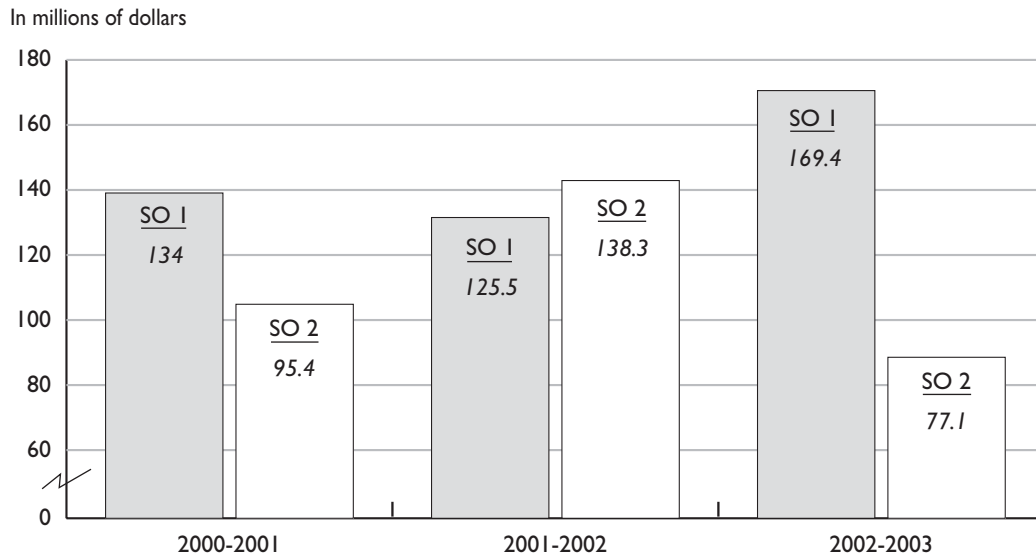
The figure on the following page shows the breakdown of financial assistance approved for new contribution agreements by the Agency over the past three years, for the first two strategic outcomes.

A comparison of results for 2000-2001 and 2001-2002 shows that the Agency modified its intervention to reflect the priorities announced in its previous RPPs. As to FY 2002-2003, a larger proportion of its financial resources were allocated to strategic outcome #1, *Enterprise development*, than to strategic outcome #2, *Improvement of the environment for economic development*. The emphasis placed on projects associated with corporate innovation partly explains this observation.<sup>4</sup>

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<sup>4</sup> This observation is also explained by the support for the *Papiers Gaspésia inc.* project.

Financial assistance approved  
over the past three fiscal years  
for the first two strategic outcomes



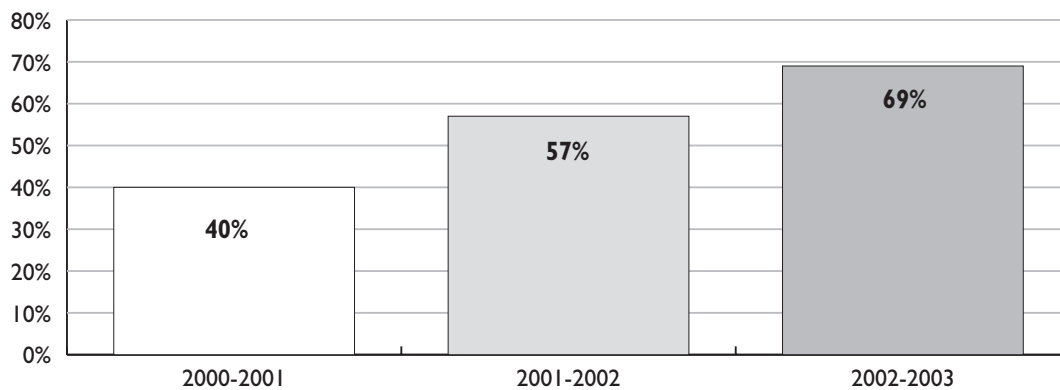
Increased intervention in the field of innovation and productivity

The Agency contributes to the Government of Canada's priorities through its action in the different regions of Quebec. The Government of Canada places emphasis on innovation and the knowledge economy to ensure economic growth for Canadians.

The figure on the following page presents the relative share of the financial assistance approved over the past three fiscal years for new contribution agreements in the area of innovation under the IDEA-SME and RSI programs, including funds transferred to the NRC.

A comparison of the past three fiscal years shows that the Agency significantly increased the proportion of its financial assistance for projects associated with innovation (including transfers of funds to the NRC). The relative share of financial assistance provided for projects associated with innovation rose from 40% in 2000-2001 to 57% in 2001-2002, and reached 69% in 2002-2003.<sup>5</sup>

**Financial assistance provided for innovation-related projects  
as a percentage of total financial assistance approved under the IDEA-SME  
and RSI programs, including funds transferred to the NRC**



#### Intervention in regions experiencing adjustment difficulties

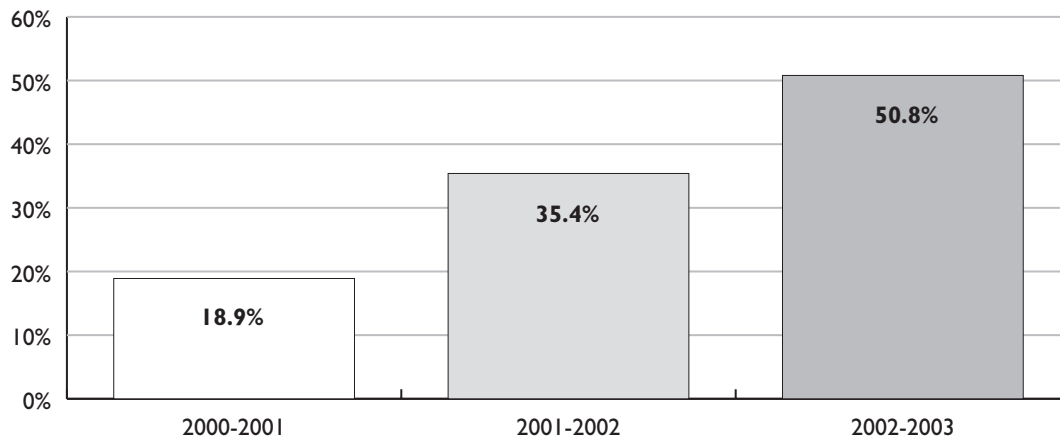
The Agency has always been concerned, in line with its mandate, to pay special attention to regions experiencing slow economic growth and inadequate employment.

Over the past three fiscal years, the Agency has devoted a growing share of its financial resources to the “outlying” regions. In 2000-2001, 18.9% of the financial assistance approved was allocated to intervention in the outlying regions, compared with 35.4% in 2001-2002 and 50.8% in 2002-2003. The substantial increase in 2002-2003 is attributable to the contribution (\$80 million) for implementation of a major project in the Gaspésie—Îles-de-la-Madeleine region.<sup>6</sup> The figure on the following page illustrates this observation.

<sup>5</sup> The Agency’s intervention in the innovation field includes that approved under the IDEA-SME and RSI programs, as well as transfers of funds to the NRC. To calculate percentages, the total of the financial assistance approved by the Agency for innovation and transfers of funds to the NRC for innovation projects was divided by the total of all financial assistance approved by the Agency and all transfers of funds to other government departments. Transfers to the NRC in 2000-2001 include contributions totalling \$50 million for establishment of the Aerospace Manufacturing Technology Centre (\$25 million) and the Aluminum Technology Centre (\$25 million), as well as financial participation of \$3 million in the Industrial Research Assistance Program (IRAP). In 2001-2002, the Agency transferred a further \$3 million to the NRC’s IRAP program. As to FY 2002-2003, \$3 million was transferred to the NRC for expansion of the business incubator at the Biotechnology Research Institute, and a further \$3 million was transferred to fund the IRAP program. New contribution agreements under the third strategic outcome, the Agency’s special mandate, were excluded.

<sup>6</sup> Support for the *Papiers Gaspésia inc.* project.

**Financial assistance approved in outlying regions  
over the past three fiscal years**



Focussing on one of the regions experiencing difficulties adjusting to the new economic context, Gaspésie—Îles-de-la-Madeleine, the following table shows that the Agency's financial effort increased substantially from 2001-2002 to 2002-2003. In fact, financial assistance approved climbed from \$13.3 million to \$87.9 million, and the total value of projects subject to a new contribution rose \$495.6 million to hit \$525 million.

<b>TRENDS IN AGENCY INTERVENTIONS (OUTPUTS) IN THE GASPÉSIE—ÎLES-DE-LA-MADELEINE REGION</b>	2000-2001	2001-2002	2002-2003	<b>Total 2000-2003</b>
Number of new contribution agreements	60	98	81	<b>239</b>
Financial assistance approved (in millions of \$)	6.7	13.3	87.9	<b>107.9</b>
Percentage of total financial assistance approved	2.9%	5.0%	35.7%	-
Total value of projects subject to a new contribution (in millions of \$)	18.3	29.4	525.0	<b>572.7</b>

## Overall performance

### Main outputs generated during FY 2002-2003

During the 2002-2003 fiscal year, the Agency approved 1,075 new contribution agreements. Its staff also followed up on 1,911 agreements associated with projects in progress. Through its delivery of non-financial support, the Agency also guided a large number of economic development players in the design and implementation of their projects, and the Agency helped local economic agents energize their regions' economic development. Delivery of non-financial support by the Agency represents a large number of outputs (Appendix I presents the range of the Agency's non-financial support); the table below presents, however, only one of the Agency's main outputs in the area of financial support, in view of the very little information available in that regard.

<b>OVERALL PERFORMANCE</b> <b>AGENCY'S MAIN OUTPUT IN TERMS OF FINANCIAL SUPPORT</b> <b>NEW CONTRIBUTION AGREEMENTS</b> <b>APPROVED IN 2002-2003</b>		
<b>Agency's main output in terms of financial support</b>		
New contribution agreements by strategic outcome and category of beneficiary development players:	Number of new agreements	Financial assistance approved (in millions of \$)
<b>SO #1- Enterprise development</b>	<b>544</b>	<b>169.4</b>
- Business assistance agencies	195	44.6
- Enterprises	349	124.8
<b>SO #2- Improvement of the environment for economic development of the regions</b>	<b>232</b>	<b>77.1</b>
- Development agencies	135	22.5
- Managers of assets with community spinoffs	97	54.6
<b>Subtotal (Agency's core mandate)</b>	<b>776</b>	<b>246.5</b>
<b>SO #3- Development and renewal of community infrastructure (special mandate)</b>	<b>299</b>	<b>170.4</b>
<b>TOTAL (all three strategic outcomes)</b>	<b>1,075</b>	<b>416.9</b>
<b>Resources used by the Agency in 2002-2003 to produce all its outputs (financial and non-financial support):</b>		
Operating budget (in millions of \$)		42
Number of employees expressed as full-time equivalent (FTE)		409
Note: This table does not report on the Agency's other outputs in terms of financial support, or on outputs in terms of non-financial support.		

### Main results observed as of March 31, 2003

The following table provides an overview of the main short- and medium-term results documented with respect to projects in progress in 2002-2003, that is, those for which an expenditure was made by the Agency during that fiscal year.

OVERALL PERFORMANCE	
MAIN RESULTS OBSERVED AS OF MARCH 31, 2003 ASSOCIATED WITH OVERALL PROJECTS IN PROGRESS DURING FY 2002-2003	
Number of projects in progress for all three strategic outcomes:	1,911
MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS <sup>1</sup>	
Indicator of promotion of economic development	
■ Total value of projects in progress (total cost, irrespective of funding source) <sup>2</sup>	\$3.4 billion
Indicators of enterprises' competitiveness	
■ Proportion of respondent enterprises stating a sales increase <sup>3</sup>	65%
■ Average sales increase as stated by respondent enterprises	\$718,000
Indicator of customer satisfaction (quality of services in general)	93%
Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above	
■ Total value of financial assistance approved by the Agency <sup>4</sup>	\$831 million
■ Leverage effect on enterprises <sup>5</sup>	\$1 → \$4.26
Incentive effect of financial assistance approved <sup>6</sup>	
- Proportion of beneficiaries who stated that they would not have completed their projects without Agency assistance (completion effect)	73%
Among the beneficiaries who stated that they would have completed their projects:	
- Proportion of beneficiaries who stated that they would not have completed their projects within the same timeframe without Agency assistance (acceleration effect)	61%
- Proportion of beneficiaries who stated that they would not have completed their projects on the same scale without Agency assistance (increased-scale effect)	71%

Notes:

- 1 Part of the medium-term results and most of the long-term results generated by the Agency's intervention are not shown in this report, which thereby underestimates the scale of the results of projects where Agency assistance made implementation possible. As the Departmental Performance Report is a yearly follow-up document, the report and its underlying methodology lack the hindsight required to document ripple effects, which spread and grow over time. But ripple effects are the main results targeted by the Agency's action. Evaluation reports on the Agency's intervention should be referred to for a more complete picture of the scale of the economic development results achieved.

Notes (cont'd):

- 2 The total value of projects in progress is the indicator of the financial effort invested by all economic development players, irrespective of funding source, to carry out projects with which the Agency was associated during FY 2002-2003.
- 3 Enterprises contacted for the Agency's annual survey *whose project is completed* who stated that their sales had increased. The annual survey questions on this topic were as follows: (a) Did the project funded by Canada Economic Development enable your enterprise to increase its sales? (197 respondents out of a total of 301; 65.4%), and (b) By approximately how much did your sales increase (\$ CAN) as a result of this project? (181 respondents out of a total of 197; total increase = \$129,967,000).
- 4 This indicator measures total expenditures to which the Agency is committed under the IDEA-SME, RSI, CFP and special CQF programs, the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy and the Infrastructure Canada Program for projects whose outcomes are presented in this report, that is, projects in progress in 2002-2003. Since many of these projects were active prior to FY 2002-2003 or will remain active in subsequent fiscal years, total expenditures to which the Agency is committed for projects being reported on exceed actual expenditures incurred for the same projects in 2002-2003. Generally speaking, more than 40% of projects are completed within a 12-month period. Only 35% of projects are spread over 12-24 months, while fewer than 25% are spread over more than 24 months.
- 5 This indicator exclusively concerns contributions provided by the Agency to SMEs in the context of certain priorities (see below for a description of the *Establishment of strategic enterprises*; *Competitiveness — Innovation in processes, equipment and products*; and *Competitiveness — Commercialization* priorities); in those cases, the Agency seeks a "leverage effect" from its contributions, i.e., to ensure that each dollar invested by the Agency generates the highest possible direct investment from SMEs. This indicator is calculated by dividing (a) the total value of corporate projects in progress during FY 2002-2003 by (b) the total amount of contributions approved by the Agency for those projects, excluding the Agency's relative share (\$1).
- 6 The proportion of recipients having completed their projects who stated that they would not have been able to complete their projects without Agency assistance was 72.7% (or 213 out of a total of 293 respondents). Among respondents who said they would have been able to carry out their projects without Agency financial support (27.3%, or 80 out of a total of 293 respondents), 71.3% (n = 57) stated that they would not have been able to see through their projects on the same scale, while 61.3% (n = 49) responded that they would not have been able to complete their projects within the same timeframe without financial assistance from the Agency.

The Agency undertook to support to the tune of \$831.1 million the implementation of the 1,911 projects in progress during 2002-2003. Adding investment from other funding providers to the Agency's in its projects, the total value of the 1,911 projects in progress is in excess of \$3 billion, representing major investment in the economic development of the regions of Quebec. The figure on the following page shows the breakdown, according to the Agency's three strategic outcomes, of one of its main short- and medium-term results, namely the total value of projects in progress in 2002-2003 whose implementation was encouraged and supported by Canada Economic Development. This indicator gives an idea of the Agency's impact on promotion of the economic development of the regions of Quebec.

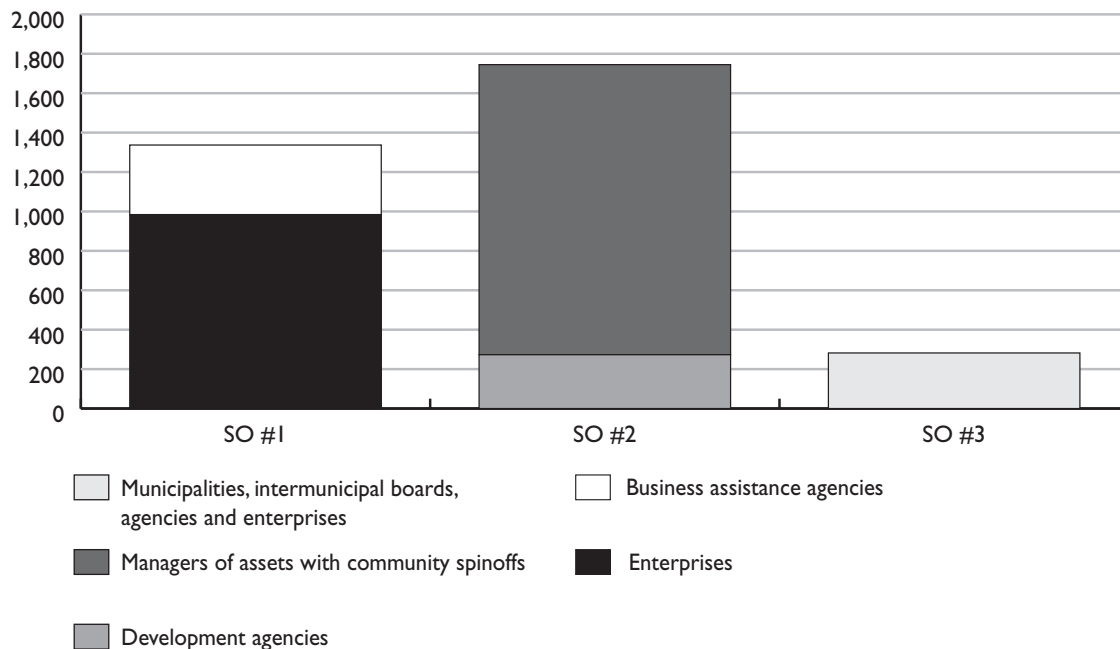
For some priorities targeting *Enterprise development*, the Agency seeks a "leverage effect" from its contributions. With respect to its intervention vis-à-vis enterprises under the *Establishment of strategic enterprises*, *Competitiveness — Innovation in processes, equipment and products* and *Competitiveness — Commercialization* priorities, each dollar invested by the Agency generates direct investment of \$4.26 from other economic development players.

The findings of the annual customer survey show that the Agency's financial assistance was an incentive for implementation of economic development players' projects. Of the clients contacted, 73% stated that they could not have carried out their projects without Agency assistance. Of the 27% or so of clients who said they would have been able to carry out their projects anyway, 61.3% stated that they would not have been able to do so within the same timeframe without Agency support, and 71.3% considered that they would have been unable to see their projects through on the same scale.

Of the enterprises contacted in the annual survey who agreed to answer questions concerning their sales, 65.4% stated that the project carried out through Agency funding had enabled them to increase their sales. Total increased sales by the respondent enterprises amounted to more than \$129 million, for an average of \$718,000 per enterprise agreeing to answer that survey question.

**Main short-term result**  
**Overall indicator of promotion of economic development**  
**Total value of projects in progress**  
 — by strategic outcome and type of beneficiary —

In millions of dollars



Directly and indirectly, these projects had already contributed, as of March 31, 2003, to the creation, transformation or maintenance of more than 14,026 jobs<sup>7</sup> in the different regions of Quebec. While not constituting targeted short- or medium-term outcomes, enhancement of prosperity and job creation are among the Agency's ultimate goals; they can be fully achieved only in the long term, at the end of a long chain of ripple effects which is beyond the scope of this annual performance monitoring report. The Agency's strategy anticipates that jobs created and maintained in the short term will increase in number in the medium and long term, as the effects of the projects that were in progress in 2002-2003 gain in scope and tend toward maturity.

Over the years, the Agency has posted high levels of customer satisfaction with its services. FY 2002-2003 is no exception, since 93.0% of the clientele contacted in the annual survey are satisfied with the quality of the Agency's services in general.

<b>CUSTOMER SATISFACTION 2002-2003</b>	
<b>Quality of services in general</b>	<b>93.0%</b>
<ul style="list-style-type: none"> <li>■ Access to services</li> <li>■ Ability to meet clients' needs</li> <li>■ Fairness and impartiality of services</li> <li>■ Financial assistance application response time</li> <li>■ Claim response time</li> <li>■ Clarity of administrative documents received</li> <li>■ Courtesy of staff</li> <li>■ Competence of staff</li> <li>■ Guidance through procedure</li> </ul>	<ul style="list-style-type: none"> <li>90.9%</li> <li>85.3%</li> <li>91.4%</li> <li>75.5%</li> <li>81.0%</li> <li>85.2%</li> <li>97.6%</li> <li>93.0%</li> <li>89.9%</li> </ul>

## Achievements with respect to commitments

The table on the following page reports on the extent of achievement, as of March 31, 2003, of the main commitments made in the Agency's *2002-2003 Report on Plans and Priorities* (RPP), according to its three strategic outcomes and each of their priorities. Achievement of the commitments listed in the 2002-2003 RPP runs from the start of FY 2002-2003 to the end of FY 2004-2005, or two full years after the period covered by this report.

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<sup>7</sup> This indicator is an estimate of jobs created and maintained, as of March 31, 2003, as declared by those responsible for projects in progress during FY 2002-2003, under the IDEA-SME, RSI and special CQF programs and the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy. Appendix III provides further details in this regard.

EXTENT OF ACHIEVEMENT OF COMMITMENTS MADE IN THE 2002-2003 Report on Plans and Priorities		
STRATEGIC OUTCOME	PRIORITY	EXTENT OF ACHIEVEMENT
<b>Foster enterprise development</b>	1.1 General information and awareness	★
	1.2 Establishment of strategic enterprises	★
	1.3.1 Enterprises' competitiveness	
	1.3.1 Competitiveness — New business practices	★
	1.3.2 Competitiveness — Innovation in processes, equipment and products	✓
	1.3.3 Competitiveness — Commercialization	★
	1.4 Development of small enterprises	★
<b>Contribute to improving the environment for economic development of the regions</b>	2.1 Local capability to energize development of the local economy	★
	2.2 Economic enhancement of regional development assets	★
	2.3 Development and reinforcement of knowledge-based competitive advantages	✓
<b>Facilitate development and renewal of community infrastructure</b>	3.1 Drinking water and wastewater infrastructure	★
	3.2 Local transportation infrastructure	★
	3.3 Projects with urban or regional economic impact	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

For further detail on the Agency's achievements with respect to each of the commitments set out in the 2002-2003 RPP, the subsections dealing with each of the intervention priorities in the following pages may be consulted.

## **Strategic outcome #1: Foster enterprise development**

Enterprises are central to the economic development of Quebec regions. Indeed, it is through enterprises that a region's economic development takes place. For Canada Economic Development, fostering enterprise development should translate into more dynamic, more competitive enterprises, capable of generating greater prosperity and more jobs in the regions. In 2002, a very high proportion of new jobs created in Quebec appeared in enterprises with no more than 100 employees.

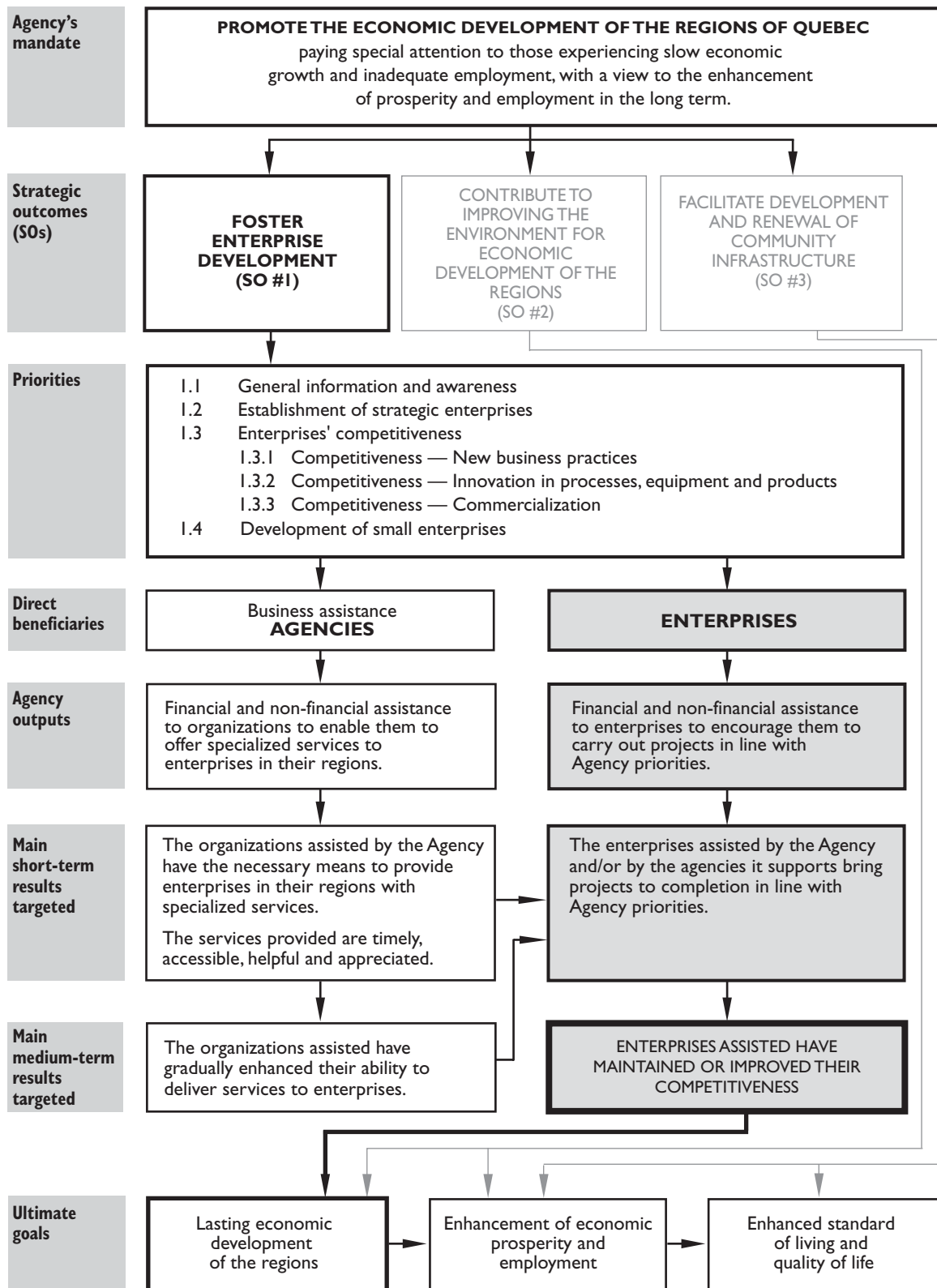
To maintain their competitiveness and prosper in the context of globalization of the economy and accelerating technological progress, enterprises are well-advised to identify strategic information effectively and incorporate it in their decision-making. They have to show themselves capable of greater flexibility, and innovate rapidly and constantly in line with ever-shorter product development and commercialization cycles. It is also in their interest to adopt advanced technology, innovative production processes, new methods of organization and new business management processes, such as strategic alliances, subcontracting and e-business, etc.

Not all enterprises operate on international markets right after startup. In most cases, small enterprises start out serving the markets in their regions; some of them will then successfully make a name for themselves on the national and international economic stage. Regardless of how they develop in future, small enterprises are an essential element in maintaining the economic vitality of rural communities and regions far from major urban centres.

The logic model on the following page explains the rationale behind the Agency's action to foster enterprise development in all regions of Quebec. To enhance enterprises' competitiveness successfully, the Agency builds on the one hand on financial and non-financial support to enterprises so that they implement their projects. On the other hand, the Agency funds and offers non-financial support to non-profit organizations so that they offer specialized services to enterprises in Quebec, thus facilitating their expansion and sales growth.

These two means favoured by the Agency contribute in the short and medium term to fostering enterprise development and, ultimately, to sustained economic development of the regions of Quebec and enhancement of their economic prosperity and employment.

## Logic model for Strategic Outcome #1



## Agency's main outputs for *Enterprise development*

To foster *Enterprise development*, the Agency signed 544 new contribution agreements with development players, representing \$169.4 million in financial assistance approved during FY 2002-2003.

The following table shows the breakdown of new contribution agreements in line with the Agency's six priorities under the first strategic outcome, *Enterprise development*. Note that close to two-thirds of the number of new contribution agreements signed by the Agency under this strategic outcome come under the *Competitiveness — Innovation in processes, equipment and products* and *Competitiveness — Commercialization* priorities. Establishment of strategic enterprises ranks third in terms of the number of agreements.

<b>STRATEGIC OUTCOME #1 — ENTERPRISE DEVELOPMENT</b> <b>AGENCY'S MAIN OUTPUT IN TERMS OF FINANCIAL SUPPORT</b> <b>NEW CONTRIBUTION AGREEMENTS</b> <b>APPROVED IN 2002-2003</b> — BY PRIORITY —		
<b>Agency's main output in terms of financial support</b>		
New contribution agreements by priority:	Number of new agreements	Financial assistance approved (in millions of \$)
General information and awareness <sup>1</sup>	4	0.1
Establishment of strategic enterprises	70	109.6
Competitiveness — New business practices	32	6.2
Competitiveness — Innovation in processes, equipment and products	186	25.0
Competitiveness — Commercialization	159	16.1
Development of small enterprises	93	12.4
<b>TOTAL (SO #1 — Enterprise development)</b>	<b>544</b>	<b>169.4</b>
Note: This table does not report on the Agency's other outputs in terms of financial support, or on outputs in terms of non-financial support.		

Note:

- <sup>1</sup> This priority also includes two other agreements paid for from the Agency's operating budget, in the amount of \$1.7 million.

The following table shows trends in new contribution agreements approved for *Enterprise development* over the past three fiscal years.

<b>STRATEGIC OUTCOME #1 — ENTERPRISE DEVELOPMENT</b> <b>AGENCY'S MAIN OUTPUT IN TERMS OF FINANCIAL SUPPORT</b> <b>NEW CONTRIBUTION AGREEMENTS</b> <b>APPROVED IN 2002-2003</b> <b>— COMPARED WITH THE PREVIOUS TWO FISCAL YEARS —</b>							
Foster enterprise development	Fiscal year						
	2000-2001		2001-2002		2002-2003		
	Value	%	Value	%	Value	%	
■ <b>New contribution agreements</b> (number)	529		555		544		
- Enterprises	316	60	296	53	349	64	
- Business assistance agencies	213	40	259	47	195	36	
■ <b>Financial assistance approved</b> (in millions of \$)	134		125.5		169.4		
- Enterprises	46.3	35	52.4	42	124.8	74	
- Business assistance agencies	87.7	65	73.1	58	44.6	26	
■ <b>Total value of projects subject to a new contribution agreement</b> (in millions of \$) <sup>1</sup>	387		375.6		922		
- Enterprises	254.5	66	240.7	64	834	90	
- Business assistance agencies	132.5	34	134.9	36	88	10	

Note:

1 Irrespective of funding source.

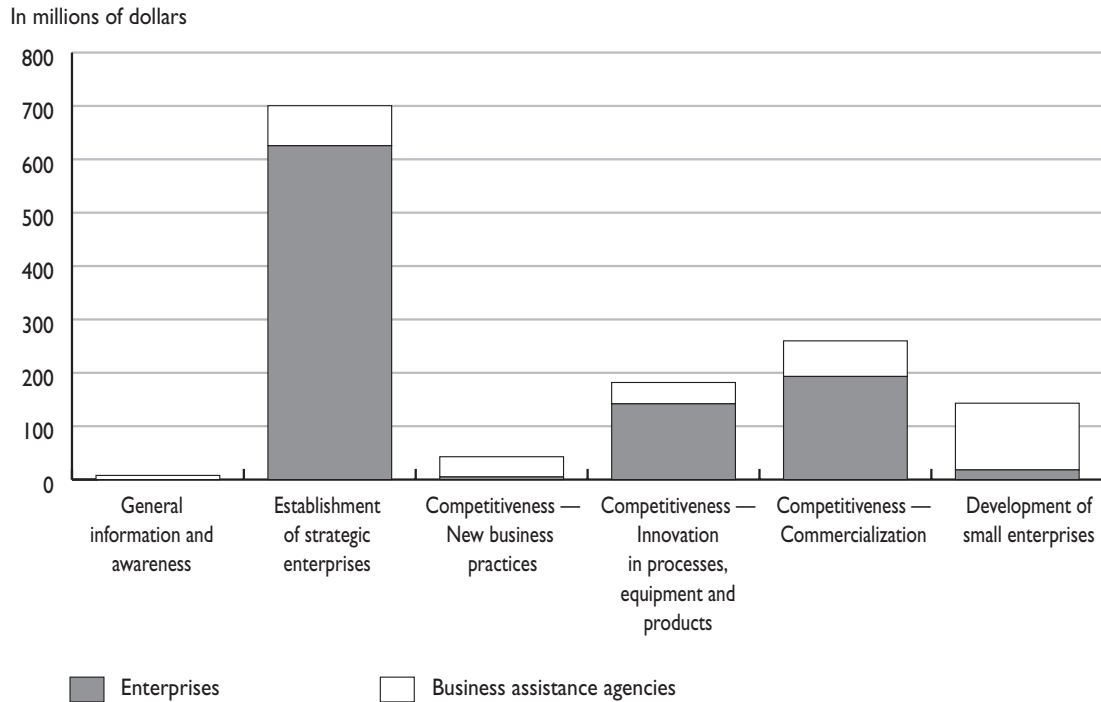
Financial assistance approved in 2002-2003 includes the \$80 million approved for the *Papiers Gaspésia inc.* project. A project on this scale is quite exceptional for the Agency.

## Main results observed for *Enterprise development*

The results associated with the first strategic outcome concern enterprises, either directly or through business assistance agencies. As illustrated in the logic model for the strategic outcome, agencies offering services to enterprises play a leading role in the achievement of results vis-à-vis enterprises in Quebec.

The total value of the 1,148 projects in progress in 2002-2003 with respect to *Enterprise development* stood at more than \$1.3 billion, including investment from other funding providers. The Agency's actual expenditures during this fiscal year amounted to \$123.1 million. As to total expenditures incurred as of March 31, 2003 to achieve the results presented in this report associated with projects in progress in 2002-2003, the Agency spent more than \$206 million.

Main short-term result  
Overall indicator of enterprise development  
**Total value of projects in progress**  
— by the six priorities —



The previous figure shows that the Agency's main short-term result concerning *Enterprise development* will come from the *Establishment of strategic enterprises* priority. Subsequently, results will be seen primarily with enterprises, first of all under the *Competitiveness — Commercialization* priority, then under the *Competitiveness — Innovation in processes, equipment and products* priority. As to business assistance agencies, the main short-term result is to be seen under the *Development of small enterprises* and *Establishment of strategic enterprises* priorities.

#### A- Main results observed vis-à-vis business assistance agencies

The Agency supports many projects whose beneficiaries are non-profit organizations. These Agency collaborators provide a number of general or specialized services to enterprises in the regions of Quebec. The table on the following page shows the main short- and medium-term results of the Agency's action vis-à-vis business assistance agencies.

As identified in the logic model above, one of the first results of the Agency's intervention vis-à-vis business service agencies is to enable them, by means of contributions and non-financial support, to offer a broad range of general or specialized products and services to enterprises in such specialized areas as advanced business practices, innovation, exports and commercialization.

The Agency's collaborators deliver products and services to enterprises throughout Quebec. By funding the projects of organizations offering services to business, the Agency ensures, among other things, that it extends its reach and the effectiveness of its intervention vis-à-vis enterprises in Quebec, is always attuned to their needs and fosters their development fully. The following subsections in the next few pages on each of the priorities of the first strategic outcome present the main results observed vis-à-vis business assistance agencies and their clientele.

On an ongoing basis, the Agency pays special attention to the timeliness, accessibility and helpfulness of the services delivered to enterprises via its network of collaborators.

<b>STRATEGIC OUTCOME #1 — ENTERPRISE DEVELOPMENT</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>ASSOCIATED WITH PROJECTS IN PROGRESS DURING FY 2002-2003</b> — BUSINESS ASSISTANCE AGENCIES —	
<b>Number of projects in progress with business assistance agencies:</b>	<b>498</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of services delivered to enterprises</b> <ul style="list-style-type: none"> <li>■ Number of requests for information processed</li> <li>■ Number of service activities carried out (awareness, development of capabilities, guidance, etc.)</li> <li>■ Number of participants in activities</li> </ul>	605,020 8,372 89,443
<b>Indicator of capability to deliver services to enterprises</b> <ul style="list-style-type: none"> <li>■ Value of services provided through Agency financial support (estimated value of total cost of projects in progress, irrespective of funding source)</li> </ul>	\$352.7 million
<b>Indicators of the impact of assistance from organizations supported by the Agency on enterprises served</b> <ul style="list-style-type: none"> <li>■ Enterprises in pre-startup (870); enterprises in startup (1,070) or expansion (545)</li> <li>■ Jobs created (2,925); jobs maintained (1,373)</li> </ul>	2,485 4,298
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved by the Agency</li> <li>■ Actual expenditures in 2002-2003 with regard to projects in progress</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$203.2 million \$60.2 million \$112.0 million

## B- Main results observed vis-à-vis enterprises

The main results sought under the first strategic outcome concern enterprise development. The following table illustrates the results as to enterprises supported under this strategic outcome.

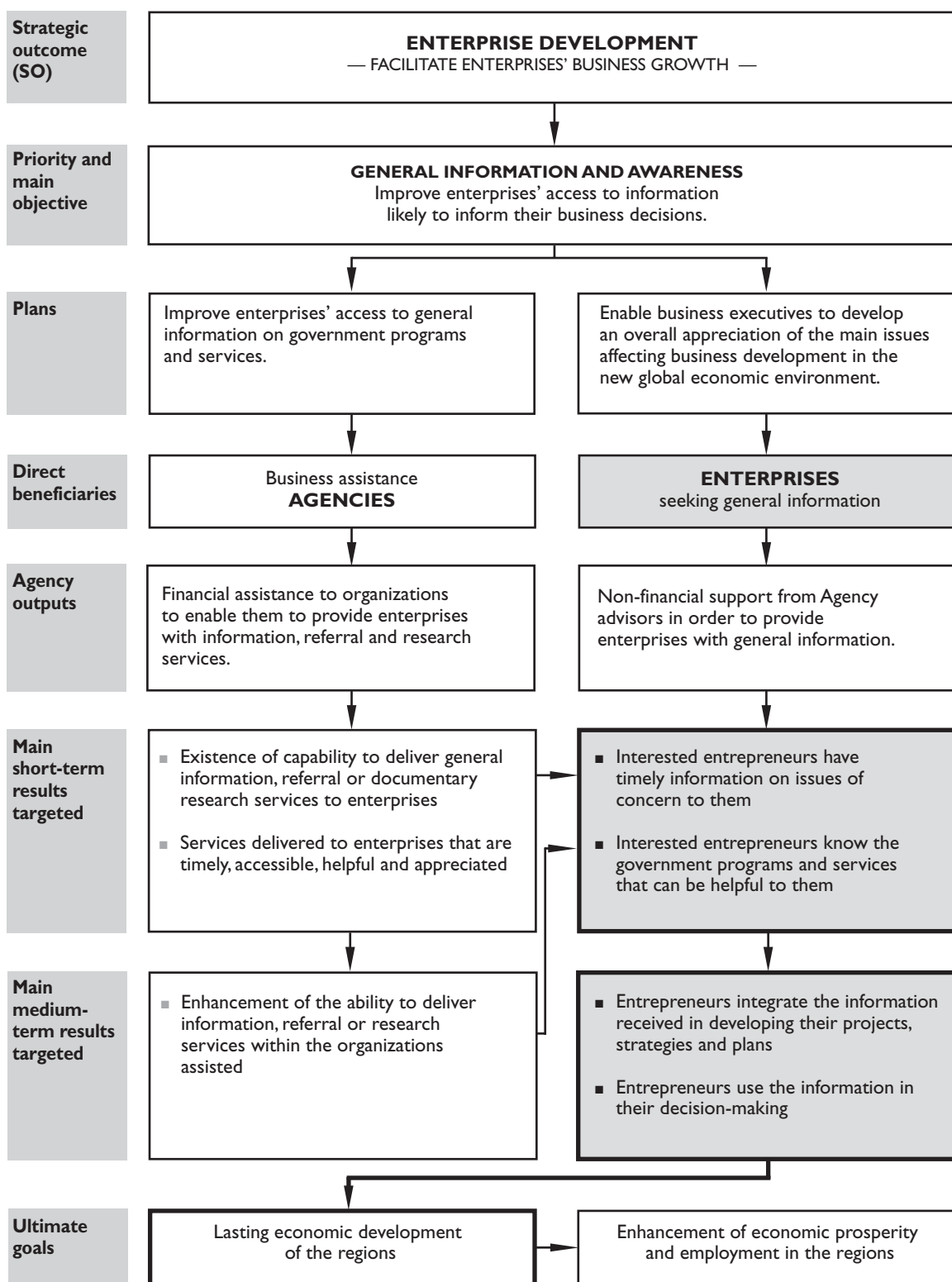
<b>STRATEGIC OUTCOME #1 — ENTERPRISE DEVELOPMENT</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>ASSOCIATED WITH OVERALL PROJECTS IN PROGRESS DURING FY 2002-2003</b> — ENTERPRISES —	
<b>Number of projects in progress with enterprises:</b>	<b>651</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of Enterprise development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (total cost, irrespective of funding source)</li> <li>■ Jobs created (1,407); jobs modified (434) or maintained (1,861)</li> </ul>	<b>\$983.9 million</b> <b>3,702</b>
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Proportion of respondent enterprises stating a sales increase (n = 177)</li> <li>■ Average sales increase as stated by respondent enterprises</li> </ul>	<b>66%</b> <b>\$700,000</b>
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved by the Agency</li> <li>■ Leverage effect on enterprises</li> <li>■ Actual expenditures in 2002-2003 with regard to projects in progress</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	<b>\$186.1 million</b> <b>\$1 → \$4.26</b> <b>\$63.1 million</b> <b>\$94.9 million</b>

The Agency spent more than \$63 million in 2002-2003 on more than 651 corporate projects. The total value of these projects, irrespective of funding source, exceeded \$983 million. When the projects in progress in these enterprises are completed over the next few years, this entire sum will have been invested in the different regions of Quebec.

In the Agency's annual survey, the enterprises contacted stated that they had created, maintained or transformed more than 3,700 jobs as a result of the Agency's financial support. In addition, 66.4% of respondent enterprises said they had increased their sales. Total sales increases amounted to \$123.4 million.

## Priority I.1: General information and awareness

### Logic model for priority I.1



One way for the Agency to contribute to enterprise development is to improve their executives' access to general economic information likely to inform their business decisions. In this area, the Agency's plan concerns: (1) enterprises' access to general information, and (2) raising entrepreneurs' awareness concerning the main issues affecting development.

To implement this plan, out of its operating budget, the Agency contributes to management and implementation of the Canada Business Service Centre (CBSC) initiative in Quebec. The Agency funds the *Info entrepreneurs* and *Ressources Entreprises*, which provide entrepreneurs with integrated information on government programs and services free of charge. These centres also deliver commercial intelligence services to business people.<sup>8</sup>

The Agency also provides financial assistance to organizations so they can disseminate documents to raise awareness, or so they can organize conferences, seminars or short workshops on general issues, in order to awaken interest in these issues and elicit reflection from business people which prompts them to act, as required.

### Agency's main outputs

During FY 2002-2003, the Agency approved four new contribution agreements for the *General information and awareness* priority. The financial assistance approved by the Agency for these agreements stood at \$154,000.

<b>AGENCY OUTPUTS</b>	
I.1 General information and awareness	2002-2003
■ Number of new contribution agreements	4
■ Financial assistance approved (in millions of \$)	0.154
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	1.1

Note:

<sup>1</sup> Irrespective of funding source.

<sup>8</sup> From its operating budget, to fund the Canada Business Service Centres (*Info entrepreneurs* and *Ressources Entreprises*) the Agency invested \$1.5 million in 2000-2001, \$1.7 million in 2001-2002 and \$1.7 million in 2002-2003.

## Main results observed

### BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.1: GENERAL INFORMATION AND AWARENESS</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of business assistance agencies' projects in progress:</b>	<b>15</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	<b>\$7.8 million</b>
<b>Indicators of services delivered to enterprises</b> <ul style="list-style-type: none"> <li>■ Number of requests for general information processed</li> <li>■ Awareness activities organized<sup>1</sup></li> <li>■ Participants in awareness activities organized</li> </ul>	605,020 257 6,740
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$3.8 million \$1.2 million \$3.4 million

Note:

- 1 Opportunities and means provided by a non-profit organization to development players (enterprises, etc.) to become aware of the importance of issues affecting them. Typically takes the form of a short event (approximately one half day) or a document (brochure, video, etc.) comprising presentations and testimonials, for instance.

In 2002-2003, the Canada Business Service Centres received more than 605,020 information requests from across Quebec, notably through visits to their Web sites. The number of information requests is up 58% from the results achieved during FY 2001-2002 (343,523 information requests processed).

The Agency's financial support led to the staging of 257 awareness activities, thus enabling more than 6,500 participants in these activities to be informed about business or other issues likely to affect them.

The following table illustrates the Agency's achievements concerning the *General information and awareness* priority in relation to its commitments.

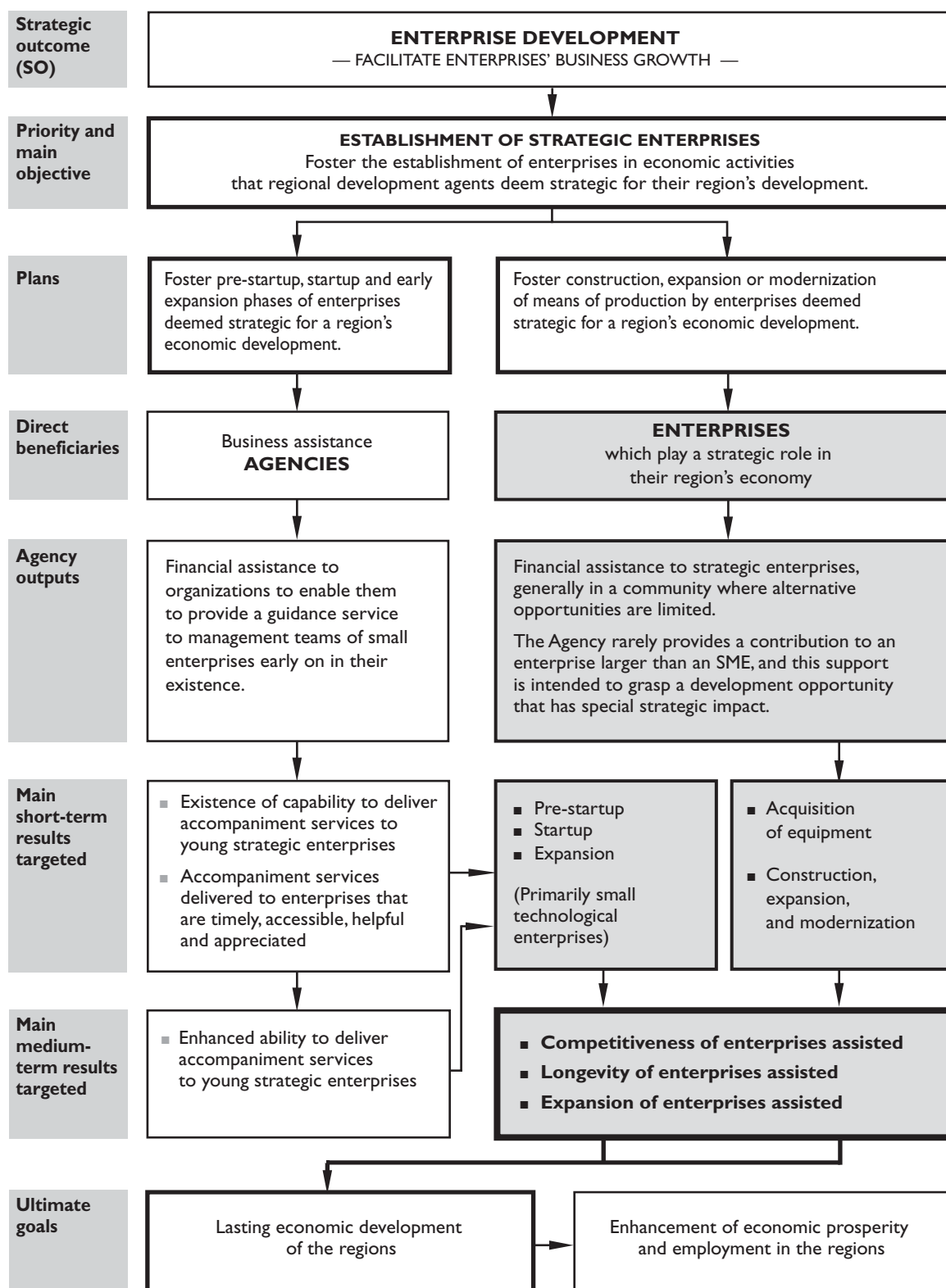
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ Respond to 800,000 requests for information	■ Business assistance agencies funded by the Agency processed more than 605,000 requests for information during FY 2002-2003	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

As to the *General information and awareness* priority, the results observed show that the Agency is in the process of exceeding its objectives.

## Priority 1.2: Establishment of strategic enterprises

### Logic model for Priority 1.2



Another way for the Agency to contribute to enterprise development is to support the establishment of enterprises in economic activities deemed strategic for their region's development. The establishment of strategic enterprises targets the development and consolidation of a "critical mass" of economic activities in the niches of excellence specific to each region. The reinforcement of regional niches of excellence is indeed one of the foundations of several RISs. By seeking to create "critical mass", the Agency wishes to develop sufficient business volume in the regions to generate ripple effects in a particularly promising area of economic activity for which the region has competitive advantages.

In each region, the niches of excellence on which the Agency intends to build have been carefully identified by local economic agents; development of enterprises in these sectors is the subject of special attention from the Agency. Reinforcement of niches of excellence also involves the enhancement of their development environment, notably through reinforcement of knowledge-based competitive advantages; this aspect of the Agency's strategy will be covered later in this report, in the part concerning Strategic outcome #2, *Improvement of the environment for economic development of the regions*.

The diagram on the previous page shows that the Agency provides financial assistance to organizations and enterprises to foster the establishment of enterprises in economic activities that regional economic agents deem strategic for their region's development.

The Agency's plan is to assist organizations so that they can offer guidance services to strategic startup enterprises (primarily technological enterprises); the guidance services offered by these organizations represent particularly sustained support for the management teams of young enterprises, generally in the pre-startup or startup phase. In concrete terms, these guidance services are often provided by organizations devoted to business incubation. The case study presented in the box on the following page illustrates this type of intervention. The Agency's plan also consists in helping newly established enterprises start up in commercial operation.

The Agency also supports medium-sized enterprises playing a strategic role in their region's development, so they can carry out projects to construct, expand or modernize their facilities; the Agency rarely grants contributions to enterprises larger than an SME, and this support is intended to grasp a particularly strategic development opportunity, generally in a community where opportunities are few.

### **Canada Economic Development's participation in development of Quebec Biotechnology Innovation Centre**

Located in the Laval Science and High Technology Park, the Quebec Biotechnology Innovation Centre (QBIC), inaugurated in August 1996, is the first business incubator to specialize in the biotechnology sector in Quebec. Canada Economic Development participated in the creation of the QBIC through a contribution provided under the Canada Infrastructure Works Program (1994).

This incubator project was initiated by the two partners in the Laval Science and High Technology Park, LAVAL TECHNOPOLE and *INRS-Institut Armand-Frappier*. It was set up to respond to the problem of lack of incubation space and the special needs of entrepreneur-researchers. It is a not-for-profit organization which provides entrepreneurs with business guidance services, laboratories, and leading-edge scientific equipment and instruments, to facilitate the startup of innovative enterprises in the biotechnology sector. It places specialized physical infrastructure at their disposal, as well as a customized business service and guidance. The QBIC offers its services to entrepreneur-researchers presenting a project with high technological potential. The latter come primarily from universities in Greater Montreal or occasionally from a pharmaceutical or biotechnology firm. The QBIC offers three programs: the incubation program, introduced upon the inauguration of the QBIC in 1996, the pre-incubation program, established in early 1998, and the post-incubation program, which was set up recently.

In just a short time, the QBIC has built a national and international reputation. The prestigious Randall M. Whaley Incubator of the Year award from the U.S. National Business Incubation Association (NBIA) in 2002 brought it international recognition. This was the first time the NBIA jury had given such an honour to an incubator outside the United States. The same year, the QBIC received the Innovation Award from the *Fondation Armand-Frappier*.

#### **Canada Economic Development's participation in development of the QBIC**

For more than seven years, Canada Economic Development has been providing substantial financial assistance to this incubator, making it one of the organization's main funding providers. At every phase in the organization's development, the Agency has supported the project through financial assistance and considerable guidance. It contributed financially to the implementation of promotional activities and fitting-out work and purchase of specialized equipment. The promotional activities helped raise the target clientele's awareness of the advantages of the QBIC. Since 2000, the substantial assistance from the Agency has been used to defray the Centre's operating costs.

Canada Economic Development's support for the QBIC project is not restricted to the financial sphere. An Agency representative has sat on the QBIC's board of directors from the outset. The Agency's participation as an observer on the Centre's board enables it to monitor its development and support the QBIC when programs are introduced. Moreover, the Agency wished to play a major role in the pre-incubation phase by supporting the establishment, in 2000, of the pre-startup assistance fund for biotech entrepreneurs, the *Fonds d'aide au prédémarrage pour les entrepreneurs en biotechnologie*.

### ***Impressive results***

The QBIC has had a remarkable record since it began in 1996. Aside from the Centre's reputation, note the addition of rental space to meet enterprises' needs, the more-than-satisfactory financial results and level of self-financing, the quality of the enterprises incubated and of the graduate enterprises, and the support provided to enterprises. The ingredients of the QBIC's success surely consist in the quality of its links with incubated enterprises.

Since 1996, the QBIC has undergone two development phases, and it is preparing to enter its third phase. The QBIC's success has meant that occupancy levels quickly moved beyond the 90% mark. Phase 3 (2003) corresponds to the QBIC's relocation to new premises in the Laval Biotechnology Development Centre.

Moreover, the QBIC has posted a significant increase in its self-generated revenues. In 1997, it had already achieved a 41% level of self-financing; after a mere five years of activity, this ratio had risen to 72%.

The QBIC has contributed to the startup of 16 enterprises, nine of which have achieved full autonomy. Currently, seven enterprises are in residence at the QBIC, of which four should graduate in 2003. As of December 31, 2002, resident and graduate enterprises accounted for 575 full-time jobs. Of these positions, 87 were held by researchers, 244 by other professionals and 244 by technicians. The enterprises' total assets stood at \$117,943,000, including \$8,755,000 in spending on research and development.

In the course of the various QBIC projects carried out with Canada Economic Development's support, the incubator's managers have proven their ability to see projects through. From its inception, the QBIC has always met the objectives set in terms of performance, namely, to stimulate research and development for commercial purposes, support the creation of new enterprises, and foster job creation and growth in self-financing levels. For the Agency, the QBIC is a promising organization with a proven track record. Indeed, a relationship not only of trust but also of partnership has developed between Canada Economic Development and the QBIC, since graduate enterprises are subsequently referred to the Agency. In addition, the organization has gone beyond its mandate as an incubator by representing the network of incubators in Quebec. The numerous awards it has received, as well as international alliances, have extended the QBIC's outreach at home and abroad.

For further details on the QBIC, a comprehensive case study of the organization may be consulted on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Publications".

### Agency's main outputs

During FY 2002-2003, the Agency approved 70 new contribution agreements for the *Establishment of strategic enterprises* priority. Financial assistance approved by the Agency for these agreements stood at \$109.5 million.

<b>AGENCY OUTPUTS</b>	
1.2 Establishment of strategic enterprises	2002-2003
■ Number of new contribution agreements	70
■ Financial assistance approved (in millions of \$)	109.5
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	717.2

Note:

<sup>1</sup> Irrespective of funding source.

The increase in financial assistance approved in 2002-2003 is attributable to the \$80-million contribution agreement between the Agency and *Papiers Gaspésia inc.* in the Gaspésie—Îles-de-la-Madeleine region. The other 69 new contribution agreements total commitments of \$29 million.

## Main results observed

### A - BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.2: ESTABLISHMENT OF STRATEGIC ENTERPRISES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of projects in progress with business assistance agencies:</b>	<b>43</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$75.0 million
<b>Indicators of services delivered to enterprises</b> <ul style="list-style-type: none"> <li>■ Awareness activities organized</li> <li>■ Participants in awareness activities organized</li> <li>■ Activities to develop capabilities<sup>1</sup></li> <li>■ Participants in activities to develop capabilities</li> <li>■ Guidance activities carried out<sup>2</sup></li> <li>■ SMEs benefiting from guidance activities</li> </ul>	147 5,119 31 424 215 388
<b>Indicators of results vis-à-vis enterprises served</b> <ul style="list-style-type: none"> <li>■ Enterprises in pre-startup phase</li> <li>■ Enterprise startups</li> <li>■ Jobs created</li> <li>■ Jobs maintained</li> </ul>	157 90 982 60
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$30.9 million \$12.2 million \$23.3 million

#### Notes:

- 1 Opportunities and means provided by non-profit organizations to development players (enterprises, etc.) to acquire and upgrade their competencies and knowhow. Typically covers a specialized field. Generally takes the form of sessions spread over a whole day or more, notably comprising theory and practical exercises. Also takes the form of mechanisms for exchanging information on learning experiences.
- 2 Sustained and extended systematic support offered to development players (enterprises, etc.) by a non-profit organization, at various stages in their progression, likely to help them design, perfect or improve their policy, strategy, business plan, action plan or project, for instance, or to implement it, complete it or ensure follow-up on it.

In order to establish strategic enterprises, Agency support for business assistance agencies led to the staging of 31 activities to develop capabilities at which more than 400 participants acquired competencies and knowhow. Financial assistance from the Agency also made it possible to hold 215 guidance activities for 388 entrepreneurs.

The Agency also contributed to creating or maintaining more than 1,000 jobs among the clientele served by funded business assistance agencies. These agencies led to the pre-startup and startup of 247 new enterprises in areas of activity deemed strategic for development of the regions.

## B- ENTERPRISES

<b>PRIORITY 1.2: ESTABLISHMENT OF STRATEGIC ENTERPRISES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO ENTERPRISES' PROJECTS IN PROGRESS</b>	
<b>Number of enterprises' projects in progress:</b>	<b>80</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of enterprise development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$625.5 million
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Enterprises stating a sales increase</li> <li>■ Sales increase (n = 13)</li> <li>■ Average sales increase</li> </ul>	58% \$9.8 million \$758,076
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created</li> <li>■ Jobs maintained</li> <li>■ Jobs modified</li> </ul>	324 286 22
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Leverage effect on enterprises</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$105.8 million \$1 → \$4.91 \$30.5 million \$44.7 million

The Agency spent more than \$30 million in 2002-2003 on 80 corporate projects deemed strategic for development of enterprises' regions with a view to fostering their establishment and expansion.

In response to the Agency's annual survey of these enterprises, 57.7% said they had increased their sales. The average sales increase among the enterprises contacted (n = 13) is \$758,000. It must be pointed out that under the *Establishment of strategic enterprises* priority, a large number of projects in progress have not yet started commercial operations, and in the short term this limits results in terms of increased sales and employment.

The following table illustrates the Agency's achievements concerning the *Establishment of strategic enterprises* priority in relation to its commitments.

2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 600 entrepreneurs having completed their pre-startup or startup projects for new SMEs	■ Agency financial support led to the pre-startup and startup of 247 enterprises deemed strategic for the development of their region	★
■ Five incubators set up in various sectors	■ Three incubators were set up in 2002-2003 through Agency financial support	★
■ Relaunch and modernization of the <i>Papiers Gaspésia inc.</i> mill and creation of 260 jobs	■ The Agency signed an \$80-million contribution agreement in 2002-2003 with <i>Papiers Gaspésia inc.</i> The Agency paid out more than \$23 million in 2002-2003 out of the \$80 million planned for project completion. When the project is completed, the Agency will have contributed to the creation of 260 jobs or more at the mill, not to mention the ripple effect on the regional forestry industry	✓

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

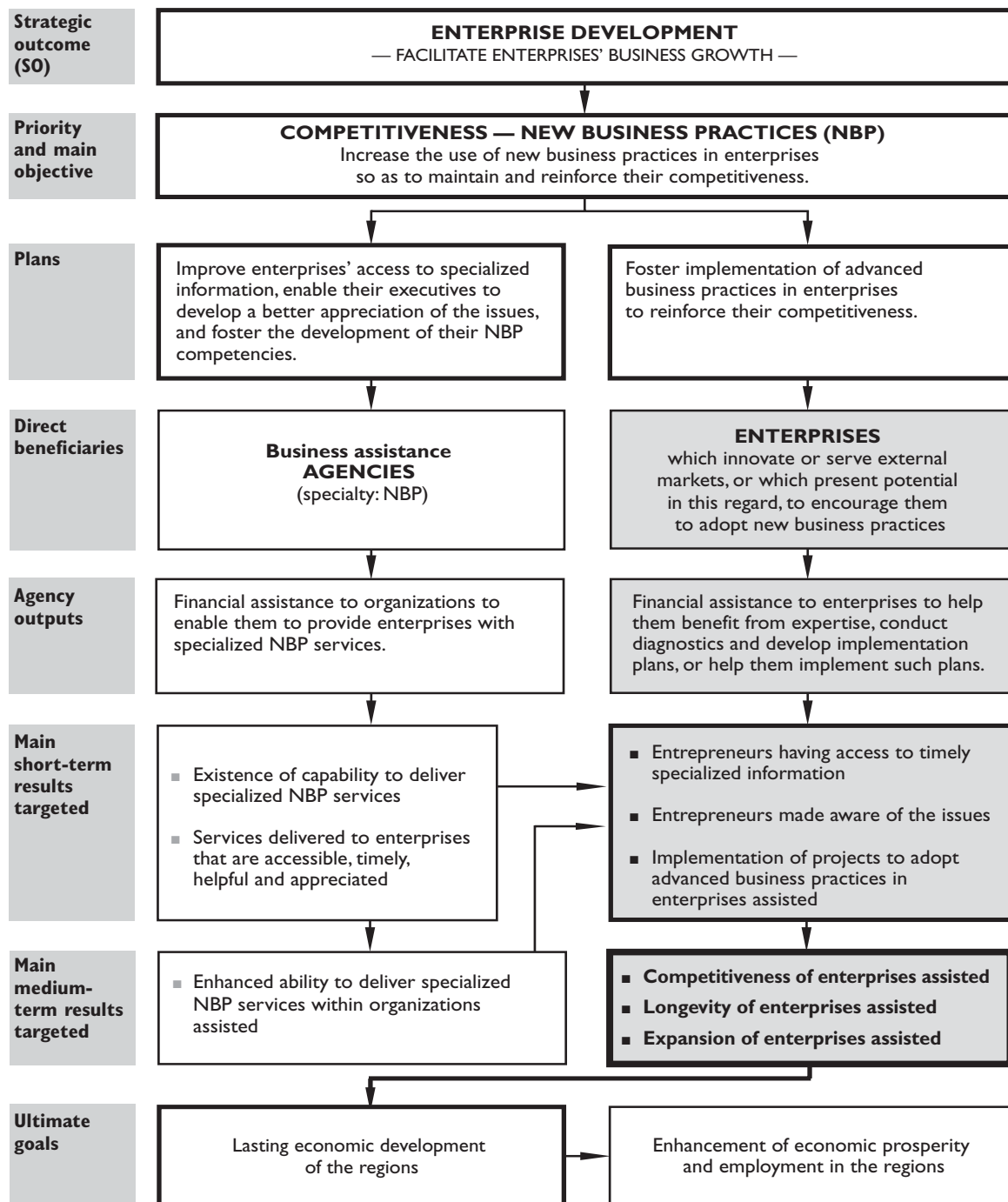
The Agency is in the process of exceeding its commitments with regard to this intervention priority.

### Priority 1.3 Enterprises' competitiveness

To strengthen SMEs' competitive position, the Agency's priorities focus on modernization of enterprises' business practices, development of their innovation capability and reinforcement of their commercialization capability with a view in particular to penetration of foreign markets.

#### Priority 1.3.1: Competitiveness — New business practices

##### Logic model for Priority 1.3.1



New business practices (NBPs) involve a comprehensive process of renewal of an enterprise's strategic positioning and way of doing business. NBPs can lead to introduction of planning processes, strategies for enhancement and development of the enterprise's key competitive advantages, new industrial organization modes (linkage, subcontracting, alliances with foreign enterprises, etc.), electronic business practices, management practices geared to sustainable development, quality management practices, benchmarking practices, etc.

In the context of globalization of the economy, one way for enterprises to reinforce their competitiveness is to update their business practices. In some economic sectors, particularly those whose organizational model is based on close relations between large firms acting as prime contractors and subcontracting SMEs, the bell for electronic business practices and quality management practices rang several years back. Successful adoption of such practices is not always plain sailing, though; owing to their complexity, these projects involve some risks and major challenges.

The Agency financially supports business assistance agencies offering services at every step on the way to adoption of new business practices. The Agency also acts directly vis-à-vis enterprises to help them benefit from expertise, carry out diagnostics and develop implementation plans, or implement these plans. The following box presents an example of the Agency's intervention under this priority.

#### Enviroclubs<sup>OM</sup>: Case study of a sustainable development project aimed at manufacturing SMEs

In Saguenay—Lac-St-Jean, the Enviroclub<sup>OM</sup> program, drawn up jointly by Canada Economic Development and Environment Canada, along with the National Research Council of Canada, is a success on many front.

On the environmental front, it has enabled 40 or more manufacturing SMEs to reduce their energy and raw material consumption, output of toxic and hazardous materials, and toxic and hazardous waste, as well as greenhouse gas emissions and wastewater. For instance, of the 30 SMEs participating in one of the three clubs established in the region to date, the environmental gains are as follows:

- reduction in greenhouse gases of more than 1,800 tonnes of CO<sub>2</sub> equivalent;
- reduction in petroleum product consumption of some 1.8 million litres a year;
- reduction in water consumption of 51,000 m<sup>3</sup> a year;
- reduction in hazardous waste of 508 tonnes a year;
- savings of 1,000 m<sup>3</sup> of wood, equivalent to 10,000 trees.

The Enviroclubs are also a success on the economic front, since reduced consumption of energy and raw materials generates recurrent yearly savings. Currently, of the enterprises which have participated in two of the established clubs, total recurrent annual savings run to some \$1.8 million.

In addition, investment by the government leads to investment from the SMEs involved. For instance, for two of the three established clubs, government investment is \$236,480, whereas investment by SMEs is \$884,367, or 3.7 times that amount.

Participating SMEs are made aware of the spinoffs from using scientific methods to enhance production processes, with the result that they are planning investment of more than \$1 million in the short term and more than \$1.3 million in the medium term.

On the social front, the program has led to improvement in workplace quality and in occupational health and safety. It also contributes to raising workers' and executives' awareness of pollution prevention through, among other things, the introduction in some enterprises of an environmental management system or environmental contingency plans. Finally, enterprises enjoy an enhanced image in their communities, and some of them are ISO 14 000 ready or in the process of becoming accredited.

The program also stands out in terms of its design, management and implementation. In fact, the average timeframe for return on investment is 8-24 months for the three clubs established to date. Also, enterprises' participation is increasing from one club to another, since the first had recruited eight enterprises, the second 10, the third 12 and the fourth, currently being set up, 15.

In addition, three federal organizations have established an effective partnership while respecting each's mission and objectives. Thus, Canada Economic Development gave Environment Canada and the National Research Council of Canada the benefit of its expertise and network for approaching and encouraging SMEs to participate in the program, while respecting its own objective of fostering Quebec's economic development. Environment Canada contributed its environmental expertise to the project, while the NRC, through its Industrial Research Assistance Program, helped raise enterprises' awareness of the benefits of a scientific approach for enhancing production processes. Also, the action of the three partners, under the Agency's leadership, drew on local expertise by associating local consultants with the program. Finally, the Agency's expertise and credibility led to the involvement of local not-for-profit organizations, which ensured that the program ran smoothly and looked after following up on the interventions vis-à-vis enterprises.

Finally, a few years after program implementation, the promoters developed performance indicators for measuring results achieved, which can potentially be used as a basis for comparison. In fact, the success is such that the program promoters are now thinking of exporting the concept to other regions, owing to the expertise they have developed.

For further details on the Enviroclub initiative in Saguenay—Lac-Saint-Jean, a comprehensive case study of the project may be consulted on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Publications".

## Agency's main outputs

During FY 2002-2003, the Agency approved 32 new contribution agreements for the *Competitiveness — New business practices* priority. Financial assistance approved by the Agency for these agreements stood at \$6.2 million.

<b>AGENCY OUTPUTS</b>	
1.3.1 Competitiveness — New business practices	2002-2003
■ Number of new contribution agreements	32
■ Financial assistance approved (in millions of \$)	6.2
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	11.5

Note:

<sup>1</sup> Irrespective of funding source.

## Main results observed

### A- BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.3.1: COMPETITIVENESS — NEW BUSINESS PRACTICES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of business assistance agencies' projects in progress:</b>	<b>47</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> ■ Total value of projects in progress (irrespective of funding source)	<b>\$37.9 million</b>
<b>Indicators of services delivered to enterprises</b> ■ Awareness activities organized ■ Participants in awareness activities organized ■ Activities to develop capabilities ■ Participants in activities to develop capabilities	634 7,246 913 5,976
<b>Indicators of results vis-à-vis enterprises served</b> ■ Enterprises having developed an NBP implementation plan ■ Enterprises having introduced an NBP ■ Business networks created ■ SMEs joining a business network	556 437 20 254
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> ■ Total value of financial assistance approved for projects in progress ■ Actual expenditures in 2002-2003 ■ Total expenditures incurred (including spending from previous years) for projects in progress	\$15.6 million \$4.1 million \$9.1 million

The Agency's financial assistance to business assistance agencies under the *Competitiveness — New business practices* priority contributed to the staging of more than 1,000 awareness and capability development activities in which 13,000 people participated.

In addition, Agency financial support enabled 556 enterprises to develop a plan to implement an advanced business practice and 437 entrepreneurs to introduce a new business practice in their enterprise.

#### B- ENTERPRISES

<b>PRIORITY 1.3.1: COMPETITIVENESS — NEW BUSINESS PRACTICES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO ENTERPRISES' PROJECTS IN PROGRESS</b>	
<b>Number of enterprises' projects in progress:</b>	<b>12</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of enterprise development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	<b>\$4.9 million</b>
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Enterprises stating a sales increase</li> <li>■ Sales increase (n = 1)</li> </ul>	25% <b>\$250,000</b>
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created</li> <li>■ Jobs maintained</li> <li>■ Jobs modified</li> </ul>	3 14 13
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	<b>\$938,016</b> <b>\$365,764</b> <b>\$430,741</b>

Projects in progress will lead in particular to implementation of a quality system, introduction of a new management information system and implementation of a virtual business centre.

The small number of corporate projects funded under this priority is part and parcel of the Agency's intervention in the area of new business practices. At this stage, the Agency is counting on business assistance agencies to awaken entrepreneurs to the implementation and use of new business practices so as to enrich their management practices and processes. Moreover, this priority is relatively new at the Agency.

The following table presents the Agency's achievements concerning the *Competitiveness — New business practices* priority in relation to its commitments in the 2002-2003 RPP.

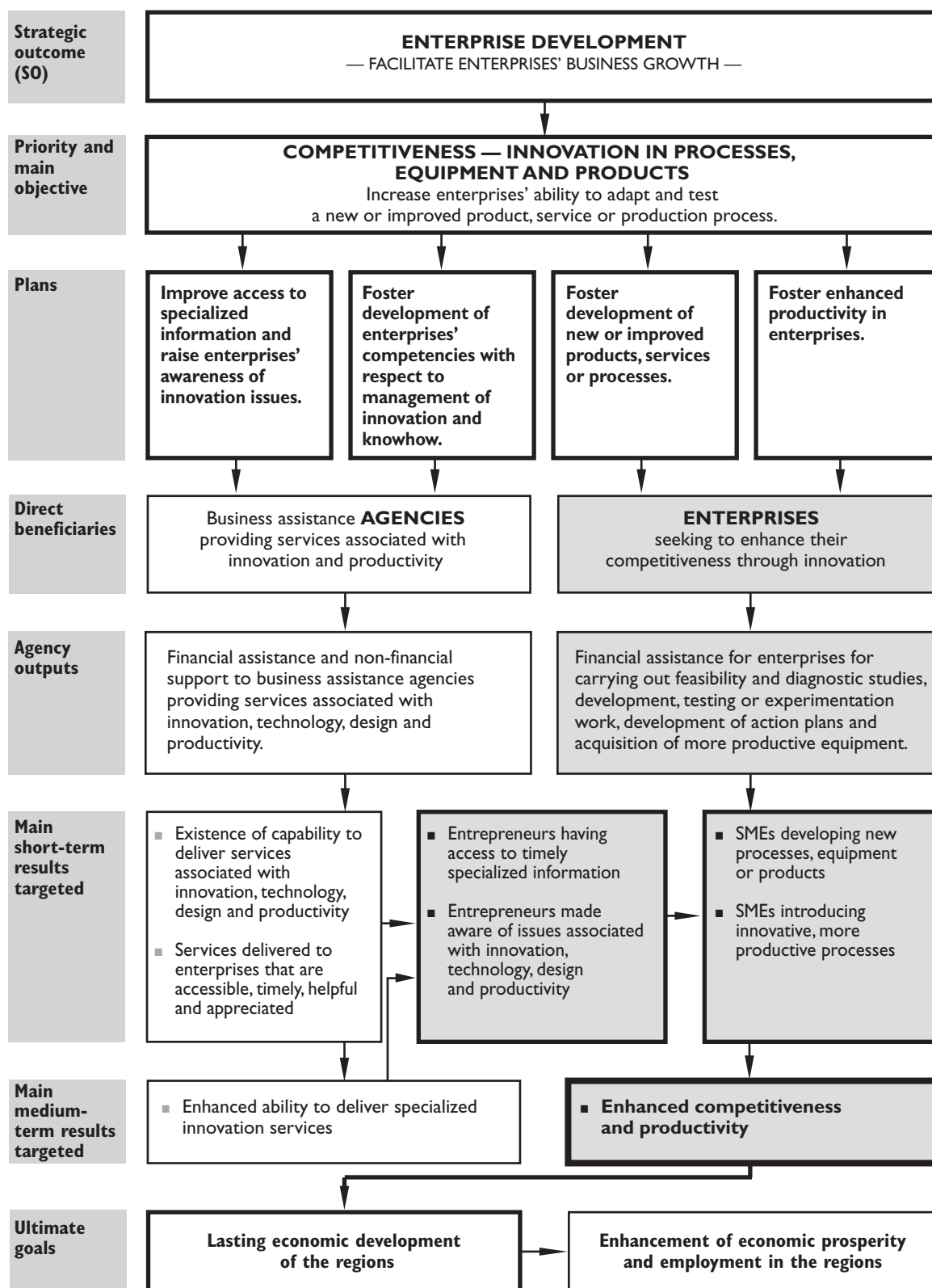
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 2,000 SMEs made aware or having developed competencies for new business practices	■ More than 13,000 individuals were made aware or acquired the competency to use new business practices at more than 1,000 awareness and capability development activities	★
■ 350 enterprises made aware and guided in e-business	■ The Agency provides financial support for a network of e-business resource-persons. This network guided 376 enterprises in e-business. In addition, 84 enterprises were guided under the Business Development Bank of Canada's E-Strat program, partly funded by the Agency	★
■ 250 SMEs having adopted new business practices	■ Agency support contributed to adoption of new business practices by 437 enterprises	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

Generally speaking, the Agency is in the process of exceeding its commitments with respect to this priority. In the medium term, it is likely that entrepreneurs made aware of the use of new business practices could eventually introduce them within their enterprises, thus enhancing their competitiveness.

Priority 1.3.2: Competitiveness — Innovation in processes, equipment and products

Logic model for Priority 1.3.2



Enterprises can increase their competitiveness by reinforcing their ability to innovate. A product differentiated by its technical characteristics or special design gives the enterprise a competitive advantage. Technologically advanced processes also help bring down production costs and offer products at competitive prices. Upgrading of level of knowledge and scientific and technical competencies in the enterprise can enhance its ability to innovate.

To remain in the race alongside dynamic competitors who are themselves seeking to pull ahead, Quebec enterprises have to be able to identify and process strategic information on new trends in technology and design, and innovate rapidly and constantly, in line with ever-shorter development cycles. To develop these new competencies, enterprises have to be able to count on specialized professional human resources.

The Agency co-ordinates its support for innovation with, among others, the National Research Council Canada, which helps enterprises through its Industrial Research Assistance Program and the Canadian Technology Network, in particular. It also co-ordinates with the Canada Customs and Revenue Agency to inform enterprises about the application of tax credits to research and development expenditures.

To support the development of enterprises and ensure their competitiveness, the Agency's plan with respect to innovation in processes, equipment and products aims to increase their ability to adapt or test a new or improved product, service or production process by fostering: (1) access to specialized information and enterprises' awareness of the issues of innovation, (2) development of competencies, (3) development of products, and (4) enhancement of productivity through innovation in processes and procedures.

To that end, the Agency provides financial contributions or non-financial support to business assistance agencies offering services associated with innovation and productivity. It also provides support to enterprises for conducting feasibility and diagnostic studies, development, testing or experimentation work, drawing up of action plans and acquisition of equipment leading to a significant increase in their productivity.

### Main Agency outputs

During FY 2002-2003, the Agency approved 186 new contribution agreements for the *Competitiveness — Innovation in processes, equipment and products* priority. Financial assistance approved by the Agency for these agreements stood at \$25 million.

<b>AGENCY OUTPUTS</b>	
1.3.2 Competitiveness — Innovation in processes, equipment and products	2002-2003
■ Number of new contribution agreements	186
■ Financial assistance approved (in millions of \$)	25
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	89.9

Note:

<sup>1</sup> Irrespective of funding source.

## Main results observed

### A- BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.3.2: COMPETITIVENESS — INNOVATION IN PROCESSES, EQUIPMENT AND PRODUCTS</b>	
<b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003 WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of business assistance agencies' projects in progress:</b>	<b>56</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$40.0 million
<b>Indicators of services delivered to enterprises</b> <ul style="list-style-type: none"> <li>■ Awareness activities organized</li> <li>■ Participants in awareness activities organized</li> <li>■ Activities to develop capabilities</li> <li>■ Participants in activities to develop capabilities</li> </ul>	1,516 9,187 972 2,124
<b>Indicators of results vis-à-vis enterprises served</b> <ul style="list-style-type: none"> <li>■ Enterprises having developed an innovation action plan</li> <li>■ Jobs created</li> <li>■ Jobs maintained</li> </ul>	342 146 28
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$18.7 million \$6.2 million \$9.2 million

Agency financial support to business assistance agencies under this priority enabled 342 enterprises to develop an innovation action plan. Moreover, financial assistance from the Agency contributed to the staging of 1,516 awareness activities at which 9,187 participants were informed of innovation and productivity issues.

Through contributions from the Agency, more than 972 capability development activities — workshops, seminars or individual meetings — were carried out vis-à-vis 2,124 participants in the different regions of Quebec in order to equip them with knowhow in the area of innovation.

<b>PRIORITY 1.3.2: COMPETITIVENESS — INNOVATION IN PROCESSES, EQUIPMENT AND PRODUCTS</b>  <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003 WITH REGARD TO ENTERPRISES' PROJECTS IN PROGRESS</b>	
<b>Number of enterprises' projects in progress:</b>	<b>168</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of enterprises' development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$141.9 million
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Enterprises stating a sales increase</li> <li>■ Sales increase (n = 39)</li> <li>■ Average sales increase</li> <li>■ Enterprises having enhanced their productivity</li> <li>■ Enterprises having developed or perfected new products, manufacturing processes, equipment or technology</li> </ul>	48% \$25.5 million \$653,846 39 44
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created</li> <li>■ Jobs maintained</li> <li>■ Jobs modified</li> </ul>	354 683 174
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Leverage effect on enterprises</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$30,7 million \$1 → \$3,62 \$14.9 million \$17.9 million

The total value of corporate projects for this priority stands at \$142 million. This sum will be invested in the different regions of Quebec over the next few years as the corporate projects are carried out. Each dollar invested by the Agency generates \$3.62 from other funding providers for corporate projects under this priority.

In the Agency's annual survey, 48.3% of respondent enterprises said they had increased their sales. The average sales increase amounts to \$653,800 (n = 39).

Agency support led to the creation, maintenance or transformation of 1,211 jobs. In addition, 39 enterprises increased their productivity and 44 enterprises developed or perfected new products, manufacturing processes, equipment or new technology through financial assistance from the Agency.

The following table illustrates the Agency's achievements concerning the *Competitiveness — Innovation in processes, equipment and products* priority in relation to its commitments.

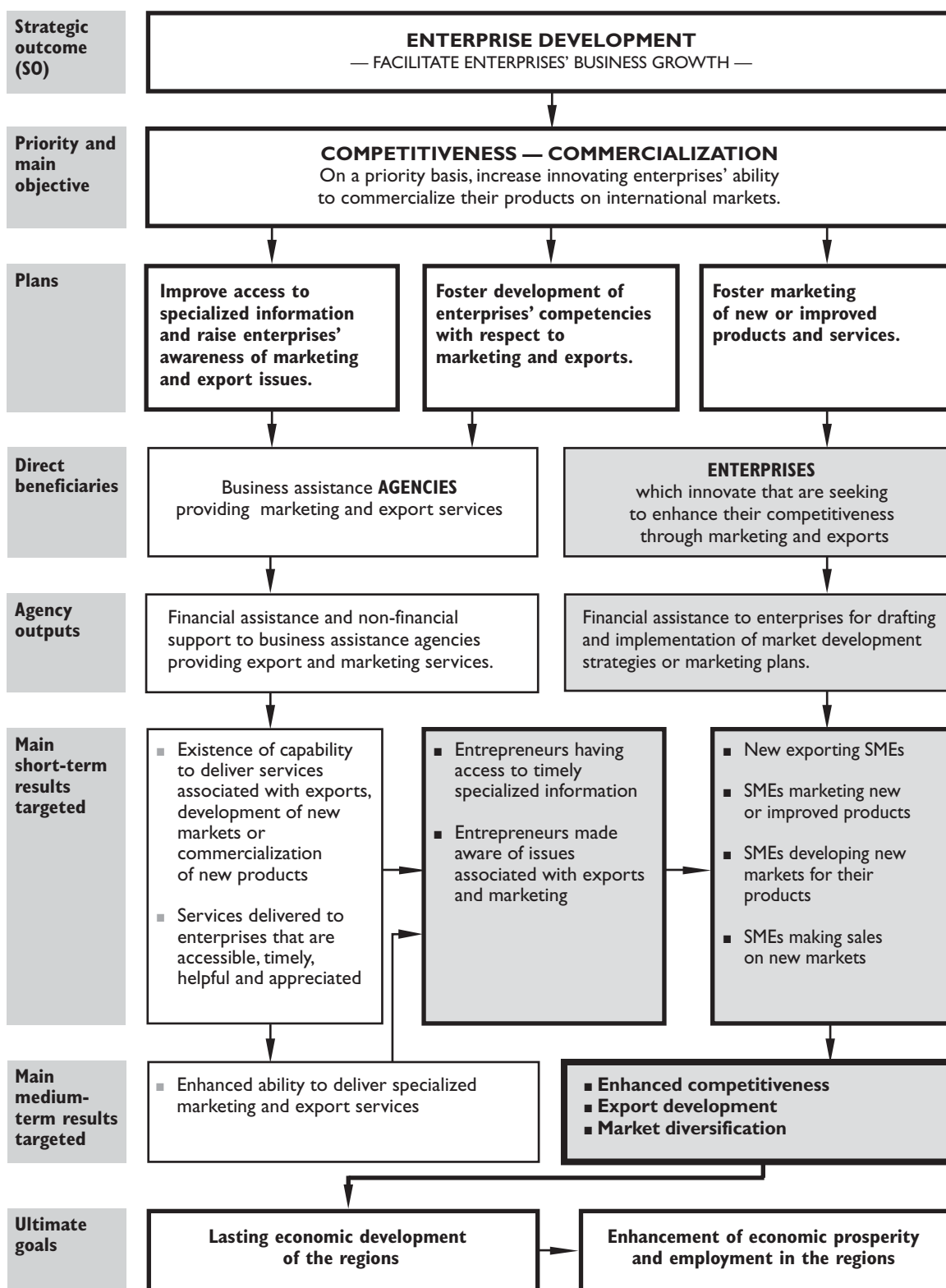
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 3,000 SMEs made aware of technological innovation and productivity issues	■ The Agency contributed to the staging of 1,516 awareness activities drawing 9,187 participants	✓
■ 800 SMEs visited by an engineer to evaluate their technological capabilities	■ More than 480 SMEs were visited by engineers under the <i>Corporation de services des ingénieurs du Québec's Opération PME</i> program funded by the Agency	★
■ 75 enterprises having carried out testing and experimentation projects	■ The Agency supported 21 testing and experimentation projects in 2002-2003	✓
■ 175 diagnostics conducted to enhance productivity	■ At the start of the fiscal year, the Agency modified its intervention strategy in this regard. Instead, the Agency will target support for productivity projects	+
■ 400 enterprises having developed products — processes or achieved a productivity enhancement	■ The Agency supported 38 product or process development projects and 116 productivity projects	✓

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

It may be seen that the Agency is in the process of attaining its objectives with regard to this priority.

### Priority 1.3.3: Competitiveness — Commercialization

#### Logic model for Priority 1.3.3



In a context of globalization of the economy, enterprises' ability to commercialize and export their products and services effectively is crucially important for their survival and growth. Implementation of commercialization strategies involves significant costs and a degree of risk for enterprises, especially where new product launches or penetration of a new market in a foreign country are involved. Commercialization is a sophisticated operation; carrying it through successfully requires access to accurate market information, and the availability of marketing professionals in the enterprise. New information and communications technologies have opened new doors in the way of marketing products and services; with the advent of e-commerce, it has become more common to carry out transactions on the Web.

The Agency aims to reinforce the marketing and export capabilities of enterprises, especially those which innovate and commercialize their new products on international markets. The Agency's plan has several facets: (1) access to specialized information on markets, (2) awareness of commercialization issues, (3) development of marketing competencies, and (4) marketing of innovative products.

Implementation of this plan is carried out primarily through Agency-specific programming. The Agency provides enterprises with financial contributions for the design and implementation of marketing plans. The Agency also ensures delivery of the Program for Export Market Development (PEMD) under an agreement with the Department of Foreign Affairs and International Trade, which is responsible for the PEMD budget.<sup>9</sup>

The Agency financially supports business assistance agencies offering services relating to commercialization and exports. These services may take the form of information, advice for development of and assistance with the implementation of marketing plans, conferences, seminars, training sessions and trade missions. The following box provides an overview of the Agency's intervention with regard to the *Competitiveness — Commercialization* priority.

### Agency's main outputs

During FY 2002-2003, the Agency approved 159 new contribution agreements for the *Competitiveness — Commercialization* priority. Financial assistance approved by the Agency for these agreements stood \$16.1 million.

<b>AGENCY OUTPUTS</b>	
1.3.3 Competitiveness — Marketing	2002-2003
■ Number of new contribution agreements	159
■ Financial assistance approved (in millions of \$)	16.1
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	71.0

Note:

<sup>1</sup> Irrespective of funding source.

<sup>9</sup> Section IV of this report may be consulted for further details on this program.

## Main results observed

### A- BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.3.3: COMPETITIVENESS — COMMERCIALIZATION</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of business assistance agencies' projects in progress:</b>	<b>92</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> ■ Total value of projects in progress (irrespective of funding source)	\$66.7 million
<b>Indicators of services delivered to enterprises</b> ■ Awareness activities organized ■ Participants in awareness activities organized ■ Activities to develop capabilities ■ Participants in activities to develop capabilities ■ Trade missions organized ■ SMEs having participated in trade missions	723 19,001 715 5,744 237 2,344
<b>Indicators of results vis-à-vis enterprises served</b> ■ New exporters ■ Enterprises having commercialized a new or improved product ■ Enterprises having made sales on new markets ■ Jobs created ■ Jobs maintained	255 796 208 269 24
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> ■ Total value of financial assistance approved for projects in progress ■ Actual expenditures in 2002-2003 ■ Total expenditures incurred (including spending from previous years) for projects in progress	\$27.9 million \$7.6 million \$14.7 million

The Agency made it possible to stage 723 awareness activities associated with marketing and exports. These initiatives helped 19,001 participants from the different regions of Quebec become better informed. Of this number, some will consider taking steps to commercialize a new product, identify potential export markets or export their products and services to international markets. In that case, they could attend capability development activities organized by business assistance agencies supported by the Agency. More than 5,700 participants have benefited from this type of activity, thus acquiring competencies and knowhow with respect to exports and marketing.

Through financial support from the Agency for business assistance agencies, 237 trade missions were organized on the occasion of business fairs, conferences or events in which 2,344 enterprises from the different regions of Quebec participated.

In addition, 796 enterprises having benefited from the services of organizations funded by the Agency have commercialized a new or improved product and 208 entrepreneurs have made sales on new markets. Furthermore, 255 enterprises backed by organizations supported by the Agency have entered export markets for the first time.

#### B- ENTERPRISES

<b>PRIORITY 1.3.3: COMPETITIVENESS — COMMERCIALIZATION</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO ENTERPRISES' PROJECTS IN PROGRESS</b>	
<b>Number of enterprises' projects in progress:</b>	<b>341</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of enterprises' development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$193.2 million
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Enterprises stating a sales increase</li> <li>■ Sales increase (n = 105)</li> <li>■ Average sales increase</li> <li>■ New exporters</li> <li>■ Enterprises having made sales on new markets</li> </ul>	78% \$82.7 million \$787,971 73 125
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created</li> <li>■ Jobs maintained</li> <li>■ Jobs modified</li> </ul>	625 729 179
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Leverage effect on enterprises</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$46.0 million \$1 → \$3.20 \$15.7 million \$29.5 million

Financial support from the Agency for corporate projects enabled 73 entrepreneurs to sell their products on export markets for the first time. In addition, 125 enterprises made sales on new markets. Agency financial assistance to enterprises for their marketing and export projects helped create, maintain or transform more than 1,533 jobs in the regions of Quebec.

In the annual survey, for this priority, 77.7% of the enterprises contacted that had received financial assistance from the Agency said they had increased their sales. The average sales increase amounts to \$788,000. The following table illustrates the Agency's achievements concerning the *Competitiveness — Commercialization* priority in relation to its commitments.

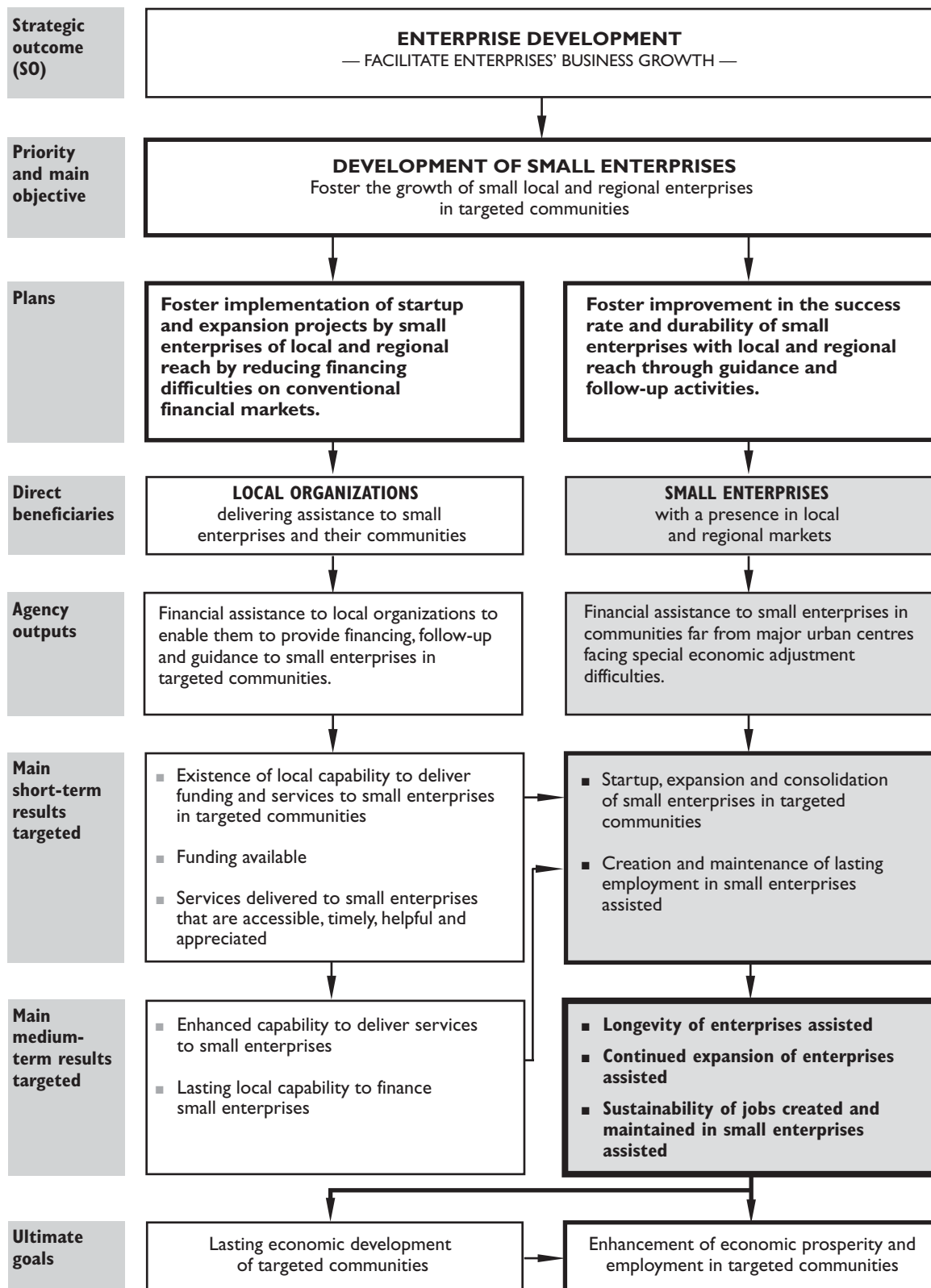
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 8,000 SMEs made aware of development of international markets and commercialization	■ The Agency led to the staging of 723 awareness activities in which 19,001 people participated	★
■ 700 export projects carried out by SMEs	■ 341 projects in progress are associated with commercialization and exports	★
■ 200 enterprises having taken part in trade missions abroad	■ Agency financial support to business assistance agencies led to the holding of 237 trade missions in which more than 2,000 SMEs took part	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

To judge by the results observed, the Agency is in the process of exceeding its objectives with respect to this priority.

## Priority 1.4: Development of small enterprises

### Logic model for Priority 1.4



Establishment and development of small enterprises of local and regional reach contribute to maintaining and creating jobs, as well as having an impact on the restructuring of local economies. For the most part, small enterprises start out serving markets in their immediate regions, but some of them will succeed in making a name for themselves on the national and international economic stage. Regardless of how they evolve in future, small enterprises are an essential element in maintaining communities' economic vitality.

The Agency's plan for development of small enterprises of local and regional reach aims at their startup and expansion, and an improvement in their level of success and their durability. This plan applies primarily in rural regions and certain urban districts that are undergoing restructuring. The main way in which the Agency implements this plan is to grant financial assistance to organizations providing guidance and counselling to small enterprises in their local communities, and which at the same time provide financing to enable them to carry out their projects, including startups.

Three types of organizations work with the Agency on development of small enterprises. These are, first, the Community Futures Development Corporations, of which there are 57. There are CFDCs in all of Quebec's remote regions and rural communities, and they play a role in facilitation of their local economic development, too. The Agency also supports Business Development Centres, of which there are nine, whose role focusses solely on assistance to enterprises. In urban areas, the Agency supports, in association with the provincial government and the municipalities concerned, 14 Community Economic Development Corporations to enable them to stimulate the pre-startup and startup of small enterprises and provide information and supervision services as well as technical services to business.

The Agency helps these organizations cover their operating costs; this assistance is provided under the Community Futures Program. For instance, the Agency helped the CFDCs set up a special investment fund for funding young entrepreneurs' projects. The CFDCs, BDCs and CEDCs extend the scope of the Agency's economic development action beyond what could be accomplished if the Agency intervened on its own vis-à-vis the thousands of small enterprises across Quebec.

As the previous diagram shows, the other way for the Agency to implement its plan is to provide financial assistance directly to small enterprises of local and regional scope, more specifically in regions posting slow growth and inadequate employment or struggling with economic problems of a situational and structural nature, notably including the Gaspésie—Îles-de-la-Madeleine region. In this regard, in addition to its main programs, the Agency has the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy and the special Coastal Quebec Fund.

### **Agency's main outputs**

During FY 2002-2003, the Agency approved 93 new contribution agreements for the *Development of small enterprises* priority. The financial assistance approved by the Agency for these agreements amounted to \$12.4 million.

<b>AGENCY OUTPUTS</b>	
<b>1.4 Development of small enterprises</b>	<b>2002-2003</b>
■ Number of new contribution agreements	93
■ Financial assistance approved (in millions of \$)	12.4
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	31.4

Note:

1 Irrespective of funding source.

## Main results observed

### A- BUSINESS ASSISTANCE AGENCIES

<b>PRIORITY 1.4: DEVELOPMENT OF SMALL ENTERPRISES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO BUSINESS ASSISTANCE AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of business assistance agencies' projects in progress:</b>	<b>245</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to enterprises</b> ■ Total value of projects in progress (irrespective of funding source)	\$125.0 million
<b>Indicators of services delivered to enterprises</b> ■ Awareness activities organized ■ Participants in awareness activities organized ■ Activities to develop capabilities ■ Participants in activities to develop capabilities	1,207 21,905 805 3,245
<b>Indicators of results vis-à-vis enterprises served</b> ■ Enterprises in pre-startup phase ■ Enterprise startups ■ Enterprises in expansion ■ Jobs created ■ Jobs maintained	713 980 545 1,528 1,261
<b>Expenditures committed the Agency to encourage the completion of projects in progress and generate the results shown above</b> ■ Total value of financial assistance approved for projects in progress ■ Actual expenditures in 2002-2003 ■ Total expenditures incurred (including spending from previous years) for projects in progress	\$106.0 million \$28.5 million \$52.0 million

Financial assistance from the Agency to organizations contributed to the staging of more than 1,200 awareness activities in which more than 21,000 people participated. Through Agency financial support, business assistance agencies contributed to the pre-startup, startup and expansion of 2,238 small enterprises in the regions of Quebec.

Furthermore, in addition to the results documented in the previous table, the CFDCs and BDCs reported that they had created or maintained more than 10,500 jobs in Quebec communities.<sup>10</sup> The following table presents the results associated with job creation and maintenance, as declared by the CFDCs and BDCs.<sup>11</sup>

<b>Agencies</b>	<b>Jobs created and maintained</b>
CFDCs	6,812
CFDCs' Youth Strategy	1,166
BDCs	2,574
<b>Total</b>	<b>10,552</b>

#### B- ENTERPRISES

<b>PRIORITY 1.4: DEVELOPMENT OF SMALL ENTERPRISES</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO ENTERPRISES' PROJECTS IN PROGRESS</b>	
<b>Number of enterprises' projects in progress:</b>	<b>50</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of enterprises' development</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> </ul>	\$18.1 million
<b>Indicators of enterprises' competitiveness</b> <ul style="list-style-type: none"> <li>■ Enterprises stating a sales increase</li> <li>■ Sales increase (n = 19)</li> <li>■ Average sales increase</li> </ul>	79% \$5.1 million \$269,105
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created</li> <li>■ Jobs maintained</li> <li>■ Jobs modified</li> </ul>	101 149 46
<b>Expenditures committed the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$2.5 million \$1.4 million \$2.1 million

<sup>10</sup> The definition used by the CFDCs and BDCs for jobs created or maintained is as follows: jobs created or maintained from the opening of a file until the end of the fiscal year covered.

<sup>11</sup> These do not include figures from the Community Economic Development Corporations.

Agency support for small enterprise projects led to the creation, maintenance or transformation of 296 jobs in Quebec communities.

In addition, 79.2% of the enterprises contacted in the Agency's annual survey said they had increased their sales. The total increase in sales is in excess of \$5 million (n = 19).

The following table illustrates the Agency's achievements concerning the *Development of small enterprises* priority in relation to its commitments.

2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 1,750 small enterprises started up, expanded or refinanced	■ Through Agency financial support, business assistance agencies contributed to the pre-startup, startup and expansion of 2,238 small enterprises in Quebec regions	★
■ 15 Aboriginal enterprises created and more than 500 Aboriginal SMEs informed and guided	■ Agency support led to the creation of four Aboriginal enterprises. In addition, many activities held by Aboriginal organizations led to raising awareness and guiding more than 15,000 participants	✓
■ 300 young entrepreneurs having been supported in their enterprise projects	■ Supported financially by the Agency, the CFDCs' Youth Strategy led to the pre-startup and startup of 333 enterprises run by young entrepreneurs	★

Legend : ★ Objective being exceeded  
 ✓ Objective being achieved  
 ❖ Progress to be made  
 + Objective revised at start of fiscal year

It may be seen that the Agency is in the process of exceeding the commitments made in its 2002-2003 RPP.

## **Strategic outcome #2:**

### **Contribute to improving the economic environment of the regions of Quebec**

With respect to the first strategic outcome, the Agency emphasizes enterprises' development and competitiveness. But it is hard for enterprises to meet the challenge of competitiveness on their own; their ability to confront international competition largely depends on an economic environment conducive to development. That is why the second strategic outcome targeted by the Agency consists in improvement of the environment for economic development of the regions. The main planned impact has a "community" dimension, whose impact will be felt on the business environment, upstream of enterprises.

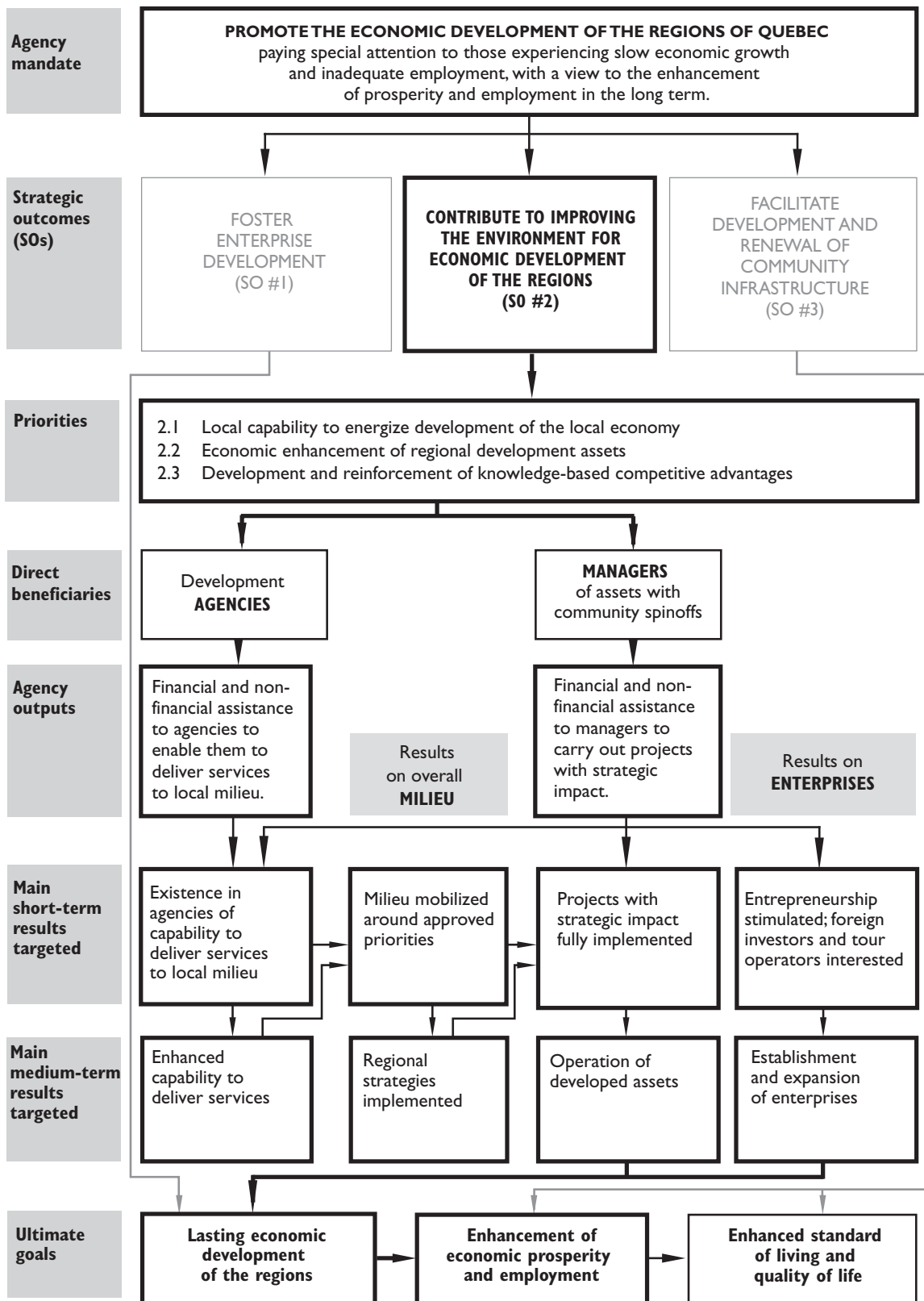
The need to improve the economic environment so as to develop enterprises may be illustrated as follows: in economic sectors which make intensive use of complex, rapidly developing knowledge, for instance, an SME would have great difficulty mastering the evolving knowledge on its own if it did not operate in a regional environment rich in research and technological watch activities. Another example: a community which enhances its regional tourist attractions and markets them effectively abroad will thus foster growth in its region's hotel and motel accommodation, and that will enable this industry to maintain and create more jobs. A region's economic development cannot succeed unless local economic agents play a very active role in it and take it in hand. These examples help explain why the Agency encourages development of local capability to energize development of the local economy, and why it fosters reinforcement of knowledge-based competitive advantages, as well as economic enhancement of regional assets.

To contribute to improving the economic environment and follow up on its priorities in this area, the Agency supports development agencies providing services on a regional basis. These comprise local, regional and sectoral organizations which seek local joint action and mobilization in order to energize development of their economy further. They are also organizations which disseminate information on their region's economic development issues, produce analyses on development opportunities, raise local awareness of new trends and new challenges, or help the economic development milieu upgrade their competencies with regard to economic development.

The Agency also supports managers of assets with community spinoffs, that is, non-profit organizations as well as enterprises, to enable them to carry out projects with a strategic impact for their region. These projects consist for the managers in enhancing community facilities with an economic role and tourist attractions, or enhancing pre-competitive research and development capabilities in their regions, to give just a few examples.

Through financial assistance to organizations devoted to their regions' development, the Agency ultimately aims, at the end of a long chain of consequences, for a situation where a series of enterprises benefit from implementation of projects with strategic impact in their region, and where expanding business for these enterprises leads to an increase in economic activity, employment and earned income in the region.

## Logic model for Strategic Outcome #2



## Agency's main outputs for *Improvement of the environment for economic development of the regions*

The following table shows the breakdown of new contribution agreements according to the Agency's three priorities under the second strategic outcome, *Improvement of the environment for economic development of the regions of Quebec*.

<b>STRATEGIC OUTCOME #2 — IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT</b> <b>AGENCY'S MAIN OUTPUT IN TERMS OF FINANCIAL SUPPORT</b> <b>NEW CONTRIBUTION AGREEMENTS</b> <b>APPROVED IN 2002-2003</b> — BY PRIORITY —		
<b>Agency's main output in terms of financial support</b>		
New contribution agreements by priority:	Number of new agreements	Financial assistance approved (in millions of \$)
Local capability to energize development of the local economy	140	21.8
Economic enhancement of regional development assets	65	15.2
Development and reinforcement of knowledge-based competitive advantages	27	40.1
<b>TOTAL</b> (SO #2 — Improvement of the environment for economic development of the regions)	232	77.1
<i>Note: This table does not report on the Agency's other outputs in terms of financial support, or on outputs in terms of non-financial support.</i>		

The following table shows trends in new contribution agreements approved for *Improvement of the environment for economic development of the regions* over the past three fiscal years.

<b>STRATEGIC OUTCOME #2 — IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT</b> <b>AGENCY'S MAIN OUTPUT IN TERMS OF FINANCIAL SUPPORT</b> <b>NEW CONTRIBUTION AGREEMENTS</b> <b>APPROVED IN 2002-2003</b> — COMPARED WITH THE PREVIOUS TWO FISCAL YEARS —						
Improvement of the environment for economic development of the regions of Quebec	Fiscal year					
	2000-2001		2001-2002		2002-2003	
	Value	%	Value	%	Value	%
■ <b>New contribution agreements</b> (number)	281		288		232	
- Development agencies	228	81	164	57	141	61
- Managers of assets with community spinoffs	53	19	124	43	91	39
■ <b>Financial assistance approved</b> (in millions of \$)	95.4		138.3		77.1	
- Development agencies	64.9	68	34.8	25	22.7	29
- Managers of assets with community spinoffs	30.5	32	103.5	75	54.4	71
■ <b>Total value of projects subject to a new contribution agreement</b> (in millions of \$) <sup>1</sup>	240,2		723,8		305,5	
- Development agencies	159.0	66	132.2	18	81.2	27
- Managers of assets with community spinoffs	81.2	34	591.6	82	224.3	73

Note:

<sup>1</sup> Irrespective of funding source.

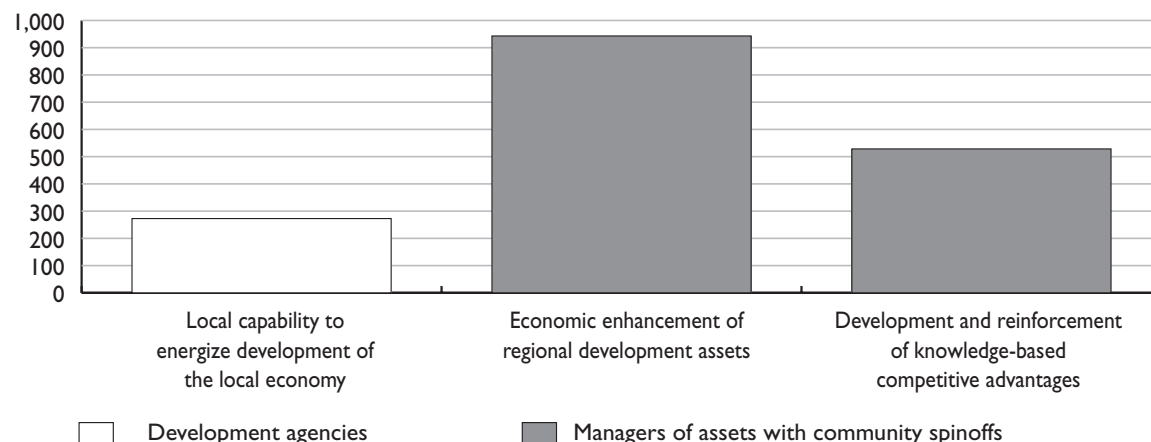
## **Main results observed for *Improvement of the environment for economic development of the regions***

The total value of the 515 projects in progress in 2002-2003 with respect to *Improvement of the environment for economic development of the regions* stands at more than \$1.7 billion, including investment from other funding providers. The Agency's actual expenditures during this fiscal year amounted to \$116.3 million. As to total expenditures incurred as of March 31, 2003 to achieve the results presented in this report associated with projects in progress in 2002-2003, the Agency spent more than \$144.3 million.

The following figure shows that the Agency's main short-term result concerning *Improvement of the environment for economic development of the regions* will come primarily from implementation of projects under the *Economic enhancement of regional development assets* priority, followed by the *Development and reinforcement of knowledge-based competitive advantages* priority.

Main short-term result  
Overall indicator of improvement of the environment for economic development  
**Total value of projects in progress**  
— by the three priorities —

In millions of dollars



A- Main results observed vis-à-vis development agencies

<b>STRATEGIC OUTCOME #2 — IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> — DEVELOPMENT AGENCIES —	
<b>Number of development agencies' projects in progress:</b>	<b>303</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of services delivered to local players</b> <ul style="list-style-type: none"> <li>■ Number of service activities carried out (awareness, development of capabilities, guidance, etc.)</li> <li>■ Number of participants in activities</li> </ul>	3,960 89,927
<b>Indicator of capability to deliver services to local players</b> <ul style="list-style-type: none"> <li>■ Value of services provided through Agency financial support (estimated value of total cost of projects in progress, irrespective of funding source)</li> </ul>	\$272.7 million
<b>Indicators of the impact of assistance from agencies supported by the Agency on the environment for development</b> <ul style="list-style-type: none"> <li>■ Foreign tourists attracted by promotional projects supported by the Agency</li> <li>■ Local or regional projects under development</li> <li>■ Jobs created (1,459); jobs maintained (2,610)</li> </ul>	1,415,431 1,066 4,069
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved by the Agency</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$102.3 million \$25.3 million \$57.9 million

B- Main results observed vis-à-vis managers of assets with community spinoffs

The main planned results under the second strategic outcome concern the implementation of projects for community assets with strategic impact. The following table illustrates the results with respect to managers of assets with community spinoffs supported under this strategic outcome.

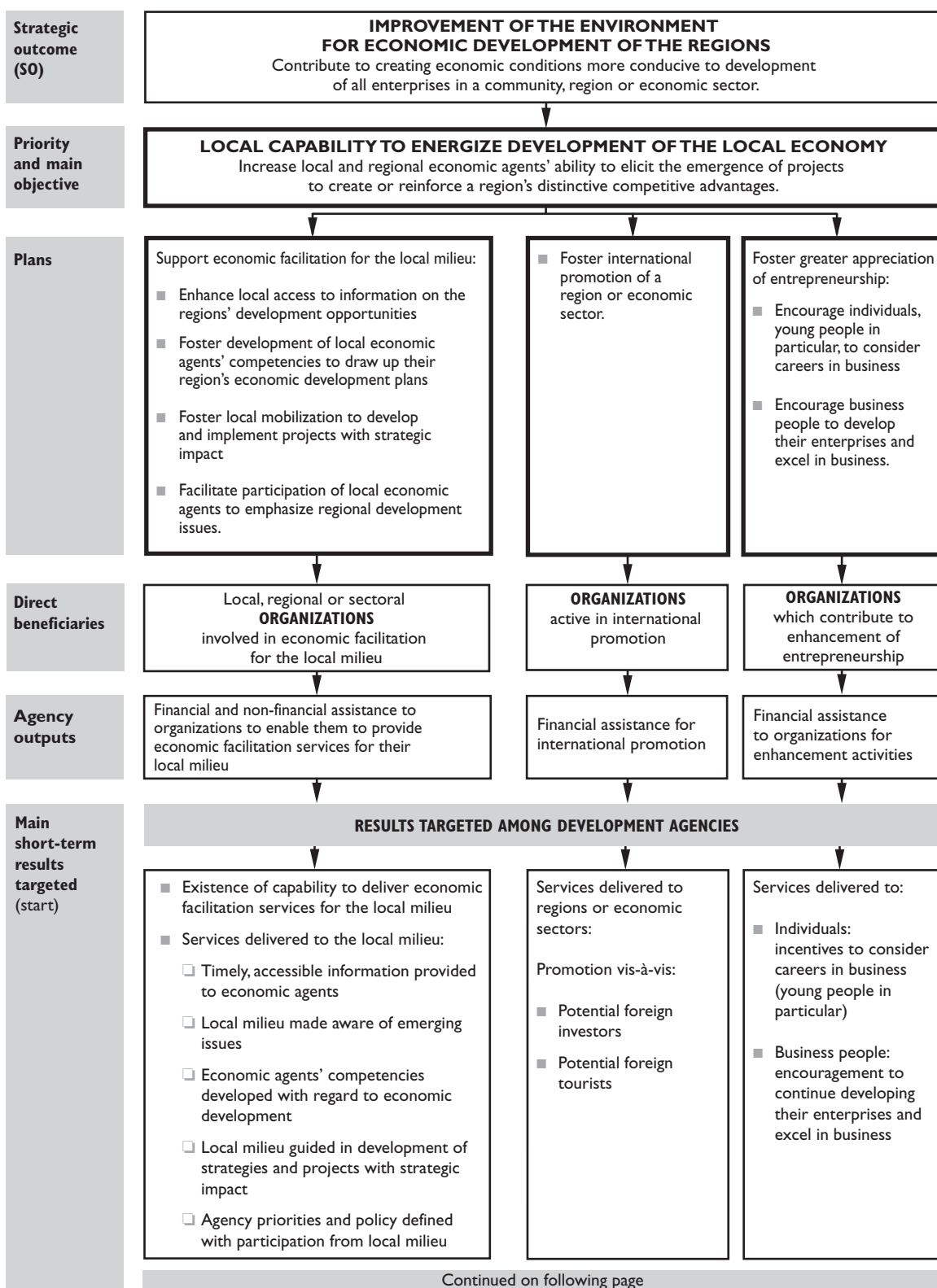
<b>STRATEGIC OUTCOME #2 — IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT</b>  <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b>  — MANAGERS OF ASSETS WITH COMMUNITY SPINOFFS —	
<b>Number of projects in progress with managers of assets with community spinoffs:</b>	<b>212</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of improvement in the environment for economic development of the regions</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (total cost, irrespective of funding source)</li> <li>■ Jobs created (969); jobs maintained (988)</li> </ul>	<b>\$1.4 billion</b> <b>1,957</b>
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved by the Agency</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	<b>\$255.6 million</b> <b>\$91.0 million</b> <b>\$173.0 million</b>

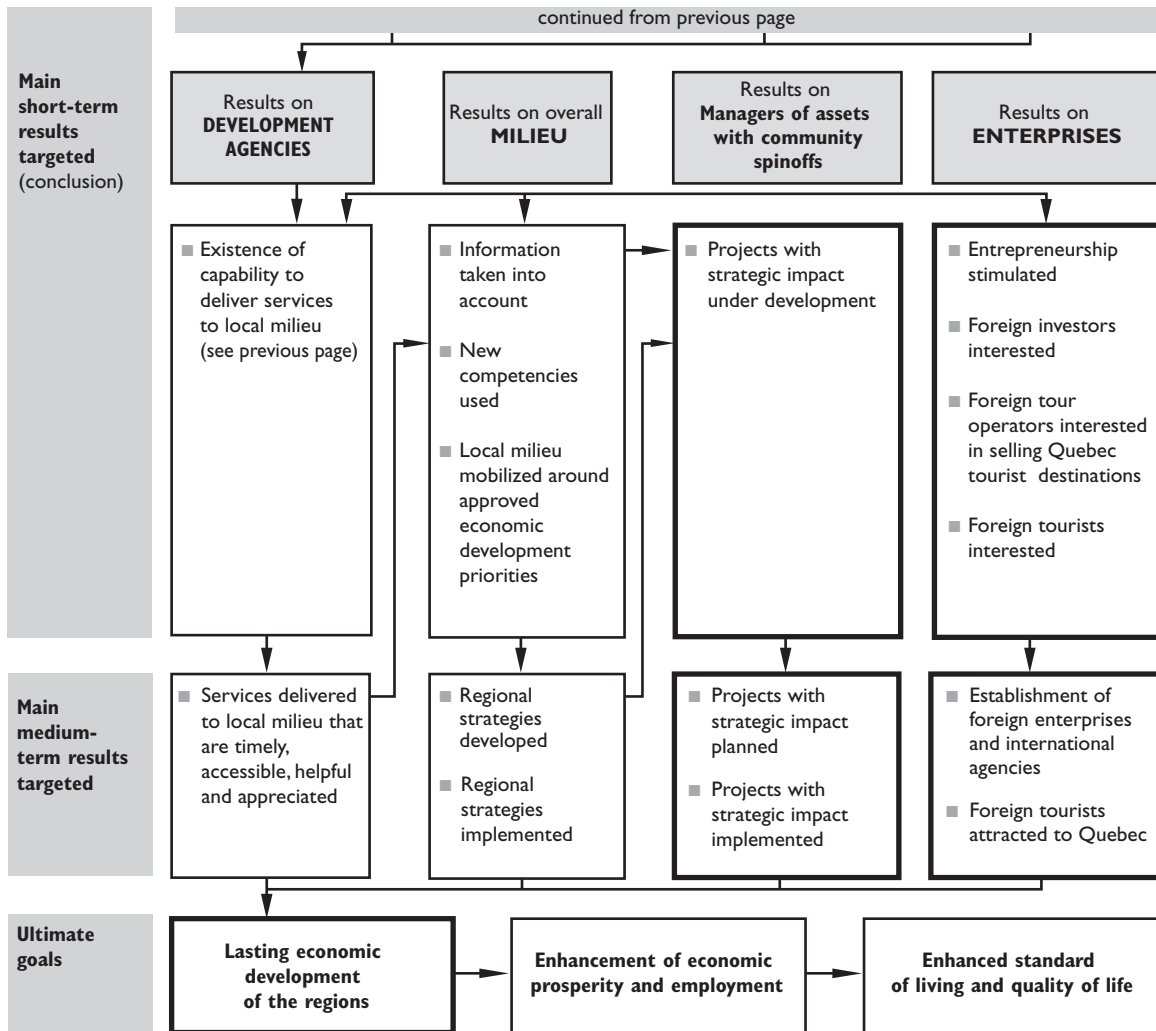
The Agency spent more than \$91 million in 2002-2003 for 212 projects with managers of assets with community spinoffs. The total value of these projects, including investment from other funding providers, stood at close to \$1.5 billion. When the projects in progress are completed over the next few years, this entire amount will have been invested in the different regions of Quebec.

In the Agency's annual survey, managers of assets with community spinoffs who were contacted said they had created or maintained more than 1,950 jobs through Agency financial support.

## Priority 2.1: Local capability to energize development of the local economy

### Logic model for Priority 2.1





A region's economic development cannot succeed without the local economic milieu playing a very active role in it and taking it in hand; this is a lesson learnt from decades of efforts by North American and European governments in local and regional economic development. It is from this observation that the Agency's interest in *Local capability to energize development of the local economy* stems, its first priority with respect to improving the environment for economic development of the regions. Co-operation and convergence of the efforts of a region's economic agents are essential conditions for enhancing prosperity and the standard of living. To bring together local players and achieve consensus on strategies and priorities that are promising for economic development, the regions have to be able to count on the vitality of local and regional development agencies.

As the previous diagram shows, the Agency's objective is to enhance local and regional economic agents' ability to elicit the emergence of projects likely to create and reinforce a region's distinctive competitive advantages. To this end, the Agency's plan involves supporting development agencies which offer various types of specialized services to their local or regional milieu. Thus, the Agency supports organizations which work on economic facilitation of their milieu, agencies active in the international promotion of their regions, and organizations which contribute to the enhancement of entrepreneurship.

With respect to economic facilitation of the local economic milieu, the Agency provides financial support and guidance for local and regional organizations in the production and dissemination of information on the development opportunities specific to each region, for instance, dissemination of awareness documents and organization and staging of conferences, seminar and workshops designed to elicit reflection on regional development issues in the new global economic context. The Agency also provides financial assistance and guidance for the establishment and facilitation of networks for sharing, learning and exchanging ideas on new trends and best practices in local and regional development and for the development of tools for local mobilization and facilitation. The Community Futures Development Corporations mentioned earlier (see *Development of small enterprises* priority) are among the organizations supported by the Agency for their contribution to mobilizing the local milieu.

### **James Bay mining joint action committee: successful initiative**

#### *Background*

The mining industry in the James Bay territory (sometimes called Jamesian) had posted since the late 1980s a sustained decline in activity owing to the convergence of numerous macro-economic factors, such as lower metal prices (gold, zinc, copper), industrial productivity gains and the reallocation to other sectors of capital previously available to the industry. The region was in danger of seeing an entire sector of its economy disappear in the intermediate term. There was an urgent need to act in the James Bay community, which needed to channel regional and sectorial forces toward the development of solutions to revitalize the local mining industry.

Contributing to turning the James Bay mining industry around has been one of the Agency's main objectives, pursued for the past two years through the injection of operating funds for the *Table jamésienne de concertation minière*.

#### *Project*

Set up urgently in fall 2001, partly through rapid action from Canada Economic Development and its other fund-providing organizations, the *Table jamésienne de concertation minière* is a regional technical committee bringing together all economic agents concerned with the mining sector. Regional socio-economic development agencies, provincial and federal departments, financing companies specializing in mines, mining SMEs, large mining corporations and training organizations sit together to implement a five-year plan to revitalize the James Bay mining industry. The committee's focuses for priority action are (1) funding of prospecting and exploration activities, (2) consolidation of existing mining operations, (3) research and development, and (4) development of tailored support programs.

### *Agency intervention*

Since the mining sector is one of its departmental priorities, the Agency provided a first contribution of \$44,698 in 2001-2002, followed by a second, of \$67,518, in 2002-2003 under the Regional Strategic Initiatives program, *Support for the region's ability* to adjust component. Canada Economic Development's objective was to help the local milieu energize development of its local economy, through increased innovation capability and productivity, among other things. An Agency representative sits as an observer on the body's executive council. Moreover, the local milieu has expressed great satisfaction at the active role played by the Agency in terms of support for initiatives concerning federal expertise or issues that go beyond the provincial framework.

### *Results*

With less than two years under its belt, the *Table* has become the official, credible, representative voice of the James Bay mining sector, as well as asserting itself as the main player in the numerous revitalization approaches put forward by the local milieu.

Posting results far superior to the economic agents' initial expectations, the committee has contributed to date to many regional achievements, including:

- establishment of the James Bay Mining Prospecting Fund, whose functions of overall management and co-ordination with local economic agents are handled by the committee co-ordinator;
- productive guidance of local executives of a major mining complex aimed at encouraging the company to invest in exploration activities, thereby preserving until 2010 more than 300 jobs that were to terminate in 2006.

Injection of funds for operating purposes has proven to be a necessary but not a sufficient condition behind the results achieved by the committee. In fact, its success is partly attributable to a strong sense of regional urgency, sustained leadership from *Table* members, the fact that the committee consists of local players from the milieu in which it has to manoeuvre, and the fact that it drew up and implemented an action plan developed by local economic agents and therefore geared to the region's own specific dynamics and characteristics.

This innovative, relatively inexpensive way of combining sectorial and regional forces has proven judicious for the James Bay mining sector. In that, this inclusive joint-action committee represents a model to be imitated that could be transposed to other resource regions or even other sectors of activity.

Being fully aware of that, of the mobilizing role of the *Table*, and of its action plan built on closer links with research organizations and Cree agencies in the mining sector which operate in the territory, the Agency intends to continue its technical and financial support for the project.

Further details concerning this initiative may be obtained by consulting the comprehensive case study of the *Table jamésienne de concertation minière* on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Publications".

The Agency also provides financial support to organizations for the design and implementation of plans for international promotion of the regions of Quebec vis-à-vis investors, tour operators and foreign visitors.

The Agency also makes financial contributions to organizations which contribute to promotion of entrepreneurship to enable them to provide awareness-raising and guidance services, notably to potential student entrepreneurs. Similarly, the Agency supports the organization and staging of events emphasizing excellence in business.

### Agency's main outputs

During FY 2002-2003, the Agency approved 140 new contribution agreements for the *Local capability to energize development of the local economy* priority. Financial assistance approved by the Agency for these agreements stood at more than \$21 million.

<b>AGENCY OUTPUTS</b>	
2.1 Local capability to energize development of the local economy	2002-2003
■ Number of new contribution agreements	140
■ Financial assistance approved (in millions of \$)	21.8
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	80.0

Note:

1 Irrespective of funding source.

## Main results observed

### DEVELOPMENT AGENCIES

<b>PRIORITY 2.1: LOCAL CAPABILITY TO ENERGIZE DEVELOPMENT OF THE LOCAL ECONOMY</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO DEVELOPMENT AGENCIES' PROJECTS IN PROGRESS</b>	
<b>Number of development agencies' projects in progress:</b>	<b>303</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicator of capability to deliver services to local players</b> ■ Total value of projects in progress (irrespective of funding source)	\$272.7 million
<b>Indicators of services delivered to development players</b> ■ Awareness activities organized ■ Participants in awareness activities organized ■ Activities to develop capabilities ■ Participants in activities to develop capabilities	2,082 62,352 1,878 27,575
<b>Indicators of results on the environment for development</b> ■ Foreign visitors attracted following international promotion activities ■ Local or regional projects under development ■ Jobs created ■ Jobs maintained	1,044,029 852 1,459 2,610
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> ■ Total value of financial assistance approved for projects in progress ■ Actual expenditures in 2002-2003 ■ Total expenditures incurred (including spending from previous years) for projects in progress	\$102.3 million \$25.3 million \$57.9 million

In 2002-2003, the 303 projects in progress supported by the Agency contributed to development of local capability to energize development of the local economy through the organization of awareness and capability development activities. These activities notably made it possible to raise more than 60,000 participants' awareness of the different issues and challenges of economic development of the regions of Quebec while contributing to enhancing the competencies of more than 27,000 participants. Also, activities organized by development agencies elicited the implementation of 852 local development projects in the different regions. These are all tangible signs of development of local capabilities.

Through its financial support, the Agency also contributed to creating or maintaining more than 4,000 jobs among development agencies' clientele.

The following table illustrates the Agency's achievements concerning the *Local capability to energize development of the local economy* priority in relation to its commitments.

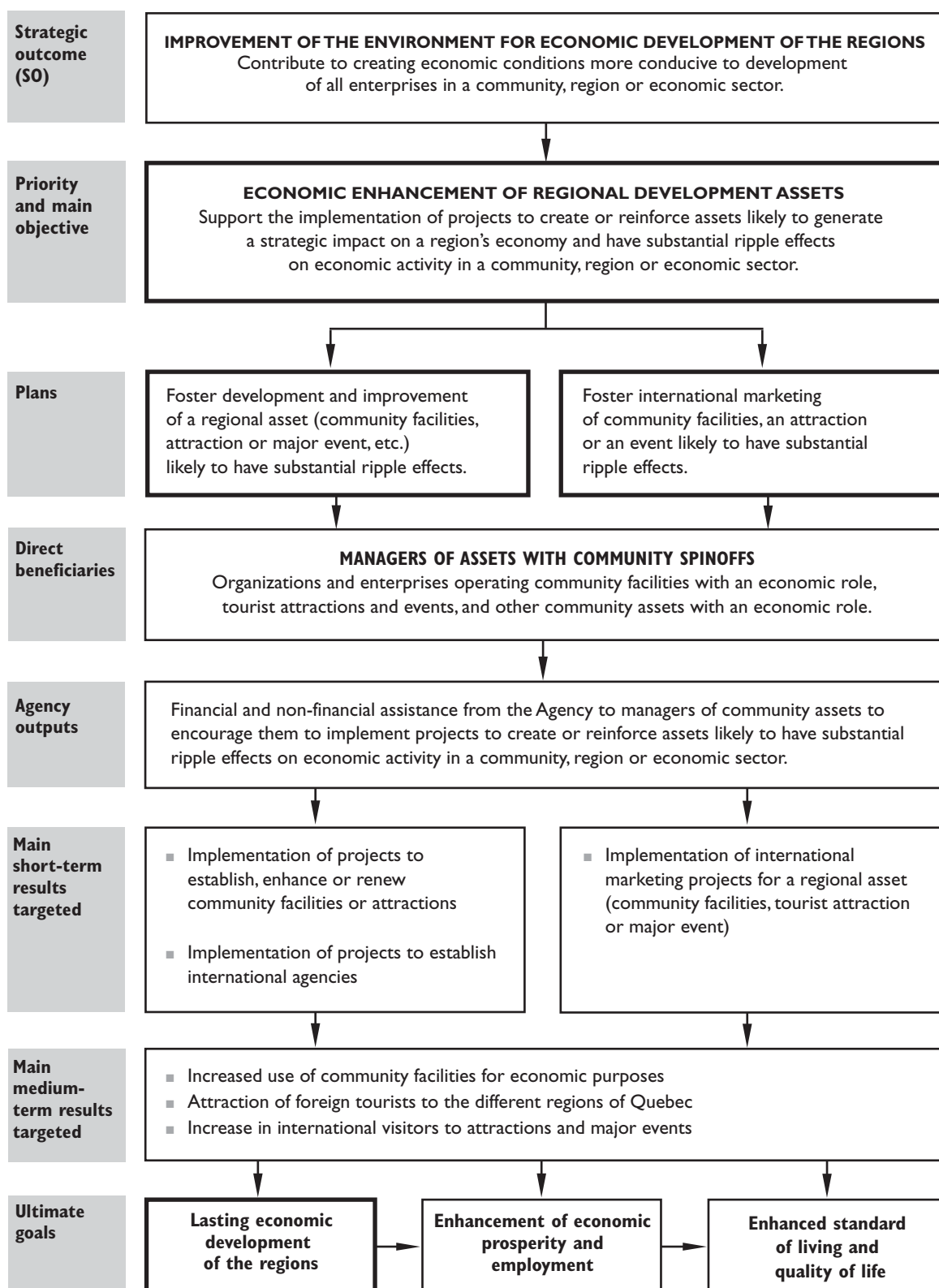
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 4,000 economic development players informed and mobilized to energize development of the regions	■ Agency financial support contributed to raising awareness and developing capabilities of more than 85,000 local and regional participants	★
■ Increase in the number of young people and students made aware of business careers	■ Agency financial support led to the staging of 70 activities to develop capabilities, in which 1,500 people took part	✓
■ 230,000 TV viewers made aware of entrepreneurship and regional economic development issues	■ The Agency supported two projects in particular, including the Maclean Hunter Chair of Entrepreneurship for the production and broadcast of a 13-program "Circuit PME" TV series which drew an audience of more than 200,000 viewers	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

The Agency is in the process of exceeding its commitments with regard to this intervention priority.

## Priority 2.2: Economic enhancement of regional development assets

### Logic model for Priority 2.2



Also with a view to creating an environment conducive to economic development of the regions, the Agency seeks to foster implementation of projects of public interest likely to generate, in the long term, a strategic impact on the regional economy and have significant ripple effects on a region's economic activities, or to preserve activities that make up the economic base of a region experiencing substantial economic adjustment difficulties. To that end, the Agency contributes to enhancement of certain regional development assets, typically consisting of community facilities with an economic role, tourist attractions and major events.

Construction, upgrading or renovation of certain community facilities with an economic role proves, in some regions, to be an appropriate strategy for maintaining their economic base and a premise for their future development. In some cases, a region's development potential cannot be enhanced without the government playing a role in the establishment and preservation of such community facilities.

The Agency's plan for economic enhancement of regional development assets is twofold: (1) development or enhancement of an asset (generally capital projects), and (2) marketing of these assets on foreign markets.

The Agency provides financial contributions for operators, be they non-profit organizations or enterprises, for feasibility studies and enhancement of certain regional assets. For instance, the Agency provides financial support for the renewal and enhancement of attractions and the staging of tourist events in several Quebec regions.

The Agency also provides financial support to local and regional promoters to enhance tourist attractions which reinforce a region's distinctive positioning on the international market. The Agency thus aims to develop a competitive tourism offering in terms of quality and differentiation, so as to increase the number of visitors, extend their stay, increase the economic spinoffs from their visit, and ensure that on their return to their home country they recommend a visit to the regions of Quebec to other travellers. In this context, the Agency also provides financial contributions to organizations to enable them to design and implement international marketing plans for tourist attractions and major events, since marketing them abroad helps attract international tourists to Quebec and develop the economy of the regions.

## Agency's main outputs

During FY 2002-2003, the Agency approved 65 new contribution agreements for the *Economic enhancement of regional development assets* priority. Financial assistance approved by the Agency for these agreements amounted to more than \$15 million.

<b>AGENCY OUTPUTS</b>	
2.2 Economic enhancement of regional development assets	2002-2003
■ Number of new contribution agreements	65
■ Financial assistance approved (in millions of \$)	15.2
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	78.9

Note:

<sup>1</sup> Irrespective of funding source.

## Main results observed

### MANAGERS OF COMMUNITY ASSETS

<b>PRIORITY 2.2: ECONOMIC ENHANCEMENT OF REGIONAL DEVELOPMENT ASSETS</b> <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003</b> <b>WITH REGARD TO PROJECTS IN PROGRESS OF MANAGERS</b> <b>OF ASSETS WITH COMMUNITY SPINOFFS</b>	
<b>Number of projects in progress of managers of assets with community spinoffs:</b>	<b>146</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of improvement in the environment for economic development of the regions</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> <li>■ Foreign visitors attracted by the events supported</li> <li>■ Local or regional projects under development</li> </ul>	\$943.1 million 371,402 57
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created and maintained vis-à-vis managers of assets with community spinoffs</li> <li>■ Jobs created arising from activities carried out by managers of assets with community spinoffs</li> <li>■ Jobs maintained arising from activities carried out by managers of assets with community spinoffs</li> </ul>	743 18 103
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	\$158.5 million \$57.4 million \$128.2 million

The 146 projects in progress during FY 2002-2003 contributed to creating and maintaining more than 700 jobs with managers of assets with community spinoffs. Events and tourist attractions drew more than 370,000 foreign tourists.

The following table illustrates the Agency's achievements concerning the *Economic enhancement of regional development assets* priority in relation to its commitments.

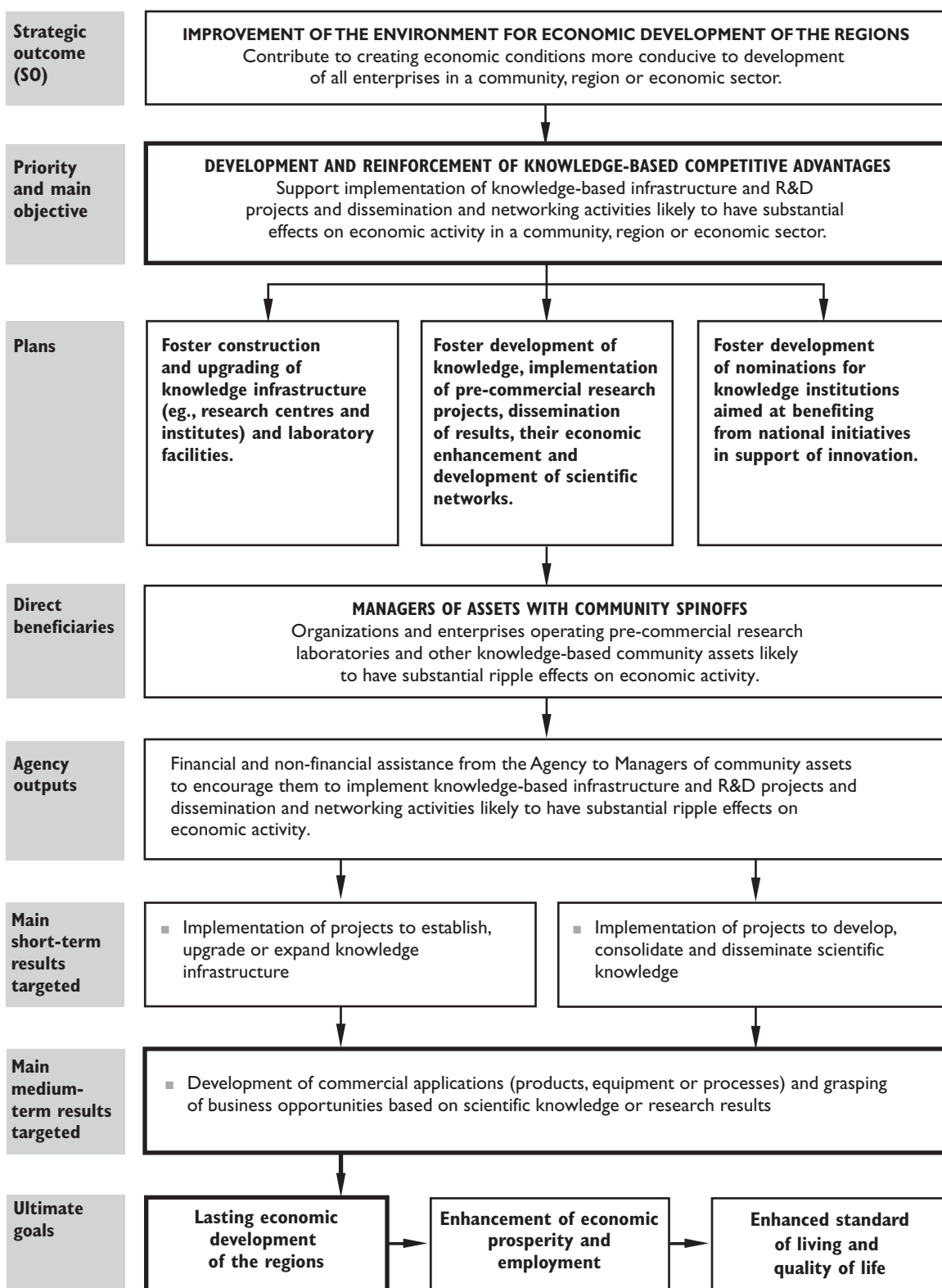
2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
<ul style="list-style-type: none"> <li>■ Investment by various players in implementation of strategic projects</li> </ul>	<ul style="list-style-type: none"> <li>■ The Agency contributed financially to the completion of projects with strategic impact in the different regions of Quebec, notably establishment of a Centre for boreal biodiversity in Saguenay—Lac-Saint-Jean, reconstruction of Quebec Central Railway Company tracks, and Phase II of Mont-Tremblant resort</li> </ul>	★
<ul style="list-style-type: none"> <li>■ Increase in the number of tourists at supported sites</li> </ul>	<ul style="list-style-type: none"> <li>■ Tourist attractions and major events supported by the Agency contributed to attracting more than 370,000 foreign tourists, up close to 8% compared with FY 2001-2002</li> </ul>	★
<ul style="list-style-type: none"> <li>■ Major events and activities marketed internationally</li> </ul>	<ul style="list-style-type: none"> <li>■ The Agency provided financial support for international marketing of events or activities, such as The <i>Festival International de Jazz de Montréal</i>, Quebec Winter Carnival and <i>Grand Prix cycliste de Beauce</i></li> </ul>	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

It can be seen that the Agency is exceeding its three commitments concerning this intervention priority.

## Priority 2.3: Development and reinforcement of knowledge-based competitive advantages

### Logic model for Priority 2.3



To meet the competitiveness challenge, enterprises have to be able to innovate constantly, and for that they require a high-performance economic environment as far as command and dissemination of knowledge are concerned. In fact, knowledge is increasingly staking out its position as a determining basis for economic development. Some projects aimed at improving access to knowledge and its development are likely to generate, in the medium and long term, substantial ripple effects on the economic activity of a community, region or economic sector and can thus reinforce their competitive advantages, and even develop new ones. Knowledge is largely “public property”, and modern government plays an important role in advancing scientific and technical knowledge before it reaches the stage of development and perfection of commercial applications.

With a view to enhancing the environment for economic development, one of the Agency’s priorities is to contribute to the development and reinforcement of regional competitive advantages built on knowledge. Among the niches of excellence supported are, notably, aerospace, aluminum processing, marine sciences, plant biology, agri-food, biotechnology, health sciences, multimedia, pulp and paper, and the boreal forest.

In order to reinforce regional competitive advantages, the Agency’s priority is to foster implementation of knowledge infrastructure projects and pre-commercial R&D projects that are likely to have a significant ripple effect on economic activity in the regions of Quebec.

### Agency’s main outputs

During FY 2002-2003, the Agency approved 27 new contribution agreements for the *Development and reinforcement of knowledge-based competitive advantages* priority. Financial assistance approved by the Agency for these agreements stood at \$40 million.

<b>AGENCY OUTPUTS</b>	
2.3 Development and reinforcement of knowledge-based competitive advantages	2002-2003
■ Number of new contribution agreements	27
■ Financial assistance approved (in millions of \$)	40.2
■ Total value of projects subject to a new contribution agreement (in millions of \$) <sup>1</sup>	147.0

Note:

<sup>1</sup> Irrespective of funding source.

## Main results observed

### MANAGERS OF ASSETS WITH COMMUNITY SPOFFS

<b>PRIORITY 2.3: DEVELOPMENT AND REINFORCEMENT OF KNOWLEDGE-BASED COMPETITIVE ADVANTAGES</b>  <b>MAIN RESULTS OBSERVED AS OF MARCH 31, 2003 WITH REGARD TO PROJECTS IN PROGRESS OF MANAGERS OF ASSETS WITH COMMUNITY SPOFFS</b>	
<b>Number of projects in progress of managers of assets with community spinoffs:</b>	<b>66</b>
<b>MAIN SHORT- AND MEDIUM-TERM RESULTS ASSOCIATED WITH PROJECTS IN PROGRESS</b>	
<b>Indicators of improvement in the environment for economic development of the regions</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress (irrespective of funding source)</li> <li>■ Research patents received or pending</li> <li>■ Local or regional projects under development</li> </ul>	<i>\$528.4 million</i> 38 157
<b>Employment-related indicators</b> <ul style="list-style-type: none"> <li>■ Jobs created and maintained vis-à-vis managers of assets with community spinoffs</li> <li>■ Jobs created arising from activities carried out by managers of assets with community spinoffs</li> <li>■ Jobs maintained arising from activities carried out by managers of assets with community spinoffs</li> </ul>	446 638 9
<b>Expenditures committed by the Agency to encourage the completion of projects in progress and generate the results shown above</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved for projects in progress</li> <li>■ Actual expenditures in 2002-2003</li> <li>■ Total expenditures incurred (including spending from previous years) for projects in progress</li> </ul>	<i>\$97.1 million</i> <i>\$33.5 millions</i> <i>\$44.8 millions</i>

In order to contribute to the development and enhancement of knowledge-based competitive advantages, the Agency supports projects targeting the production of studies or events. It also contributes to the startup and funding of organizations operating in the development of the knowledge economy, and to the establishment of research centres.

The following table illustrates the Agency's achievements concerning the *Development and reinforcement of knowledge-based competitive advantages* priority in relation to its commitments.

2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ Establishment and expansion of 10 research or technology transfer institutions	■ Several projects funded by the Agency to establish or expand research or technology transfer centres are currently in progress	✓
■ Nine nominations for the establishment of research or technology transfer centres	■ From the beginning of FY 2002-2003, the Agency modified its intervention strategy in this regard	+

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

It may be seen that the Agency is in the process of meeting its commitment with regard to this priority.

### **Strategic outcome #3:**

## **Facilitate development and renewal of community infrastructure**

(Infrastructure Canada Program)

The condition of infrastructure is closely linked to its users' quality of life. Quality infrastructure allows communities to attract and retain organizations and individuals that will secure their economic and social future. It also allows for more efficient, safer movement of people and goods.

In that spirit, the Government of Canada set up a new infrastructure support program in 2000 and signed an agreement with the Quebec government for its implementation.<sup>12</sup> The Agency was given the special mandate to manage this program in Quebec.

The Minister of Industry is responsible for infrastructure for all regions of Canada and for the general management of this contribution program. He is supported in his responsibilities by a new department, Infrastructure Canada.<sup>13</sup> Thus, the Agency carries out program delivery in Quebec in close co-operation with Infrastructure Canada.

The Infrastructure Canada Program (ICP) is the sole program through which the Agency hopes to achieve its third strategic outcome, that of facilitating the development and renewal of community infrastructure.

The Infrastructure Canada Program aims to lead to the renovation, replacement or construction of infrastructure. Its purpose is thus to improve Quebecers' quality of life through investment that guarantees the quality of the environment, sustains long-term economic growth, upgrades community infrastructure and contributes to putting in place 21st century infrastructure through the adoption both of best technologies and practices and of new approaches. The program has three components, corresponding to the Agency's three priorities.

- Component 1: Drinking water and wastewater infrastructure;
- Component 2: Local transportation infrastructure;
- Component 3: Projects with economic urban or regional impact.

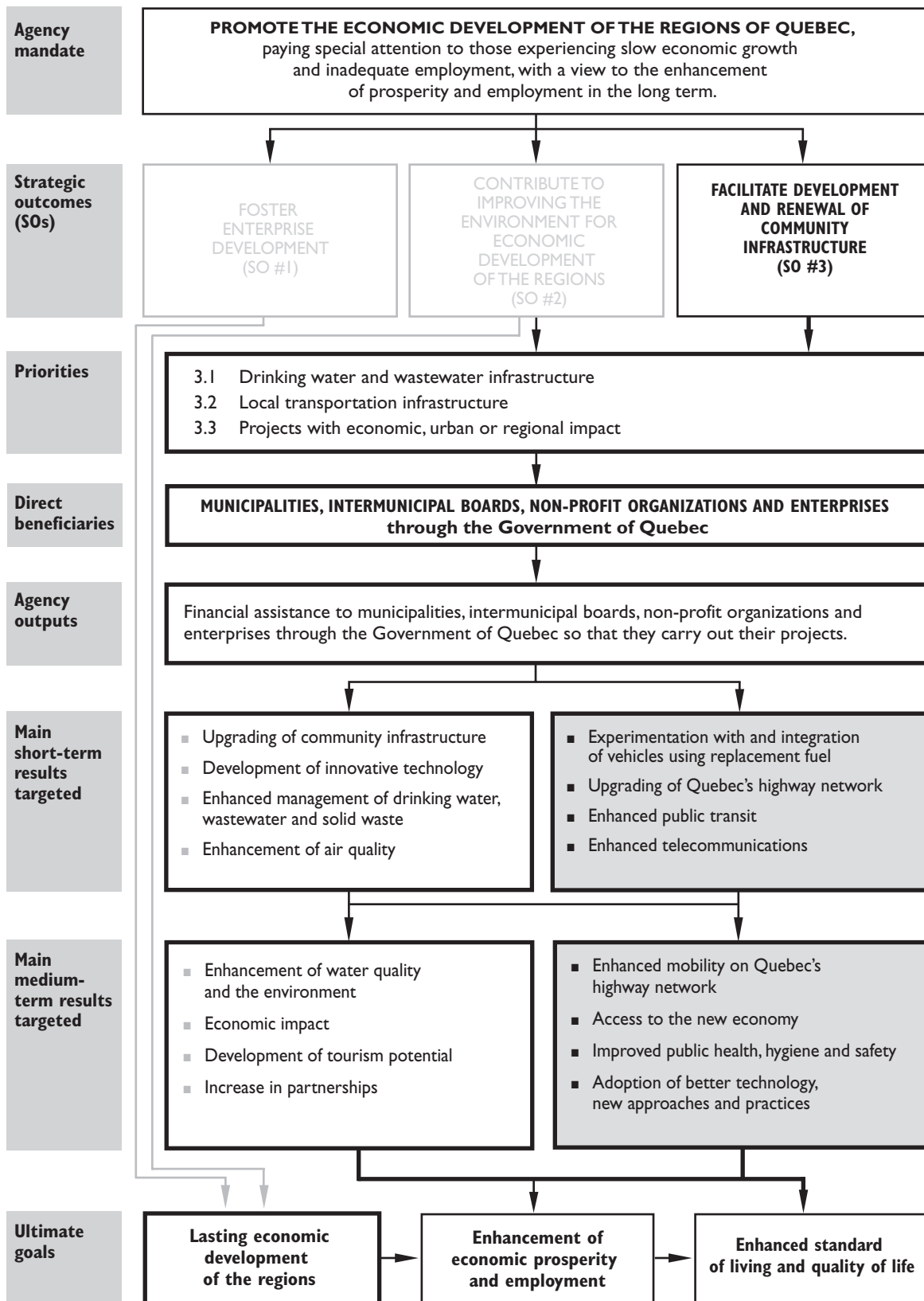
To fulfil this special mandate, the Agency provides financial assistance under the program to municipalities, intermunicipal boards, non-profit organizations and enterprises through the Quebec government. Projects approved by the Agency also receive financial assistance from the Quebec government and the applicants concerned.

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<sup>12</sup> Canada-Quebec Infrastructure Agreement.

<sup>13</sup> This new department's Web site may be consulted at [www.infrastructurecanada.gc.ca](http://www.infrastructurecanada.gc.ca).

## Logic model for Strategic Outcome #3



As illustrated in the logic model on the previous page, financial assistance provided under the program should contribute, in the short term, to upgrade community infrastructure and Quebec highway network, to develop new technology and to enhance management of drinking water, wastewater and solid waste. These different achievements should contribute, in the medium term, to improvement in water quality and the environment, development of minority language communities, consolidation of Canadian culture and heritage in Quebec and upgrading of public health, hygiene and safety. Ultimately, the ICP aims to contribute to enhancing the standard of living and quality of life of Canadians in Quebec.

Activities carried out to date under the Infrastructure Canada Program are summarized in the following table.

<b>STRATEGIC OUTCOME #3: FACILITATE DEVELOPMENT AND RENEWAL OF COMMUNITY INFRASTRUCTURE (INFRASTRUCTURE CANADA PROGRAM - QUEBEC REGION)</b>	
<b>Total planned funding for the initiative in Quebec</b> (irrespective of funding source)	<b>\$1.5 billion</b>
Total federal funding planned for the initiative in Quebec <sup>1</sup>	\$515.5 million
Number of projects approved from start of program to March 31, 2003	783
Component 1: Drinking water and wastewater infrastructure	337
Component 2: Local transportation infrastructure	330
Component 3: Projects with economic urban or regional impact	116
Federal contribution approved from start of program to March 31, 2003	\$312.7 million
Total federal expenditures from start of program to March 31, 2003 <sup>2</sup>	\$54.7 million

Note:

- 1 Including management expenses associated with the program.
- 2 Including management expenses disbursed for the program to date.

Projects approved from the start of the program to March 31, 2003 will generate the following benefits:

- 397,669 households now having access to a municipal water supply will enjoy better quality drinking water;
- 2,084 further households will have access to a municipal water supply offering high quality drinking water;
- 4,382 households will have access to an effective municipal wastewater collection and treatment system;
- 240 communities will benefit from the establishment or upgrading of transportation infrastructure;
- 75 communities will benefit from the establishment or upgrading of sports, recreational or cultural facilities; and
- 925 permanent jobs will be created directly by the projects.

With respect to the commitments made in the 2002-2003 RPP, the numerous projects approved under the ICP where work is already in progress or will be under way in the next few months show that the Agency is in the process of surpassing its planned results.

2002-2005 COMMITMENTS	MAIN RESULTS OBSERVED IN 2002-2003	EXTENT OF ACHIEVEMENT
■ 300 projects carried out under Component 1	■ 337 projects approved from start of program to March 31, 2003.	★
■ 100 projects carried out under Component 2	■ 300 projects approved from start of program to March 31, 2003.	★
■ 80 projects carried out under Component 3	■ 116 projects approved from start of program to March 31, 2003.	★

Legend : ★ Objective being exceeded  
✓ Objective being achieved  
❖ Progress to be made  
+ Objective revised at start of fiscal year

The program evaluation reports, to be conducted over the next few years, will provide more information on results achieved through the funding of infrastructure projects. They will thus make it possible to gauge more accurately the achievement of planned outcomes and related commitments under the program.

### Program evaluation

The Canada-Quebec Infrastructure Agreement provides for different program evaluation exercises. The first, interim evaluation will be carried out during FY 2003-2004. The final program evaluation will be conducted during FY 2006-2007.

In 2002-2003, to ensure that objective, relevant information is obtained on the program and to meet the requirements of the Agreement and its managers, the Program Evaluation Committee, consisting of representatives of the Governments of Canada and Quebec, worked on planning the evaluation exercises.

The information generated through these exercises will shed light for managers on the efficiency and effectiveness of the program.



# 4

## HORIZONTAL AND GOVERNMENT INITIATIVES

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### Horizontal initiatives

Many of the outcomes targeted by the Government of Canada require the contribution of two or more departments (including agencies and Crown corporations), other levels of government or non-governmental organizations.

Within the framework of its economic development mandate, the Agency works closely with several departments and agencies in the Industry Portfolio and with other federal departments. To give just a few examples, the Agency takes an active part in initiatives associated with the issues of innovation and the knowledge economy, rural development and Aboriginal economic development. The Agency also participates in implementation of the Canada Business Service Centre initiative.

The Agency also works with the Quebec government and a large number of Quebec municipalities and intermunicipal boards under the Canada-Quebec Infrastructure Agreement.

To illustrate the Agency's concrete contribution to the Government of Canada's horizontal initiatives, this section addresses the co-operation between the Agency and different departments.

### Industry Portfolio priorities and Agency participation

While actively participating in the attainment of the Government of Canada's national priorities, on a complementary basis, Industry Portfolio member departments and agencies pursue four shared priorities, as follows:

- innovation;
- enterprise development;
- sustainable communities; and
- market development.

The Agency's strategic intervention framework for the economic development of the regions of Quebec means that it participates and co-operates fully in the implementation of the Industry Portfolio's four strategic priorities.

Innovation and productivity are central to the Agency's programming, particularly in the context of the IDEA-SME and RSI programs. Within the framework of Canada's Innovation Strategy, launched by Industry Canada (IC) and Human Resources Development Canada, the Agency and Industry Canada organized 10 or so consultations across Quebec to gather comments from the regions of Quebec concerning this Canada-wide strategy.

Enterprise development is one of the strategic outcomes targeted by the Agency. The results observed in the context of projects in progress in 2002-2003 show that the Agency has contributed to creating or maintaining 8,000 jobs in Quebec.

The Agency advocates for and defends the interests of SMEs to ensure that national policy and rules governing markets are equitable and allow them to flourish fully. Also, the Agency's priority is to encourage the development of commercialization and export capabilities of small and medium-sized enterprises in the regions of Quebec (see above the outcomes associated with Priority 1.3.3).

### **Aboriginal economic development**

Through its programming, the Agency supports various initiatives to enhance Aboriginal entrepreneurship and the economic development of Aboriginal communities. Among other things, the Nord-du-Québec RSI targets the enhancement of Aboriginal entrepreneurship, and empowerment for business development of the Inuit and Cree in that region. In addition, Canada Economic Development contributes \$1.9 million a year to facilitate Native people's access to funding, information and government programs and services and to put in place guidance and competency transfer services with respect to regional development and enterprises.

The Agency works with Aboriginal Business Canada and the Department of Indian and Northern Affairs to carry out shared initiatives concerning entrepreneurship and economic development of Aboriginal communities. The Agency is also funding two projects with the Native Commercial Credit Corporation aimed at supervising and guiding enterprises that are growing or in difficulty, and at developing the entrepreneurial potential of young Native people.

### **Transfer of funds to other Government of Canada's departments and agencies**

The Agency's co-operation with Government of Canada departments and agencies is one element in the implementation of the economic development strategies specific to each region of Quebec.

The Agency designed and developed these strategies in close co-operation with the development players in each region. To arrive at these strategies, the Agency actively supports the steps undertaken by regional economic agents to identify the economic development potential specific to each region. The Agency also helps regional development players design, perfect and promote the implementation of projects with strategic impact in their regions.

The completion of some of these regional projects with strategic impact sometimes involves more than one federal entity with complementary mandates. When these initiatives fall under other federal departments and agencies, as prime contractors, the Agency is required to contribute to ensure their implementation.

For instance, the Agency transferred more than \$200,000 in 2002-2003 to act jointly with Parks Canada to redevelop Forillon National Park in the Gaspésie region. This initiative ties in with one of the Agency's priorities, which is to enhance regional assets. By acting jointly with Parks Canada, the Agency seeks to foster the completion of projects of public interest that are likely to generate, in the long term, a strategic impact on the regional economy and have a major ripple effect on economic activity in Gaspésie.

With a view to fostering the implementation of knowledge infrastructure projects and pre-commercial R&D projects in line with Government of Canada priorities (science, technology and innovation) which are likely to have major impact on economic activity in the regions of Quebec, the Agency also transferred more than \$16 million to the National Research Council Canada for the Industrial Research Assistance Program, and for design and construction of the Aerospace Manufacturing Technology Centre (AMTC) in Greater Montreal and the Aluminum Technology Centre in the Saguenay—Lac-Saint-Jean region.

The funds destined for the NRC's IRAP, the Government of Canada's main program of assistance for innovation and technology development aimed at small and medium-sized enterprises, are used to provide them with the information, resources and financial support they need to translate their good ideas into commercially viable products and services. IRAP participates in setting up local and national economic systems and the creation of technology clusters across the country.

As to the AMTC's facilities, which will also be financially supported by major aerospace corporations and several universities, they will offer testing and R&D services in support of Canadian aerospace manufacturers, in particular SMEs. Emphasis will be placed on the effective, timely transfer of technology to SMEs, so that these enterprises can better integrate their production with that of large Canadian manufacturers.

The research program at the Aluminum Technology Centre will emphasize development and enhancement of technologies likely to reduce the cost of manufacturing aluminum-based high-value-added products. The Centre will attempt in particular to cater to the needs of SMEs in the supply chain, specifically suppliers of technological equipment and services as well as manufacturers and assemblers.

## Program for Export Market Development

The PEMD is a Canada-wide program which helps small enterprises exporting for the first time, or helps them go after new export markets for their products and services as well as finding opportunities for tendering for capital projects abroad.

The Department of Foreign Affairs and International Trade (DFAIT) is responsible for PEMD budgets and spending. But, in agreement with DFAIT and in direct association with its economic development mandate, the Agency administers the program for enterprises in the regions of Quebec.

For several years, Agency advisors have offered numerous services to enterprises under the PEMD. The following table illustrates the volume of activity in 2000-2001, 2001-2002 and 2002-2003. The Agency Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca), under “Programs”, provides further details on the program.

<b>Volume of activity relative to PEMD</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>
Number of files analysed <sup>1</sup>	66	69	152
Number of files approved	34	41	100

Note:

- 1 Any financial file analysed, whether accepted or refused, on which a final decision was made in the given fiscal year.

In 2002-2003, of all projects analysed under the program, 100 received funding for implementation. The total amount of contributions approved was more than \$4.7 million.

## Sustainable Development Strategy

In February 2001, the Agency tabled in Parliament its second Sustainable Development Strategy (SDS) for 2000-2003. This SDS carries on where the first one left off, while benefiting from the experience acquired. The second SDS is based on the Agency's strategic orientations. It also contributes to the federal government's commitments, made in the last Speech from the Throne, to increase its contribution in the areas of sustainable development and reduction in greenhouse gas emissions.

The Agency's second SDS includes commitments as well as objectives built around external and internal targets.

## External targets

External targets consist in:

- encouraging SMEs to adopt sound environmental management practices in terms of optimum resource management, pollution prevention and eco-efficiency; and
- enabling the environmental industry to confront global competition, through networking and joint action, development of innovative products and services associated with the environment and sustainable development, and support for the commercialization of products and services from the environmental industry.

With respect to SMEs, the first objective, that of enhancing their environmental performance, was attained through the Enviroclubs<sup>14</sup> set up by the Agency.

As to the other objectives more specifically concerning the environmental industry, these were partially achieved. In fact, the objective of helping the environmental industry establish a structure was not achieved as such. At a forum involving the main players and numerous SMEs in the industry, the Agency, along with all those present, noted that this objective could not be attained in the short term, and therefore focussed its efforts on achieving the other two objectives which also contribute to improving the environmental industry's performance vis-à-vis global competition.

As to the other two objectives, namely, (1) promotion of the development of innovative products, processes, technologies and services and promotion of the development of green manufacturing products and processes, and (2) financial support for commercialization of such products, processes and services, they were attained through the setting up of experimentation and commercialization projects.

It therefore emerges from the evaluation of the 2000-2003 SDS that the Agency has attained the great majority of the objectives associated with external targets.

In short, between April 1, 2000 and December 31, 2002, the Agency contributed to the funding of 137 projects associated with sustainable development, to the tune of \$42.4 million. Total investment generated by these projects in the Quebec economy was \$188.3 million.<sup>15</sup>

The experiment conducted in a business office revealed that the widespread introduction of environmental management systems in SMEs is not a realistic objective at this stage. It emerges that the Agency should instead be supporting enterprises in the process of developing tools for management and adoption of sound environmental practices. In this regard, Enviroclubs represent a sound practice.

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14 A case study on three Enviroclubs in the Saguenay—Lac-Saint-Jean region may be consulted on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Publications".

15 Total investment generated includes funding from the Agency and from other project funding providers.

Pollution prevention projects and testing and experimentation projects are areas of strength for sustainable development. Indeed, testing and experimentation projects target the development and perfection of products, process and technologies for the resolution of environmental issues or enhancement of natural resources. These are projects with a high level of risk, but in the vast majority of cases they respond to a real need of the industry or region and help demonstrate that sustainable development can mean productivity gains and enhanced competitiveness. For instance, the Enviroclubs represent a winning formula for pollution abatement and implementation of sound environmental practices. The environmental results achieved through the Enviroclubs range from a reduction in carbon dioxide (CO<sub>2</sub>) emissions equivalent to the use of 5,000 cars a year, to a reduction in the use of 51,000 m<sup>3</sup> of water equivalent to the annual water consumption of 400 people or finally, a reduction in consumption of 1,000 m<sup>3</sup> of wood equivalent to 10,000 trees a year. Note that all these results recur each year.

Completion of these projects enabled the Agency to develop a solid network of expertise and contacts for delivery of its sustainable development services. It worked closely with two federal partners through which it has access to scientific and technical expertise in project analysis and follow-up as well as performance measurement: Environment Canada, Quebec Region and NRC-IRAP. The Agency also works with three partners in the environmental industry to ensure project management and delivery of services to SMEs: Enviro Access (one of Canada's three centres for the advancement of environmental technology), *Réseau Environnement* and the *Centre québécois du développement durable (Région laboratoire)*, where the region becomes a sustainable development laboratory). This network of expertise enables the Agency to exercise real leadership in the implementation of sustainable development in Quebec, vis-à-vis both other federal departments and the various regional economic agents. These partnerships have a leverage effect on the Agency's contributions and enable it to maximize the support provided to SMEs. They are a winning solution for the assessment and environmental monitoring of sustainable development projects.

#### Internal targets

Internal targets consist in:

- adopting greener practices in order to pursue internal greening efforts within the Agency; and
- achieving a shared vision of sustainable development internally and with Agency partners.

The objectives are to pursue recycling, reduction and waste reduction measures, develop a shared vision of sustainable development within the Agency, improve and increase interdepartmental partnerships and ensure better reporting.

Internally, most of the objectives were attained. Moreover, additional measures will have to be introduced to lead to a shared vision of sustainable development within the Agency.

Toward the third three-year strategy

The third Sustainable Development Strategy will be built on the experience acquired over the past few years and on the annual evaluations and the report produced by the consultant upon the last evaluation of the SDS. Consultations were conducted alongside the evaluation, vis-à-vis both partners and employees, to identify the strengths and weaknesses of the second SDS and propose promising projects for the third strategy.

Finally, Canada Economic Development takes into account the policy directions provided by the Commissioner of the Environment and Sustainable Development in her last paper, *Sustainable Development Strategies — Making a Difference*, as well as the thrust of the *Guide to Green Government*.

## **Government initiatives**

In order to fulfil its mandate more effectively and, above all, to offer its programs and services to enterprises and local and regional economic players in an effective manner, the Agency incorporates into its day-to-day management the measures laid down by the Treasury Board of Canada Secretariat under several government-wide initiatives. These are notably part of the Government of Canada's management framework: *Results for Canadians*.

### **Modern Comptrollership**

The Government of Canada's Modern Comptrollership initiative was implemented at Canada Economic Development under the title of Modernization of Management Practices, a more meaningful title for the personnel as a whole.

The Agency formally committed to implementation of this modernization initiative in March 2002. From early April 2002, this commitment translated into the setting up of a modernization office, with dedicated resources, to ensure that every effort required is made to modernize management practices within the Agency.

During 2002-2003, the main emphasis was placed on three activities in order to get the initiative under way at the Agency.

First, the Agency developed a modern management practices implementation strategy which details its approach for integrating the elements of Modern Comptrollership into its corporate culture and processes.

Second, as provided for in its strategy, all Agency managers, including senior management, and more than half of its employees were made aware of and given training in the foundations, objectives and planned results of the modernization initiative within Government of Canada departments and agencies. This second stage was essential if managers were to have a sound understanding of the initiative and espouse its objectives.

Finally, the Agency conducted an evaluation of its management practices in relation to the Modern Comptrollership model.

#### Modern management capacity assessment

The modern management capacity assessment, conducted in fall 2002, revealed that the Agency boasted 20 or so sound practices in relation to the 33 criteria listed in the Government of Canada's modern management framework. Some examples of sound practices follow:

- the results-based management and reporting processes for projects with intermediary groups are well defined and implemented by the advisors in Operations;
- the five-year evaluation and audit plan is drawn up taking the strategic and operational plans and the organization's risks into account;
- a learning policy is in effect and targets, in the medium term, a learning plan for all employees;
- the organization's strategic framework, *Report on Plans and Priorities* and *Performance Report* are increasingly integrated; and
- operational processes are well defined and known by all employees, and the mechanisms are well run-in and continually improved.<sup>16</sup>

The Agency has set up a new financial and non-financial information system. This is without doubt a key element in the modernization of management practices within the organization. It is at the heart of daily operations and constitutes the main source of information for decision-making.

The evaluation also led to the identification of management practices requiring improvement so as to adapt or modernize them in line with the government's modern management framework. For instance, the following management practices will have to be the subject of special attention in the Agency's plans over the next few years:

- integration of risk management with management processes and practices;
- human resources planning and management more closely linked to the organization's strategic and operational plans;
- greater integration of values and ethics into the Agency's activities;
- optimization of the planning process aimed at better integration of planning and performance assessment; and
- greater integration of information needs and management tools.

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<sup>16</sup> The Agency is certified ISO 9001 : 2000 with respect to the IDEA-SME and Regional Strategic Initiatives programs. In order to improve its practices and processes on an ongoing basis, among other means used, for seven years now, the Agency has measured customer satisfaction.

Action plan for modernization of management practices at the Agency

In February 2003, the Agency undertook development of an action plan that will implement the main recommendations from the evaluation of its situation with regard to modernization of management practices. This action plan will comprise objectives, performance indicators and a timeframe for each action identified so as to be able to monitor progress adequately and make any necessary adjustments.

Implementation of this action plan will thus enable the Agency, over the next few years, to modernize its management processes or practices in line with Government of Canada policy.

### **Integrated risk management**

Like several other departments, the Agency is currently working to establish enhanced capability with respect to integrated risk management, in line with the government's new management framework and the Modern Comptrollership initiative.

Over the past two years, the Agency has completed the diagnostic phase and conducted the identification and evaluation of its corporate risks (ie., its risk profile). This work was carried out with the co-operation of all Agency managers and led to identification of the 23 most threatening risks standing in the way of achieving the organization's business objectives.

This study was first of all very helpful in developing the three-year and five-year review plans, program audit frameworks and audit mandates, which are now all risk-based, in line with the government's new policy.

The Agency is currently beginning the implementation phase of its integrated risk management framework. The project to which the Agency is paying the most attention at present is intended to integrate, when a contribution project is processed, an assessment of the risks specific to each project so as to be better able to determine the thoroughness of the analysis and the scope of the monitoring that will be required for the duration of project implementation. This activity is especially valuable, since its planned outcome is to lead to more efficient, economical and effective management of the contribution and grant programs administered by the Agency.

## Service Improvement Initiative and customer satisfaction

The quality of services is a constant concern of staff. The Agency has produced tangible evidence of its commitment to target excellence and deliver quality service to its clientele by applying the requirements of the ISO 9002 standard to delivery of its main programs' services, since 1997. In 2002-2003, the Agency successfully performed the transition to the ISO 9001: 2000 standard, thus confirming its certification in an international quality management standard.

As in past years, the Agency measures its clients' satisfaction by means of two complementary tools. First, the Agency sends the client an evaluation questionnaire after the service. But the annual telephone survey conducted by an outside firm remains the main information-gathering tool.<sup>17</sup> Every two years, the survey is also used to verify clients' perception as to the application of its service standards and to find out their expectations with respect to certain aspects of the service. The large client base for the 2002-2003 survey made it possible to measure their perception at different stages in the service.

In the context of the service improvement initiative, the Agency's goal is to maintain the high levels of satisfaction it has received for several years, while continuing its efforts to improve certain facets of service. Despite a slight decline, the following table shows that customer satisfaction remains high for almost every aspect of service offered.

<b>SATISFACTION LEVELS OF ENTERPRISE AND ORGANIZATION CLIENTELE RECEIVING FINANCIAL ASSISTANCE FROM THE AGENCY IN 2002-2003</b>		
<b>Key indicator</b>	<b>Satisfaction level<sup>1</sup></b>	
	<b>2001-2002</b>	<b>2002-2003</b>
Access to services	87.7%	90.9%
Ability to meet clients' needs	87.3%	85.3%
Fairness and impartiality of services	NA	91.4%
Financial assistance application response time	86.0%	75.5%
Claim response time	82.0%	81.0%
Clarity of administrative documents received	88.2%	85.2%
Courtesy of staff	97.3%	97.6%
Competence of staff	91.2%	93.0%
Guidance through procedure	90.5%	89.9%
<b>Quality of service in general</b>	<b>92.0%</b>	<b>93.0%</b>

Note:

1 Percentage of clients stating they are very satisfied or satisfied with the services received.

The table above shows a slight increase in the level of satisfaction with regard to quality of services in general. Satisfaction with respect to financial assistance application response time is down, however, and this will require special attention in the months to come.

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<sup>17</sup> The survey questionnaire was developed from the common measurement tool used within the Government of Canada.

The Agency also measures the satisfaction of enterprises and organizations whose application for financial assistance was denied. While the satisfaction level of these clients is lower than that of clients who did receive assistance, the fact remains that these respondents still wish to do business with the Agency. Thus, close to six clients in 10 plan to make a financial assistance application to the Agency over the coming year.

The Agency wishes to continue its service delivery improvement process. To do so, it set up a Service Improvement Quality Circle, whose mandate is to propose objectives and plans for improving services so as to better meet its clientele's expectations. Among other things, a checklist was developed to help the client set up a file, with a view to speeding up processing of his application for financial assistance.

### **Government On-line**

The Government On-line (GOL) initiative has evolved considerably since it was launched in 1999. Whereas the original aim was for all government programs and services to be available electronically by 2005, the Treasury Board Secretariat (TBS) integrated it this past spring with the more comprehensive service delivery improvement initiative. Thus, GOL became a special means toward improvement of integrated, multimode government services oriented toward client needs.

Canada Economic Development is one of the 30 departments targeted by the GOL - Service improvement initiative and, as such, belongs to the Government of Canada's one-stop centre for Canadian business.

The Agency has undertaken vis-à-vis the TBS to offer part of its IDEA-SME program on-line for 2005, and to improve its Web site, in particular by making electronic support tools available to SMEs throughout their business progression. To that end, the Agency established a special team with the mandate to improve delivery of the information and transaction services associated with the IDEA-SME program, notably through use of the Internet and new information and communication technologies (NITC). This team put on line, in April 2002, the centralized response service for emails reaching the Agency's Web site, "CED On-line".

Over the past year, the "CED On-line" service had to process more than 1,700 emails requiring a response from the Agency or one of its partners and collaborators.

In June 2002, the Agency launched a new version of its Web site, comprising almost 300 Web pages in all (English and French). It contains general information on the organization, its areas of activity, programs and services, eligibility criteria and many of the Agency's official documents. The site also offers visitors the chance to make comments, personalize their information needs and subsequently receive an email as soon as the information sought is available on-line. Over the past year, the site received 108,804 visitors, up 13.5% from the previous year. The table on the following page presents figures on the number of visits to the Agency's Web site over the past three fiscal years.

<b>Visits</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>
<b>Total visits</b>	<b>80,742</b>	<b>95,884</b>	<b>108,804</b>
Visits to French site	52,967 (65.6%)	62,900 (65.6%)	67,613 (62.1%)
Visits to English site	27,775 (34.4%)	32,984 (34.4%)	41,191 (37.9%)

The data from the annual survey on customer satisfaction indicate that more than 90% of Agency clients who visited its Web site said they were satisfied or very satisfied with it.

These data show that the efforts made by the Agency enabled it to adjust rapidly to Canadians' expectations with respect to on-line government services, while maintaining a high level of user satisfaction.

### **Human resources management**

Human resources strategic planning framework

During 2002-2003, the Agency worked on developing a Human resources strategic planning framework which will head and guide its human resources management priorities over the next five years.

In addition to being anchored in the Agency's mandate, its strategic orientations and the needs and expectations expressed by management and staff, this framework reflects the Government of Canada's main priorities with respect to human resources management, namely, values, learning, diversity and official languages. It is also based on the main principles of the Modern Comptrollership initiative, risk management and the results-based Accountability and management framework.

In numerous ways, effective implementation of the Human resources strategic planning framework will help the Agency carry out its mandate fully by benefiting from the services of skilled staff who are motivated and up to the challenges associated with the economic development of the regions of Quebec.

## Competency-based human resources management

Over the past year, the Agency has taken the first steps toward implementation of competency-based human resources management. This involves the application of a series of human resources management competencies in order to attain a level of performance contributing effectively and efficiently to the organization's results. This project notably involves associating a competency profile to each active position within the Agency. To that end, in co-operation with all Agency responsibility centres, an exercise to develop competency profiles for all active positions is currently under way and will continue in 2003-2004. The use of these competency profiles for human resources planning, recruitment, learning and performance evaluation will enable the Agency to:

- meet current and future challenges with respect to human resources management;
- ensure the professional development of its personnel;
- ensure that customer satisfaction is maintained with regard to the quality of services offered;
- attain its planned strategic outcomes; and
- ensure that, today and in the years to come, it thoroughly carries out its mandate fully.

## Staffing

Numerous recruitment activities were performed over the past year. In fact, in 2002-2003, the Agency conducted 38 public recruitment processes as well as 43 competitions within the Public Service. Overall, the external recruitment processes made it possible to diversify staff competencies, inject some young blood and foster greater diversity within the organization. Moreover, no complaints or appeals were received concerning the selection and recruitment processes conducted either internally or externally.

A new human resources management information system was developed, providing rapid access to up-to-date data on Agency staff. The production of certain reports from this information system will be conducive to rapid, informed decision-making.

## Learning

Professional development of personnel is a priority at the Agency. In fact, in the context of the implementation of the new internal policy on learning, drawn up in 2001, close to 20% of employees have developed learning plans. Over the past fiscal year, more than \$430,000 was allocated to professional development activities offered in varied forms respecting the learning profile and fostering the integration and transfer of competencies of employees and managers. Management also attended workshops on coaching so as to make them more comfortable in their people management skills.

Investment in development and learning is a preferred means for the Agency to ensure the maintenance and development of the competencies of staff who constantly have to adapt to the changing labour market and to increasingly complex, diversified tasks.

### Performance evaluation

Performance appraisals were completed for 73% of employees. This human resources management activity is an ideal opportunity for managers and their employees to discuss the different achievements of the past year, challenges to be met, objectives to be attained, and learning needs in a perspective of development or further training.

### Official languages

Canada Economic Development encourages a bilingual workplace and subscribes to the *Government of Canada's official languages policy*. Language training sessions were offered to many employees in order to maintain and enhance their second-language skills and knowledge.

An official languages action plan is currently being drafted. Among its aims are development of minority language communities, service delivery in both official languages, participation by English- or French-speaking Canadians in the federal administration and the use of both official languages in the workplace.

### Inclusive Public Service

As mentioned in the previous report, all managers have gone to considerable lengths over the past few years to make the Agency a workplace representative of Canada's population. These efforts demonstrate the Agency's commitment to an inclusive Public Service.

The 2002-2003 fiscal year was marked by an audit by the Canadian Human Rights Commission on application of the *Employment Equity Act* at Canada Economic Development. The fact that a first audit found the Agency to be in compliance with that legislation is an enviable, honourable result. While this result is positive for the Agency and acknowledges the efforts made over the past few years, the audit report recommended that a 2002-2005 action plan be drawn up covering several organizational aspects and planning of representativity objectives over a three-year period. Thus, overall action is continuing in order to create a workplace open to Canadians' diversity and image.



# 5

## LESSONS LEARNT

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During FY 2002-2003, the Agency conducted several reviews, that is, evaluations and audits, on its processes, initiatives and programs in order to measure achievement of targeted results, the timeliness of its action in Quebec and the effectiveness of its administration of the public resources entrusted to it. A number of these reviews were mandated, as a result of the Agency's commitments when programs were established, while others were deemed timely by the Agency. Incidentally, the audit program was partly based on a business risk assessment conducted by Agency management.

Canada Economic Development used outside consultants to conduct the audits and evaluations in whole or in part. Calling on outside consultants ensures access to special expertise as well as greater objectivity.

This section reports on the lessons learnt from the evaluations and audits conducted in 2002-2003. The review reports may be consulted on the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under "Publications".

### **Management of programs and initiatives**

During FY 2002-2003, among other reviews, the Agency paid special attention to the Community Futures Program by conducting an evaluation and an audit, the Regional Strategic Initiatives by conducting an evaluation of its validity, implementation and results in Quebec, and the Infrastructure Canada Program by conducting two audits in order to ensure compliance with the provisions of the Canada-Quebec Agreement by the different signatories.

#### **Community Futures Program**

Created in 1987 and entrusted to the federal regional development agencies in 1995, the CFP is a national program which supports communities across Canada, helping them take their local economic development in hand. In Quebec, the Agency, through the CFP, supports 57 CFDCs which offer enterprises and communities support services geared to special local needs.

In March 2001, the study conducted on the assessment of the Agency's inherent business risk revealed that management of repayable and non-repayable contribution programs, such as the CFP, constituted a potentially risky activity and should therefore be the subject of periodic audits.

Thus, the main objective of the audit was to enhance the efficiency, effectiveness and economy of management practices, and of the control and information systems associated with CFP activities. The team of auditors paid special attention to the following issues:

- compliance with the *Policy on Transfer Payments* issued by Treasury Board concerning contribution agreements with the CFDCs and the *Réseau des SADC* (the umbrella organization for the CFDC network);
- controls on payments and advances made by the Agency;
- minimum standards for file documentation;
- information presented in the CFDCs' financial statements.

The general conclusions of the CFP audit confirmed that the control systems put in place by Canada Economic Development are appropriate for achievement of program objectives. The Agency guides and ensures management of the program effectively, notably by setting up and running a system of ongoing dialogue with and consultation of partners through committees. The review also highlighted the differences among business offices in terms of management methods. Certain aspects, in particular follow-up and reference material placed in files, are not covered consistently in the offices. To meet this challenge, the Agency drew up a list of appropriate documents and annotations that will form the common, consistent core of administrative files with respect to the Agency's agreements with the CFDCs.

The formative evaluation<sup>18</sup> of the CFP was conducted in the context of a national evaluation in line with an agreement with Treasury Board, following the injection of additional funding for the period from 2000 to 2005. Its main objective was to derive observations and make recommendations that will contribute positively to the work conducted by the CFDCs and the Agency under the program. Among the challenges of evaluating the program were the timeliness of the intervention, extent of achievement of objectives, quality and effectiveness of program design and delivery, performance measurement and extent of achievement of results, impact and effects.

The team of evaluators observed that the Agency, through the CFDCs, ensures effective, efficient delivery of the program. The CFDCs' work is carried out in close co-operation with the local milieu and is based on community volunteers and commitment. Local development needs are very diversified, and the CFDCs have successfully developed a broad range of activities to meet them all.

In direct relation to the observations and recommendations of the evaluation, the Agency has undertaken to update the program's intervention framework periodically, in order to ensure its consistency with the real situation in the different local milieus. In fact, taking into account ongoing changes in the environment and intervention methods vis-à-vis beneficiaries involves a regular review of the match between the program's national framework, the logic of its intervention and the management agreement linking the Agency and the CFDCs.

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18 A formative evaluation is carried out midway through a program to review its implementation as well as the extent of achievement of objectives and to suggest any necessary changes.

Furthermore, the Agency intends to consolidate and enhance the actual application of results-based management vis-à-vis the CFDCs and intermediary groups funded under the CFP. In the short term, the Agency will be adding control points and disseminating a glossary of performance indicators so as to ensure higher quality in the data gathered from intermediate groups. From the fall, the Agency will offer joint training for advisors from the CFDCs and Agency business offices as well as tools that will foster the reinforcement of what has been learnt and ownership of the principles of results-based management.

### **Regional Strategic Initiatives program**

The purpose of the RSI program is to foster growth in a socio-economic environment conducive to the development and competitiveness of SMEs and the regions by giving them the means they need to customize their own development strategies corresponding to their economic development potential.

In line with the agreements and conditions for program approval dated February 6, 1997, in which the Treasury Board required that an evaluation of the overall program be carried out before funding was renewed, the Agency completed a summative evaluation<sup>19</sup> of the program in March 2003.

The evaluation highlights the fact that the program is flexible and permits the funding of projects from a large variety of players involved in regional economic development in the different regions of Quebec. This ability to gear development strategies to local conditions is a major asset, in view of the disparity of the regions' needs and potential.

In addition, comparing the program with the regional development programs in effect in Europe, the team of evaluators observed that the Agency's way of intervening through its program is innovative, since it targets the region rather than the enterprise and supports the development of innovation capability rather than production inputs. This observation illustrates the intervention strategy that Canada Economic Development has chosen to use, which targets primarily the root causes of regional development issues rather than their symptoms or manifestations.

These lessons will be used by the Agency when this program is renewed. Thus, the Agency will try to share the results of this evaluation so as to benefit from it when upcoming regional strategic initiatives are developed and updated by its business offices. As recommended in the evaluation, the Agency will pay special attention to the staging of networking activities contributing to an increase in economic facilitation and economic players' capability to take charge of their regions' development.

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<sup>19</sup> A summative evaluation is conducted at the end of a program in order to determine, among other things, the extent to which objectives have been achieved.

## Infrastructure Canada

With a view to ensuring compliance with the provisions of the Canada-Quebec Agreement by the signatories with respect to the Infrastructure Canada Program, two audits, one internal and one external, were conducted. These confirmed that the provisions of the Agreement were complied with and that adequate control mechanisms were in place. Moreover, the external audit involved substantial co-operation between the Agency and two of its provincial partners, the *ministère des Affaires municipales, du Sport et du Loisir* (MAMSL) and the *ministère des Transports du Québec* (MTQ).

## Environmental management

With respect to sound environmental management, the Agency completed two reviews, namely, an audit of its application, under the Infrastructure Canada Program, of the *Canadian Environmental Assessment Act* and a summative evaluation on the outcomes of its second Sustainable Development Strategy. To ensure an in-depth, timely analysis in these two reviews, Canada Economic Development used an independent specialist.

Overall, the process of assessing the environmental impact of infrastructure projects used by the Agency is carried out in compliance with the provisions of the *Canadian Environmental Assessment Act* and its regulations. Infrastructure projects involve measures to mitigate environmental impact and environmental monitoring programs geared to the nature of the work.

According to the evaluation of the second SDS, the notion of sustainable development varies, depending on who one is talking to: managers and advisors attached to Corporate services, or advisors working in regional business offices. All agree that the Agency needs a single, shared definition of sustainable development, which must take into account the enhancement of resources and raw materials which vary by region. It emerges from the evaluation that the Agency, in its upcoming SDS, should develop an approach integrating sustainable development in its programming for all the projects to which it contributes.

As to the training of advisors with respect to sustainable development, the information transmitted proved to be ill-adapted to the work of advisors in the field. Substantial effort in the development of decision-making tools geared to advisors' needs and of training in the use of these tools will therefore be made within the framework of the next SDS.

In addition, the evaluation results clearly indicate that the Agency has developed a solid network of expertise and contacts for delivery of its sustainable development services and that it exerts a ripple effect on its partners<sup>20</sup> and its networks of regional contacts, in view of the scale of its financial contributions and the total investment generated.

## **From review to action**

The review process, which is participatory, along with the recommendations and action plans stemming from it, prompt the Agency, among other things, to adjust and enhance its management and intervention methods. The participation of Agency directorates involved in this process translates into greater accountability on the part of the directorates, more realistic recommendations and more closely-targeted action plans. This approach, in line with the philosophy and vision of the Government of Canada, has led to two reviews becoming a positive input in the management and decision-making process.

Moreover, the observations and recommendations stemming from evaluations and audits are used by the Agency's different directorates to adapt and even focus the planning of their activities and staff training, as well as the conduct of future reviews.

Thus, those responsible for the Agency's strategic planning use the review results to support their activities and contribute to changes in the organization's strategic orientations. As to human resources, reviews have made it possible to pinpoint the challenges to be met and avenues for improvement in terms of dynamic, effective staff management. Finally, the results of past evaluations and audits also have an impact on future reviews, either with respect to the direction they take or through the actual selection of the elements reviewed.

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<sup>20</sup> The Agency's two main federal partners, Environment Canada, Quebec Region and NRC-IRAP, give it access to scientific and technical expertise in the analysis and monitoring of projects as well as performance measurement. Its three environmental industry partners, Enviro Access, *Réseau Environnement* and the *Centre québécois de développement durable*, handle project management and delivery of services to SMEs.





## APPENDIX I: FINANCIAL AND NON-FINANCIAL ASSISTANCE

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The Agency's contribution to the economic development of the regions of Quebec is realized via the following means: financial assistance in the form of contributions or, more rarely, grants.

### **Financial assistance programs (contributions and grants)**

The Agency's support for enterprises, organizations and local and regional development agents primarily takes the form of financial assistance under the following programs:

- programming relative to the Agency's core mandate, contributing to the achievement of the first two strategic outcomes:
  - Program of assistance for development of SMEs in Quebec (IDEA-SME)
  - Regional Strategic Initiatives (RSI) Program
  - Community Futures Program (CFP)
  - Special Coastal Quebec Fund (CQF) Program (terminated March 31, 2003)
  - Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy;
- programming relative to the special mandate from the Government of Canada, contributing to the achievement of the third strategic outcome:
  - Infrastructure Canada Program (2000)
  - Canada Infrastructure Works Program (1994).

### **Details**

The Agency's two main financial assistance programs are IDEA-SME and RSI. CFP and the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy complete the programming associated with the Agency's core mandate.

Program of assistance for development of SMEs in Quebec

The IDEA-SME program primarily targets enterprise development. Its goal is to foster the growth of business generated by enterprises in all Quebec regions by facilitating, among other things, access to relevant information, awareness of enterprises' development issues, establishment of strategic enterprises, and consolidation of their competitiveness through new business practices, innovation and marketing. In that way, this program fosters realization of the regions' economic development potential, leading in the long term to enhanced prosperity and sustainable employment.

As to planned results, the program should lead to an increase in awareness of innovation, commercialization and entrepreneurship; an increase in identification and integration of new technology; an increase in marketing of products arising out of innovation; an increase in enterprises' productivity with a view to making them more competitive on the international scene; support for testing and experimentation activities in the natural resources sector in regions whose economy is heavily resource-based; an increase in SMEs' activities on international markets and consolidation of the position of exporting SMEs; stimulation of the emergence of initiatives aimed at enterprise startups and improvement in the business climate.

The following table presents actual program expenditures in 2002-2003 by Agency strategic outcome and intervention priority.

<b>IDEA-SME PROGRAM</b> Expenditures by strategic outcome and priority	<b>Projects in progress in 2002-2003</b>		
	<b>N<sup>1</sup></b>	<b>Actual expenditures</b>	<b>Total spending incurred<sup>2</sup></b>
<b>1 Foster enterprise development</b>	<b>747</b>	<b>\$46,376,201</b>	<b>\$81,391,059</b>
1.1 General information and awareness	9	\$953,018	\$3,042,127
1.2 Establishment of strategic enterprises	51	\$3,755,142	\$9,840,083
1.3 Enterprises' competitiveness			
1.3.1 Competitiveness — New business practices	45	\$3,419,990	\$5,774,613
1.3.2 Competitiveness — Innovation in processes, equipment and products	196	\$15,495,748	\$19,210,008
1.3.3 Competitiveness — Commercialization	408	\$20,912,466	\$39,684,342
1.4 Development of small enterprises	38	\$1,839,837	\$3,839,886
<b>2 Contribute to improving the environment for economic development of the regions of Quebec</b>	<b>231</b>	<b>\$12,782,026</b>	<b>\$32,283,195</b>
2.1 Local capability to energize development of the local economy	174	\$10,991,755	\$28,994,326
2.2 Economic enhancement of regional development assets	39	\$1,172,262	\$1,963,898
2.3 Development and reinforcement of knowledge-based competitive advantages	18	\$618,009	\$1,324,971
<b>TOTAL</b>	<b>978</b>	<b>\$59,158,227</b>	<b>\$113,674,254</b>

Notes:

1 N = number

2 This indicator measures total spending incurred for projects whose outcomes are presented in this report, that is, projects in progress in 2002-2003. Since many of these projects were active prior to FY 2002-2003, total spending incurred for projects being reported on exceed actual expenditures for the same projects in 2002-2003. Generally speaking, more than 40% of projects are completed within a 12-month period. Only 35% of projects are spread over 12-24 months, while fewer than 25% are spread over more than 24 months.

## Regional Strategic Initiatives Program

This program involves developing and implementing strategies and action plans fostering the creation of a socio-economic environment conducive to reinforcing the assets and competitive advantages of Quebec regions, with a view to enabling them to realize their economic development potential, leading in the long term to lasting improvement in prosperity and employment. The RSI program supports major initiatives likely to have a growth-generating impact on the regional economy, in response to major regional issues identified through a process of local consultation, dialogue and mobilization. The projects and activities stemming from it permit great flexibility and can take various forms, in line with the needs of a single region or a given group of regions.

The program first aims to increase the regions' technological capability so as to encourage the use of the most appropriate technologies and their adaptation by SMEs. The program also helps develop the regions' tourist attraction potential, as well as increasing the attraction capability of international activities. It is also used to support the regions in their efforts to adjust to the new global economic environment, especially in rural areas.

Planned results from the program include an increase in the use of new technology by SMEs; an increase in the number of foreign tourists in the regions; an increase in the number of foreign visitors at different international events; and an increase in the number of projects concerning the regions' adjustment to the new global economic environment, notably in rural areas.

The following table presents actual program expenditures in 2002-2003 by Agency strategic outcome and intervention priority.

<b>RSI PROGRAM</b> Expenditures by strategic outcome and priority	<b>Projects in progress in 2002-2003</b>		
	<b>N<sup>1</sup></b>	<b>Actual expenditures</b>	<b>Total spending incurred</b>
<b>1 Foster enterprise development</b>	<b>156</b>	<b>\$24,643,313</b>	<b>\$53,005,277</b>
1.1 General information and awareness	1	\$85,705	\$85,705
1.2 Establishment of strategic enterprises	60	\$15,594,311	\$34,272,552
1.3 Enterprises' competitiveness			
1.3.1 Competitiveness — New business practices	13	\$1,069,589	\$3,749,501
1.3.2 Competitiveness — Innovation in processes, equipment and products	21	\$3,147,244	\$5,418,719
1.3.3 Competitiveness — Commercialization	22	\$2,429,964	\$4,545,034
1.4 Development of small enterprises	39	\$2,316,500	\$4,933,766
<b>2 Contribute to improving the environment for economic development of the regions of Quebec</b>	<b>246</b>	<b>\$97,822,463</b>	<b>\$175,712,029</b>
2.1 Local capability to energize development of the local economy	104	\$12,499,707	\$25,981,367
2.2 Economic enhancement of regional development assets	96	\$52,451,452	\$106,366,907
2.3 Development and reinforcement of knowledge-based competitive advantages	46	\$32,871,304	\$43,363,755
<b>TOTAL</b>	<b>402</b>	<b>\$122,465,776</b>	<b>\$228,717,306</b>

Note:

1 N = number

## Community Futures Program

This Canada-wide program provides support for communities in all parts of the country to help them take charge of their own local economic development. In Quebec, the CFP financially supports 57 Community Futures Development Corporations; it also provides support for 14 Community Economic Development Corporations and nine Business Development Centres.

The following table presents actual program expenditures in 2002-2003 by Agency strategic outcome and intervention priority.

<b>CFP PROGRAM</b> Expenditures by strategic outcome and priority	<b>Projects in progress in 2002-2003</b>		
	<b>N<sup>1</sup></b>	<b>Actual expenditures</b>	<b>Total spending incurred</b>
<b>1 Foster enterprise development</b>	<b>162</b>	<b>\$23,994,502</b>	<b>\$42,988,106</b>
1.1 General information and awareness	5	\$212,524	\$363,824
1.4 Development of small enterprises	157	\$23,781,978	\$42,624,282
<b>2 Contribute to improving the environment for economic development of the regions of Quebec</b>	<b>14</b>	<b>\$1,688,280</b>	<b>\$2,543,808</b>
2.1 Local capability to energize development of the local economy	14	\$1,688,280	\$2,543,808
<b>TOTAL</b>	<b>176</b>	<b>\$25,682,782</b>	<b>\$45,531,914</b>

Note:

1 N = number

## Special Coastal Quebec Fund Program

This fund, also known as the Special Fund for the Economic Development and Adjustment of Quebec Fishing Communities, terminated in March 2003 and was intended to implement measures to support economic and community development of communities affected by the restructuring of the fishing industry (Côte-Nord and Gaspésie—Îles-de-la-Madeleine administrative regions, and adjacent fishing communities).

The following table presents actual program expenditures in 2002-2003 by Agency strategic outcome and intervention priority.

<b>CQF PROGRAM</b> Expenditures by strategic outcome and priority	<b>Projects in progress in 2002-2003</b>		
	<b>N<sup>1</sup></b>	<b>Actual expenditures</b>	<b>Total spending incurred</b>
<b>1 Foster enterprise development</b>	<b>65</b>	<b>\$1,739,478</b>	<b>\$2 976 233</b>
1.2 Establishment of strategic enterprises	9	\$335,206	\$830,373
1.3 Enterprises' competitiveness			
1.3.1 Competitiveness — New business practices	1	\$24,120	\$21,120
1.3.2 Competitiveness — Innovation in processes, equipment and products	5	\$146,323	\$148,185
1.3.3 Competitiveness — Commercialization	3	\$84,416	\$111,307
1.4 Development of small enterprises	47	\$1,149,413	\$1,862,248
<b>2 Contribute to improving the environment for economic development of the regions of Quebec</b>	<b>15</b>	<b>\$320,403</b>	<b>\$710,305</b>
2.1 Local capability to energize development of the local economy	8	\$86,860	\$375,739
2.2 Economic enhancement of regional development assets	7	\$233,543	\$334,566
<b>TOTAL</b>	<b>80</b>	<b>\$2,059,881</b>	<b>\$3,686,538</b>

Note:

1 N = number

## Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy

This program is a special measure to improve the economic situation in the Gaspésie—Îles-de-la-Madeleine region. It is in addition to the Agency's regular activities and gives priority to the following elements: enhancement of federal infrastructure; development of medium-sized enterprises; young people; local empowerment; and emerging initiatives.

The following table presents actual program expenditures in 2002-2003 by Agency strategic outcome and intervention priority.

CANADIAN SUPPORT PROGRAM FOR THE GASPÉSIE — ÎLES-DE-LA-MADELEINE ECONOMY Expenditures by strategic outcome and priority	Projects in progress in 2002-2003		
	N <sup>1</sup>	Actual expenditures	Total spending incurred
<b>1 Foster enterprise development</b>	<b>19</b>	<b>\$26,511,240</b>	<b>\$26,556,240</b>
1.2 Establishment of strategic enterprises	3	\$23,186,420	\$23,186,420
1.3.2 Competitiveness — Innovation in processes, equipment and products	2	\$2,455,790	\$2,455,790
1.4 Development of small enterprises	14	\$869,030	\$914,030
<b>2 Contribute to improving the environment for economic development of the regions of Quebec</b>	<b>8</b>	<b>\$452,861</b>	<b>\$492,091</b>
2.1 Local capability to energize development of the local economy	3	\$49,997	\$49,997
2.2 Economic enhancement of regional development assets	3	\$293,633	\$317,863
2.3 Development and reinforcement of knowledge-based competitive advantages	2	\$109,231	\$124,231
<b>TOTAL</b>	<b>27</b>	<b>\$26,964,101</b>	<b>\$27,048,331</b>

Note:

1 N = number

#### Infrastructure Canada Program (2000)

Within the framework of the pan-Canadian Infrastructure Program under Treasury Board responsibility, a Canada-Quebec Agreement was signed in October 2000, with the objective to upgrade municipal, urban and rural infrastructure in Quebec as well as improving Quebecers' quality of life. The Agency acts on behalf of the Government of Canada as the federal department responsible for implementation of the program in Quebec. The Agency's third strategic outcome solely comprises projects under the Infrastructure Canada Program.

#### Infrastructure Works (1994)

Initiated in 1994-1995 for a three-year period, the Canada Infrastructure Works program was extended by two years in 1997-1998 and superseded by the Infrastructure Canada Program in 2000. A number of projects approved under the Canada Infrastructure Works program are still the subject of expenditures by the Agency.

## Other programs with which the Agency is associated

### *Canada Small Business Financing Act (CSBFA)*

The objective of the *Canada Small Business Financing Act* is to encourage participating lending institutions to increase the availability of loans for the establishment, expansion, modernization and upgrading of small business enterprises. Application of this Act, including all administrative arrangements and performance information, is the responsibility of the Department of Industry, but the costs of this program in Quebec are reported in the Agency accounts, under Financial assistance (statutory payments). This statute superseded the *Small Business Loans Act* (SBLA) in 1998.

## Non-financial assistance

In synergy with financial assistance from the Agency, various forms of non-financial assistance contribute to enterprise development and improvement of the environment for economic development of the regions. These non-financial support measures are implemented by Agency personnel, in some cases, and by organizations that the Agency provides with financial assistance to enable them to deliver services to enterprises or local economic development agents. Non-financial assistance takes several forms, depending on the planned result, notably:

- Dissemination of general and specialized information for SMEs; informing and raising economic development agents' awareness concerning new, emerging development issues.
- Non-financial support for development of enterprises' and local development agents' business capabilities and networks. For instance, this assistance takes the tangible form of participation in the organization and staging of workshops, seminars, learning-sharing groups (in sustainable development, for instance) and events fostering the establishment of business networks. The assistance is aimed particularly at enabling development agents to acquire competencies and knowhow in various specialized fields.
- Non-financial support for development players, at several stages in their progression and by a variety of means, to help them develop, implement and monitor projects with strategic impact. A number of organizations the Agency supports financially provide sustained support, in an incubation context, for enterprise management teams in their pre-startup or startup phases.
- Assistance to local development agents so they may take part in defining the economic development policies and priorities of the Agency and the Government of Canada. The Agency successfully supports development players in their communication efforts through its permanent presence in each region of Quebec; its participation in the different forums and events marking the economic development of each region; its active listening with respect to communities' concerns; its support for the organization of consultations and its approaches within the federal government machinery. The Agency also promotes the interests of Quebec's regions and SMEs within the Government of Canada.



## APPENDIX II: FINANCIAL PERFORMANCE

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### Overview

The Agency's total authorities, consisting of Main Estimates and Supplementary Estimates voted by Parliament, stand at \$517.2 million for the 2002-2003 fiscal year. The Agency's actual expenditures of \$367.2 million were 29% below this. The difference is primarily attributable to the authorized deferral of funding from 2002-2003 to subsequent years in order to provide funding for the Infrastructure Canada Program and to funds transferred to other government departments for the joint funding of initiatives.

### Summary financial tables

Canada Economic Development for Quebec Regions is required to produce the following financial tables for 2002-2003:

Financial table 1	Summary of voted appropriations
Financial table 2	Comparison of total planned spending with actual expenditures
Financial table 3	Historical comparison of total planned spending with actual expenditures
Financial table 4	Actual expenditures 2002-2003 by strategic outcome
Financial table 5	Non-responsible revenue
Financial table 6	Statutory payments
Financial table 7	Transfer payments
Financial table 7a	Description of funds distribution by program
Financial table 8	Contingent liabilities

The purpose of these financial tables is to show:

- expenditures planned at the start of the year, which match those shown in the 2002-2003 *Report on Plans and Priorities* in the "Planned spending 2002-2003" column;
- total authorities figures, which include those in the Main Estimates and Supplementary Estimates voted by Parliament, and correspond to those shown in the Public Accounts for 2002-2003;
- actual expenditures, which are consistent with those shown in the Public Accounts for 2002-2003.

## Financial table I: Summary of voted appropriations

### Financial requirements by authority

This table shows appropriations voted by Parliament for resources provided for in the *2002-2003 Report on Plans and Priorities*, changes made to resources following Supplementary Estimates and other authorities, as well as the use of funds.

Canada Economic Development for the Regions of Quebec		2002-2003 (in millions of \$)		
Vote		Planned spending	Total authorities	Actual expenditures
60	Operating expenditures	41.6	43.7	42.4
65	Grants and contributions	413.1	426.5	277.8
(L)	Obligations under the <i>Small Business Loans Act</i>	17.0	19.9	19.9
(L)	Obligations under the <i>Canada Small Business Financing Act</i>	14.0	21.8	21.8
(L)	Contributions to employee benefit plans	4.7	5.3	5.3
(L)	Spending of proceeds from disposal of surplus Crown assets	-	0.01	0.01
<b>TOTAL</b>		<b>490.4</b>	<b>517.2</b>	<b>367.2</b>

The \$0.8-million increase in actual expenditures over planned spending in the operating budget is largely explained by an anticipated increase in salary costs following the renewal of several collective agreements.

The \$135.3-million decrease in actual expenditures compared with planned spending in the grants and contributions budget is primarily attributable to the deferral of funding to subsequent years to finance the Infrastructure Canada Program and to the transfer of funds to other departments for the joint funding of initiatives.

## Financial table 2: Comparison of total planned spending with actual expenditures

This table shows the net cost of the Program for the Government by adding revenues received by the Agency and the cost of services provided free-of-charge by other departments, such as premises provided by Public Works and Government Services Canada.

Promotion of the economic development of the regions of Quebec	2002-2003 (in millions of \$)		
	Planned spending	Total authorities	Actual expenditures
<b>FTE<sup>1</sup></b>	373	374	409
■ Operations <sup>2</sup>	46.3	49.0	47.7
■ Grants and contributions <sup>3</sup>	444.1	468.2	319.5
<b>Total gross expenditures</b>	<b>490.4</b>	<b>517.2</b>	<b>367.2</b>
<b>Less:</b>			
■ Respendable revenues	-	-	-
<b>Total net expenditures</b>	<b>490.4</b>	<b>517.2</b>	<b>367.2</b>
<b>Other revenues and expenditures:</b>			
■ Non-respendable revenues <sup>4</sup>	(43.5)	(43.5)	(50.5)
■ Cost of services provided by other departments	4.1	4.4	4.4
<b>Net program cost</b>	<b>451.0</b>	<b>478.1</b>	<b>321.1</b>

Notes:

- 1 "Full-time equivalent" (FTE) numbers are expressed in units.
- 2 Include contributions to employee benefit plans.
- 3 Details of grants and contributions are shown in Table 7a.
- 4 Details of non-respendable revenues are shown in Table 5.

### Financial table 3: Historical comparison of total planned spending with actual expenditures

This table provides a historical overview of the use the Agency makes of its resources.

			2002-2003 (in millions of \$)		
	Actual expenditures 2000-2001	Actual expenditures 2001-2002	Planned spending	Total authorities	Actual expenditures
Promotion of the economic development of the regions of Quebec	233.2	260.6	490.4	517.2	367.2
<b>Total</b>	<b>233.2</b>	<b>260.6</b>	<b>490.4</b>	<b>517.2</b>	<b>367.2</b>

The increased spending in 2002-2003 over 2001-2002 is attributable to the implementation of innovation and productivity initiatives following the transfer to the Agency of the balance of the Canada Jobs Fund and to the intensification of activities under the Infrastructure Canada Program and the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy.

In 2002-2003, the difference between planned spending and actual expenditures is primarily attributable to the deferral of funding to subsequent years in order to provide funding for the Infrastructure Canada Program and to transfers of funds to other departments for the joint funding of initiatives.

**Financial table 4: Actual expenditures 2002-2003  
by strategic outcome**

<b>Promotion of the economic development of the regions of Quebec</b>	<b>Strategic outcome</b> (in millions of \$)		
	<b>Foster enterprise development</b>	<b>Contribute to improving the environment for economic development of the regions</b>	<b>Facilitate development and renewal of community infrastructure<sup>1</sup></b>
Planned resources 2002-2005 in the <i>2002-2003 Report on Plans and Priorities</i>	373.0 / 3 years	248.0 / 3 years	380.0 / 3 years
Actual expenditures 2002-2003	123.1	116.5	38.2

Note:

- <sup>1</sup> Includes expenditures associated with the Infrastructure Canada Program (2000) and related management expenses, as well as residual expenditures from the Canada Infrastructure Works Program (1994).

With respect to the Agency's third strategic outcome, the Infrastructure Canada Program started up more slowly than anticipated. Nevertheless, projects are now under way, and spending is expected to increase substantially in 2003-2004.

## Financial table 5: Non-respondable revenue

This table provides a historical view of actual revenue received. This consists essentially of service fees for loan guarantees, which represent fees paid by borrowers approved under the *Small Business Loans Act*, the *Canada Small Business Financing Act* and the Loan Insurance component of the Atlantic Enterprise Program, and repayment of repayable contributions provided by the Agency.

			<b>2002-2003</b> (in millions of \$)		
<b>Promotion of the economic development of the regions of Quebec</b>	<b>Actual revenue 2000-2001</b>	<b>Actual revenue 2001-2002</b>	<b>Planned revenue</b>	<b>Total authorities</b>	<b>Actual revenue</b>
Service fees - Loan guarantees	30.2	16.0	22.0	22.0	20.6
Refunds of previous years' expenditures	31.8	33.6	20.5	20.5	28.3
Adjustment to payables at year-end	1.1	0.0	1.0	1.0	1.6
<b>Total non-respondable revenue</b>	<b>63.1</b>	<b>49.6</b>	<b>43.5</b>	<b>43.5</b>	<b>50.5</b>

## Financial table 6: Statutory payments

This table shows statutory payments made by the Agency with respect to obligations under the *Small Business Loans Act* and the *Canada Small Business Financing Act* as well as contributions to employee benefit plans.

			<b>2002-2003</b> (in millions of \$)		
	<b>Actual expenditures 2000-2001</b>	<b>Actual expenditures 2001-2002</b>	<b>Planned spending</b>	<b>Total authorities</b>	<b>Actual expenditures</b>
<b>Promotion of the economic development of the regions of Quebec</b>	51.7	45.2	35.7	47.0	47.0
<b>Total statutory payments</b>	51.7	45.2	35.7	47.0	47.0

Actual expenditures in 2002-2003 were higher than planned spending because claims payable under the SBLA were underestimated.

## Financial table 7: Transfer payments

This table shows transfer payments and includes expenditures made for both statutory and voted appropriations with respect to grants and contributions paid under Agency programs.

Details of transfer payments for 2002-2003 by program are presented in Table 7a.

			<b>2002-2003</b> (in millions of \$)		
	<b>Actual expenditures 2000-2001</b>	<b>Actual expenditures 2001-2002</b>	<b>Planned spending</b>	<b>Total authorities</b>	<b>Actual expenditures</b>
<b>Promotion of the economic development of the regions of Quebec</b>					
■ Grants	8.2	13.1	3.6	3.6	3.3
■ Contributions	189.2	203.5	440.5	464.6	316.2
<b>Total grants and contributions</b>	<b>197.4</b>	<b>216.6</b>	<b>444.1</b>	<b>468.2</b>	<b>319.5</b>

In 2002-2003, the difference between planned spending and actual expenditures is primarily attributable to the deferral of funding to subsequent years in order to provide funding for the Infrastructure Canada Program and to transfers of funds to other departments for the joint funding of initiatives.

## Financial table 7a: Description of funds distribution by program

This table shows resources for each of the Agency's programs for 2002-2003.

<b>Program</b> (in millions of \$)	<b>Planned spending</b>	<b>Total authorities</b>	<b>Actual expenditures</b>
IDEA-SME Program	85.5	59.4	59.1
Regional Strategic Initiatives Program (RSI)	83.2	122.9	122.5
Infrastructure Canada Program <sup>1</sup>	176.3	178.1	38.2
Community Futures Program (CFP)	24.0	25.7	25.7
Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy	38.5	34.8	27.0
Special Coastal Quebec Fund (CQF)	2.3	2.3	2.0
Grant to Quebec Port Authority	3.3	3.3	3.3
<i>Canada Small Business Financing Act</i> (CSBFA)	14.0	21.8	21.8
<i>Small Business Loans Act</i> (SBLA)	17.0	19.9	19.9
<b>Total</b>	<b>444.1</b>	<b>468.2</b>	<b>319.5</b>

Note:

1 Includes some residual expenditures from the Canada Infrastructure Works Program.

## Financial table 8: Contingent liabilities

This table shows future costs the Agency may have to assume in case of events or decisions beyond its control; the amount of contingent liability represents loans from financial institutions that have been guaranteed by the Agency.

Contingent liabilities	Amount of contingent liability (in millions of \$)		
	As of March 31, 2001	As of March 31, 2002	Current as of March 31, 2003
<b>Loans</b>			
Atlantic Enterprise Program <sup>1</sup>	0.8	0.7	0.6
<i>Small Business Loans Act</i> <sup>2</sup>	258.4	220.4	-
<i>Canada Small Business Financing Act</i> <sup>2</sup>	144.3	146.5	-
<b>Total</b>	<b>403.5</b>	<b>367.6</b>	<b>0.6</b>

Notes:

- 1 Represent loan guarantees under the Atlantic Enterprise Program. Under this program, the Government of Canada guaranteed loans to establish, expand or modernize commercial business operations in the Gaspé Peninsula, Magdalen Islands and Atlantic Provinces. Pursuant to Order in Council P.C. 1991.1114 dated June 13, 1991, responsibility for loan guarantees within the Province of Quebec is assumed by Canada Economic Development.
- 2 Represent loan guarantees under the *Small Business Loans Act*. This legislation, which was passed in January 1961, was designed to increase the availability of loans for the establishment, expansion, modernization and upgrading of small business enterprises. Pursuant to Order in Council P.C. 1991.1114 dated June 13, 1991, responsibility for loan guarantees within the Province of Quebec is assumed by Canada Economic Development. Although this statute has been repealed, it continues to apply to loans provided prior to April 1, 1999. The *Canada Small Business Financing Act*, which supersedes the *Small Business Loans Act*, applies only to loans provided after March 31, 1999. With respect to FY 2002-2003, the amounts of contingent liabilities for these two statutes are declared by the Department of Industry.



## APPENDIX III: AGENCY PERFORMANCE MEASUREMENT METHODOLOGY

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### Project reference base

The reference base for this performance report consists of projects in progress in 2002-2003, that is, projects for which an expenditure was made during FY 2002-2003. These projects can include new contribution agreements signed between April 1, 2002 and March 31, 2003 as well as projects prior to April 1, 2002, provided they were subject to expenditure by the Agency in 2002-2003.

The reference base for projects used to measure results differs from that used in 2000-2001. In 2000-2001, projects approved during that fiscal year, or more specifically new agreements signed, comprised the project base used to gather information on results. The reference base used in 2002-2003 is similar to that used in 2001-2002. It is representative of the Agency's intervention as it allows for measurement of the results of a larger number of projects which have gone beyond the implementation phase or have been completed. In short, this reference base provides a more accurate picture of the results obtained by the Agency in 2002-2003.

### Data collection methods

The results presented in this report were achieved through two service delivery modes: direct assistance to SMEs, administered by Agency advisors, and indirect assistance to SMEs and entrepreneurs through collaborators whom the Agency supports financially.

Intervening in two ways vis-à-vis enterprises, the Agency's performance measurement strategy involves two data collection methods. These were used to gather information on results from the chosen reference base:

- yearly client survey; and
- project follow-up by advisors.

A telephone survey of the Agency's overall clientele yielded information on results for enterprises, organizations which hold ad-hoc activities and some managers of assets with community spinoffs who organize festivals, for instance.

Project follow-up by advisors from the Agency's different business offices provided the necessary information on results for non-profit organizations which deliver services to enterprises. This procedure involved identifying all the projects as well as the indicators to be documented by the advisors in the regions so as then to entrust co-ordination of information-gathering to a person responsible in each of the Agency's business offices. This individual compiled the information from activity reports or by contacting the representatives of the business assistance or development agencies concerned.

Data gathered by the advisors and consolidated by the individuals responsible in the regions were validated in each of the Agency's business offices and at Head Office by the Quality and Review Directorate, which produce the Performance Report.

With respect to the results for organizations funded under the CFP, these were gathered from all CFDCs, BDCs and CEDCs. The individuals responsible in the business offices forwarded to the organizations a file specifying the indicators to be documented and asking them to supply the information. Data from organizations were gathered by the business offices and then sent on to the Quality and Review Directorate, which consolidated them. The Local Entrepreneurship Directorate validated and verified the data received from the business offices.

### **Job creation and maintenance**

The results on job creation and maintenance come from the two information sources listed above, namely, the yearly client survey and the information gathered on results by the business offices.

The methodology for measuring job creation and maintenance under the Community Futures Program was altered in 2001-2002. The new data collection method used is more comprehensive since it consolidates all the data from each CFDC and BDC. Previously, data were gathered through a telephone poll of clients from a sample of CFDCs (one-third of the CFDC network each year), and the results were used to make a projection for all CFDCs.

### **Leverage effect**

The financial contribution provided by the Agency to an enterprise leads, by means of a leverage effect, to additional funding from other economic agents (financial institutions, and provincial and federal government departments and agencies). This leverage effect shows that enterprises benefit from a broader partnership and that the Agency is not the sole provider of funding. Through this indicator, the Agency ensures maximum use of the financial resources placed at its disposal. The leverage effect is calculated by dividing, for enterprises, in the context of priorities 1.2, 1.3.2 and 1.3.3, (a) the total value of corporate projects in progress during FY 2001-2002 (the total value of a project is its total cost, regardless of funding source), by (b) the total amount of contributions approved by the Agency for those projects, excluding the Agency's relative share (\$1). The table on the following page shows how the leverage effect is calculated.

Priority		Leverage effect (enterprises)	
1.2	Establishment of strategic enterprises	(a) \$625,588,930	5.91 - I = 4.91
		(b) \$105,822,930	
1.3.2	Innovation in processes, equipment and products	(a) \$141,999,577	4.62 - I = 3.62
		(b) \$30,749,358	
1.3.3	Commercialization	(a) \$193,219,372	4.20 - I = 3.20
		(b) \$46,012,131	
Average for the three priorities		(a) \$960,807,879	5.26 - I = 4.26
		(b) \$182,584,419	

(a) Total value of corporate projects in progress during 2002-2003 (a project's total value is its total cost, regardless of funding source)

(b) Total amount of contributions approved by the Agency for those projects

### Incentive effect of assistance

This indicator is used to confirm whether projects which received a financial contribution from the Agency would not have been carried out without its assistance or would have been carried out differently. On the one hand, it corresponds to the proportion of respondents to the yearly telephone poll who stated that, without Agency assistance, they would not have been able to carry out their projects. On the other hand, with regard to respondents who stated that they would have been able to carry out their projects without financial support from the Agency, it corresponds to the proportion of those respondents who said they would not have been able to carry out their projects on the same scale or within the same timeframe.

## Methodological limitations with respect to performance measurement

Documenting the results associated with Agency interventions presents some major methodological challenges. First there are the problems associated with the time-specific character of the results, which depends on the nature of the projects. In fact, while it is possible to account for expenditures associated with the financial contributions provided for the implementation of projects as of March 31, 2003, it is, on the other hand, far harder to isolate and measure their results. For instance, certain projects such as capital projects or projects associated with innovation can be spread over more than one year, so anticipated results do not necessarily arise during the year in which they were approved or in which the contributions were paid. Moreover, other projects may have ended only shortly before, and their main effects, notably in terms of job maintenance or creation, will appear only later and therefore cannot be documented in this report.

Regardless of the information collection method used, the Agency's measurement strategy cannot measure the ripple effect which these projects will have on regional economies over time. Performance measurement covers more the immediate impact of the interventions than the long-term effects. It will be possible to document these longer-term effects through an evaluation process. In short, the results presented in this report constitute only part of the results to which the Agency contributes.

## Methodological limitations with respect to job creation and maintenance

Aside from the time-specific character of the results associated with the nature of certain projects, the types of clients supported by the Agency also represent another methodological challenge with regard to performance measurement, in particular the measurement of job creation and maintenance. Thus, as was mentioned above, the Agency serves SMEs either directly or indirectly. Through Agency staff, it provides direct support to SMEs by awarding financial contributions. It supports SMEs indirectly when it provides financial assistance for intermediary groups which in turn dispense services directly to SMEs. In short, some of the jobs created or maintained stem directly from the Agency's financial assistance, whereas in the case of services provided by intermediary groups, these jobs are an indirect consequence of Agency intervention. In the context of this report, the Agency counts jobs created or maintained directly or indirectly through its intervention.

The definition used by the CFDCs and BDCs for measuring job creation and maintenance differs from the Agency's. Whereas the Agency measures job creation and maintenance through its financial contributions, the CFDCs and BDCs count jobs maintained or created within the framework of financial support and following technical assistance.

## Attribution of results

Moreover, since the Agency works closely with several departments and agencies of the Government of Canada and the Quebec government, as well as with many local and regional players when financial packages are arranged for projects, the Agency cannot alone claim responsibility for the results presented. The support provided by the Agency for project implementation *contributes* to the attainment of results.



## APPENDIX IV: LIST OF ACRONYMS

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AMTC	Aerospace Manufacturing Technology Centre
BDC	Business Development Centre
CED	Canada Economic Development for Quebec Regions
CEDC	Community Economic Development Corporation
CFDC	Community Futures Development Corporation
CFP	Community Futures Program
CJF	Canada Jobs Fund
CQF	Special Fund for the Economic Development and Adjustment of Quebec Fishing Communities (Coastal Quebec Fund)
CSBFA	<i>Canada Small Business Financing Act</i>
FTE	Full-time equivalent
GDP	Gross domestic product
GOL	Government On-line
ICP	Infrastructure Canada Program
IDEA-SME	Program of assistance for development of SMEs in Quebec
IRAP	Industrial Research Assistance Program
ISO	International Organization for Standardization
MCEBR	Montreal Centre of Excellence for Brownfields Rehabilitation
MDS	Market Development Service
NBP	New business practices
NRC	National Research Council Canada
PEMD	Program for Export Market Development
QIM	<i>Quartier international de Montréal</i> (Montreal's international district)
R&D	Research and development
RPP	Report on Plans and Priorities
RSI	Regional Strategic Initiatives
SBLA	<i>Small Business Loans Act</i>
SME	Small and medium-sized enterprises





## APPENDIX V: LIST OF CANADA ECONOMIC DEVELOPMENT BUSINESS OFFICES

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Abitibi-Témiscamingue  
(819) 825-5260  
1 800 567-6451

Bas-Saint-Laurent  
(418) 722-3282  
1 800 463-9073

Centre-du-Québec  
(819) 478-4664  
1 800 567-1418

Côte-Nord  
(418) 968-3426  
1 800 463-1707

Estrie  
(819) 564-5904  
1 800 567-6084

Gaspésie—  
Îles-de-la-Madeleine  
(418) 368-5870  
1 866 368-0044

Île-de-Montréal  
(514) 283-2500  
(514) 496-8310

Laval—  
Laurentides-Lanaudière  
(450) 973-6844  
1 800 430-6844

Mauricie  
(819) 371-5182  
1 800 567-8637

Montréal  
(450) 928-4088  
1 800 284-0335

Nord-du-Québec  
(514) 496-7609  
1 800 561-0633

Outaouais  
(819) 994-7442  
1 800 561-4353

Québec—  
Chaudière-Appalaches  
(418) 648-4826  
1 800 463-5204

Saguenay—Lac-Saint-Jean  
(418) 668-3084  
1 800 463-9808

Head Office  
(514) 283-6412  
(514) 283-3302

Policy and Interdepartmental Advocacy  
(819) 997-3474

Advocacy and Industrial Policy  
(819) 997-2385





## APPENDIX VI: RESOURCE-PERSON AND STATUTES ADMINISTERED

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### Resource-person for further information

Jean Pierre Lavoie  
Director General  
Quality, Information and Technologies

Canada Economic Development for the Regions of Quebec  
Tour de la Bourse  
800 Victoria Square  
Suite 3800  
P.O. Box 247  
Montreal, Quebec H4Z 1E8  
Telephone: (514) 283-7982, Fax: (514) 283-0041  
Email: jean\_pierre.lavoie@dec-ced.gc.ca

### Statutes administered

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The Minister has sole responsibility to Parliament for administering the following statute:

<i>Department of Industry Act</i>	(S.C. 1995, c. 1)
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The Minister shares responsibility to Parliament for administering the following statutes:

<i>Small Business Loans Act</i>	(S.C., 1993, c. 6)
<i>Canada Small Business Financing Act</i>	(S.C., 1998, c. 36)

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