

# Economic Development

# Canada

## Estimates

For the period ending March 31, 2004



*Performance report*

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**Jacques Saada**

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



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The *2003-2004 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, 2004. 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 *2003-2004 Report on Plans and Priorities*.



## MESSAGE FROM THE MINISTER

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As Canadians, we are currently living through one of the most hopeful times in our young country's history, a period when prosperity is measured by our technological progress and penetration of global markets. Our business people's drive, along with their desire to be among the best, the quality of our research and development infrastructure, and our entrepreneurs' and their employees' leadership in innovation and productivity are all significant assets on which we can build our growth in the knowledge economy and which enable us to be well-placed at the table of modern nations.

That is the backdrop against which Canada Economic Development carries out its mandate 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. Our actions target the attainment of three major strategic outcomes: *Enterprise development*, *Improvement of the regions' economic environment* and *Development and renewal of community infrastructure*. Furthermore, the Agency plays an active role in implementing the Government of Canada's major economic priorities throughout Quebec, focussing particularly on enhancement of productivity, local development and sustainable development.

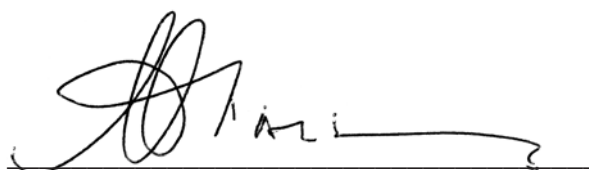
To achieve the targeted strategic outcomes, Canada Economic Development has made financial commitments to the tune of more than one billion dollars in support of over 2,000 projects that were in progress in 2003-2004. When investment from all other sources is added in, the total value of these projects in 2003-2004 is close to four billion dollars. Another result is also worthy of mention: in a follow-up survey conducted by an independent firm on Agency clientele from 1996 to 2000, more than half the firms that had received Agency support in the different regions of Quebec reported having increased their work force.

The Government of Canada has also set the objective—to which Canada Economic Development enthusiastically subscribes—of ensuring Canadians' success in each region of the country. As the October 2004 Speech from the Throne stated, we want to give equality of opportunity to all by focusing on all aspects of regional development. The Agency therefore introduced regional intervention strategies in each region that will contribute to meeting the needs of the knowledge economy more effectively and help develop dynamic communities by building on their strengths. These strategies are designed and implemented in conjunction with development agents; they guide the Agency's regional intervention so as to realize the regions' development potential and foster the growth of their niches of excellence.

Canada Economic Development focuses particular effort on the economic adjustment of certain regions which are not yet benefiting fully from the knowledge economy. During 2003-2004, the Agency invested \$65.6 million, or 29.4% of its total financial assistance, in those regions, which accounted for 11.8% of Quebec's population. To my mind, this figure confirms the Agency's commitment toward the regions of Quebec that are experiencing difficulty, as well as the scale of the means used to facilitate their economic adjustment.

The publication of this Performance Report gives us an opportunity to emphasize that Canadians rightfully expect government to produce results reflecting their expectations and needs. Ongoing evaluation of our programs, procedures and processes allows us to ensure that our activities correspond to the priorities we have set ourselves, and that we will achieve our targeted results. It also enables us to maintain high levels of satisfaction among our clientele. We are proud to observe an increase in customer satisfaction, up from 93% in 2002-2003 to 94.5% in 2003-2004.

All of us—executives and employees, volunteers working in communities, and the different agents of regional development—are operating in a decade that will bring a substantial share of challenges. Without doubt, accompanying these challenges will be opportunities we will be able to grasp, with the benefit of our imagination and creativity. I can assure you, in light of our experience and the results presented in this Performance Report, that no effort will be spared by Canada Economic Development to meet the aspirations of the people and regions of Quebec.

A handwritten signature in black ink, appearing to read 'Jacques Saada', written over a horizontal line.

Jacques Saada  
Minister of the Economic Development Agency  
of Canada for the Regions of Quebec

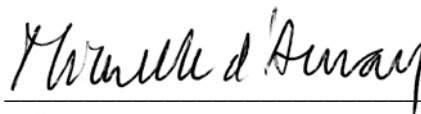


## MANAGEMENT REPRESENTATION STATEMENT

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I submit, for tabling in Parliament, the *2003-2004 Departmental Performance Report* for the Economic Development Agency of Canada for the Regions of Quebec.

This document has been prepared based on the reporting principles and disclosure requirements contained in the *Preparation Guide for 2003-2004 Departmental Performance Reports*. To my knowledge, the information herein provides a general, accurate and transparent portrayal of the organization's performance for Fiscal Year 2003-2004.



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Michelle d'Auray  
Deputy Minister

Date: 12 October 2004



# EXECUTIVE SUMMARY OF DEPARTMENTAL PERFORMANCE

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This section presents, in general terms, Canada Economic Development and its main achievements with respect to the commitments made in its *2003-2004 Report on Plans and Priorities*.

## AGENCY PERFORMANCE HIGHLIGHTS

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### OUTPUTS

- In 2003-2004, under its core mandate consisting of the first two strategic outcomes, the number of new contribution agreements rose by 30.5% compared with 2002-2003 (776 new contribution agreements). Excluding one exceptional case (*Papiers Gaspésia inc* project – \$80 million) from the total amount of financial assistance approved in 2002-2003, this assistance amounted to \$166.5 million. Total financial assistance approved in 2003-2004 was \$202 million, up 21% since 2002-2003.
- For Fiscal Year (FY) 2003-2004, the Agency's contribution and grant expenditures amounted to \$305.5 million, up 10% since 2002-2003 (\$277.8 million). Operating expenses were \$41.6 million in 2003-2004, or 2% lower than in 2002-2003 (\$42.4 million).

### RESULTS

- The Agency made the financial commitment to support to the tune of more than \$1.02 billion the completion of 2,116 projects that were in progress in 2003-2004. Adding investment from other funding providers to that of the Agency in its projects, the total value of these 2,116 projects in 2003-2004 rose close to \$4 billion.
- In response to the Agency's annual survey, 73.9% of clients stated that they could not have completed their projects without Agency financial assistance (completion effect).
- Directly and indirectly, the 2,116 projects in progress had already contributed as of March 31, 2004, to the creation, transformation and maintenance of more than 13,671 jobs in the different regions of Quebec.
- Some 58.6% of respondent enterprises stated that they had increased their sales.

## RESULTS (continued from previous page)

- For the past three years, Agency clientele's satisfaction levels have been rising. In 2003-2004, 94.5% of Agency clients stated that they were satisfied with the quality of services in general.
- The findings of a follow-up survey conducted on enterprises receiving a financial contribution from the Agency between 1996 and 2000 show that after several years, the development of the vast majority of the enterprises questioned is positive in terms of sales, employment and innovation, research and development (R&D) and market development activities.

## COMPLIANCE WITH COMMITMENTS AND PRIORITIES

- From the first year, the Agency honoured its commitment to split its spending 60/40 with respect to its first two strategic outcomes, namely, *Enterprise development* and *Improvement of the environment for economic development of the regions*.
- The trend observed over the past five years shows that the Agency has truly placed innovation among its intervention priorities. Over that time, the relative share of financial assistance provided by the Agency for innovation projects rose substantially, from 24% of total financial assistance in 1999-2000, to 40% in 2000-2001, 57% in 2001-2002, and then 69% in 2002-2003 before dropping slightly to 61% in 2003-2004.
- Over the past three years, the relative share of financial assistance provided in regions experiencing adjustment difficulties (Abitibi-Témiscamingue, Bas-St-Laurent, Côte-Nord, Gaspésie—Îles-de-la-Madeleine, Nord-du-Québec and Saguenay—Lac-St-Jean) was greater than their relative demographic weight within Quebec. This observation confirms the special attention paid by the Agency to the economic adjustment of regions in difficulty.
- Generally speaking, the information presented in this report reveals a progression in the results achieved by the Agency over time, as and when the development projects it has supported are carried out and completed.

## Overview of the organization and its priorities

The Canada Economic Development Agency for Quebec Regions works with a wide-ranging network of collaborators to fulfil its mandate, which consists in promoting 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.

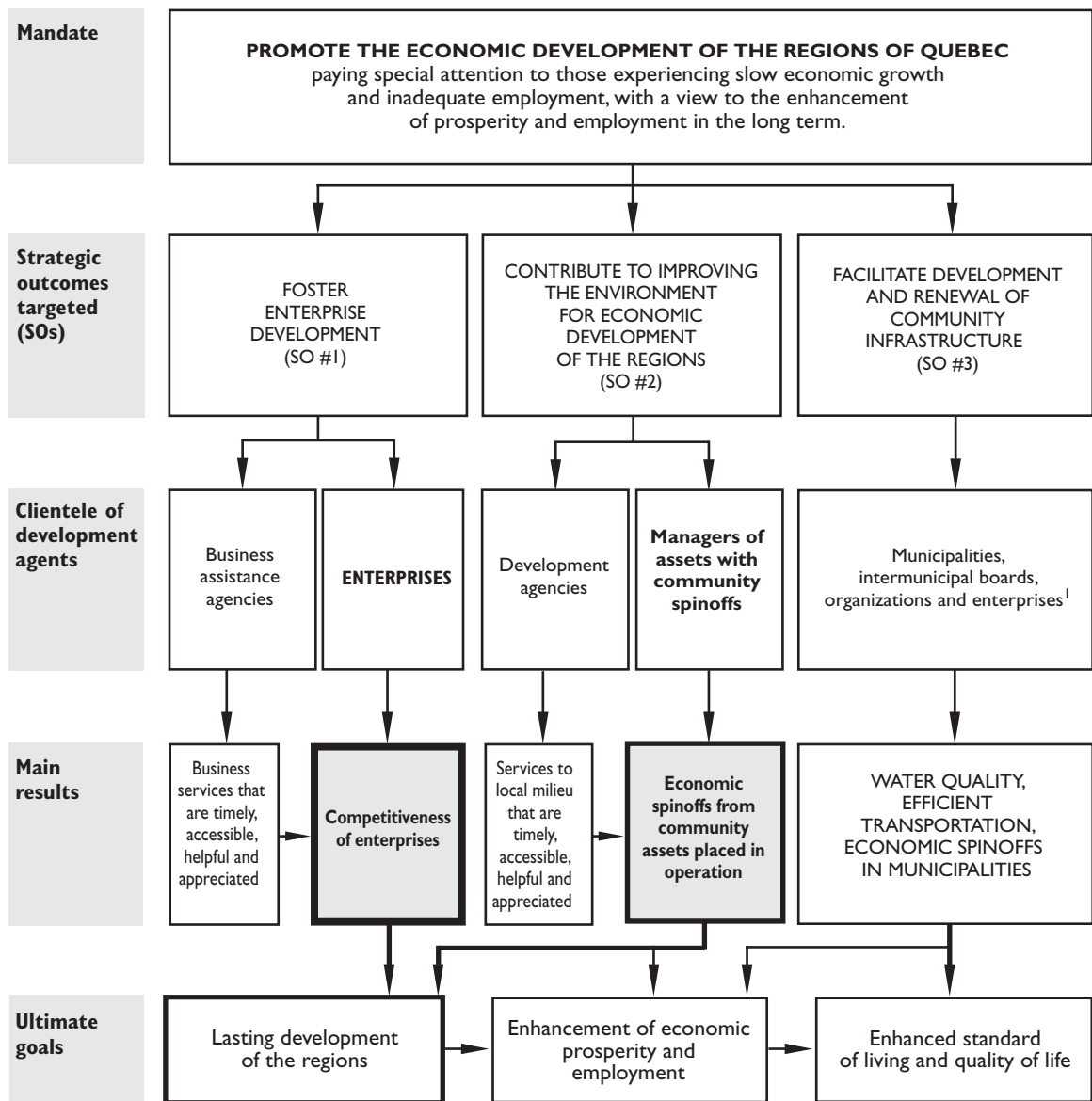
With respect to regional development in Quebec, the Agency is called upon to play the role of catalyst vis-à-vis development players in order to:

- design and implement Government of Canada policy, priorities and programming
- co-ordinate federal intervention
- establish co-operative relations with the other levels of government or other socio-economic stakeholders
- develop knowledge and disseminate information
- advocate within the federal government apparatus
- design and implement special mandates for regional development and job creation in Quebec.

The Agency acts to foster enterprise development, since enterprises are the engine of regional development. It also intervenes to encourage the development of an economic environment conducive to the growth of enterprises in the regions. Finally, the Agency also has the special mandate to implement the Infrastructure Canada Program in Quebec in conjunction with the Government of Quebec. In this way, it facilitates the development and renewal of community infrastructure in the regions of Quebec. The table on the following page shows in greater detail how the Agency implements its mandate in Quebec's regions as a whole.

Periodically, the Agency determines intervention priorities which prompt it to pay special attention to challenges and issues being experienced in the regions and enable it to emphasize activities likely to foster their development. For several years now, these intervention priorities have been to foster innovation in each region of Quebec and the economic adjustment of regions in difficulty.

## MANDATE, STRATEGIC OUTCOMES AND GOALS TARGETED



Note:

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

The Agency adapts its action on regional development by implementing regional intervention strategies (RISs) in each region of Quebec. These strategies, which take into consideration local and regional development problems and issues, are developed and implemented in conjunction with development agents. They guide the Agency's regional intervention so as to realize the regions' development potential and foster growth in their niches of excellence (for instance, aluminum in the Saguenay, mining in Abitibi, the marine sector in Eastern Quebec, or optics-photonics in Québec City). The RISs are also complementary to the strategies of the other regional development players, notably the other federal departments and the Government of Quebec.

To achieve the targeted strategic outcomes, act on its intervention priorities and implement its RISs, the Agency has at its disposal a range of intervention tools that enable it to elicit, accompany and support the completion of development projects whose implementation proper lies with those receiving its assistance, namely, the development agents. The table on page 31 may be consulted for further details concerning the development agents.

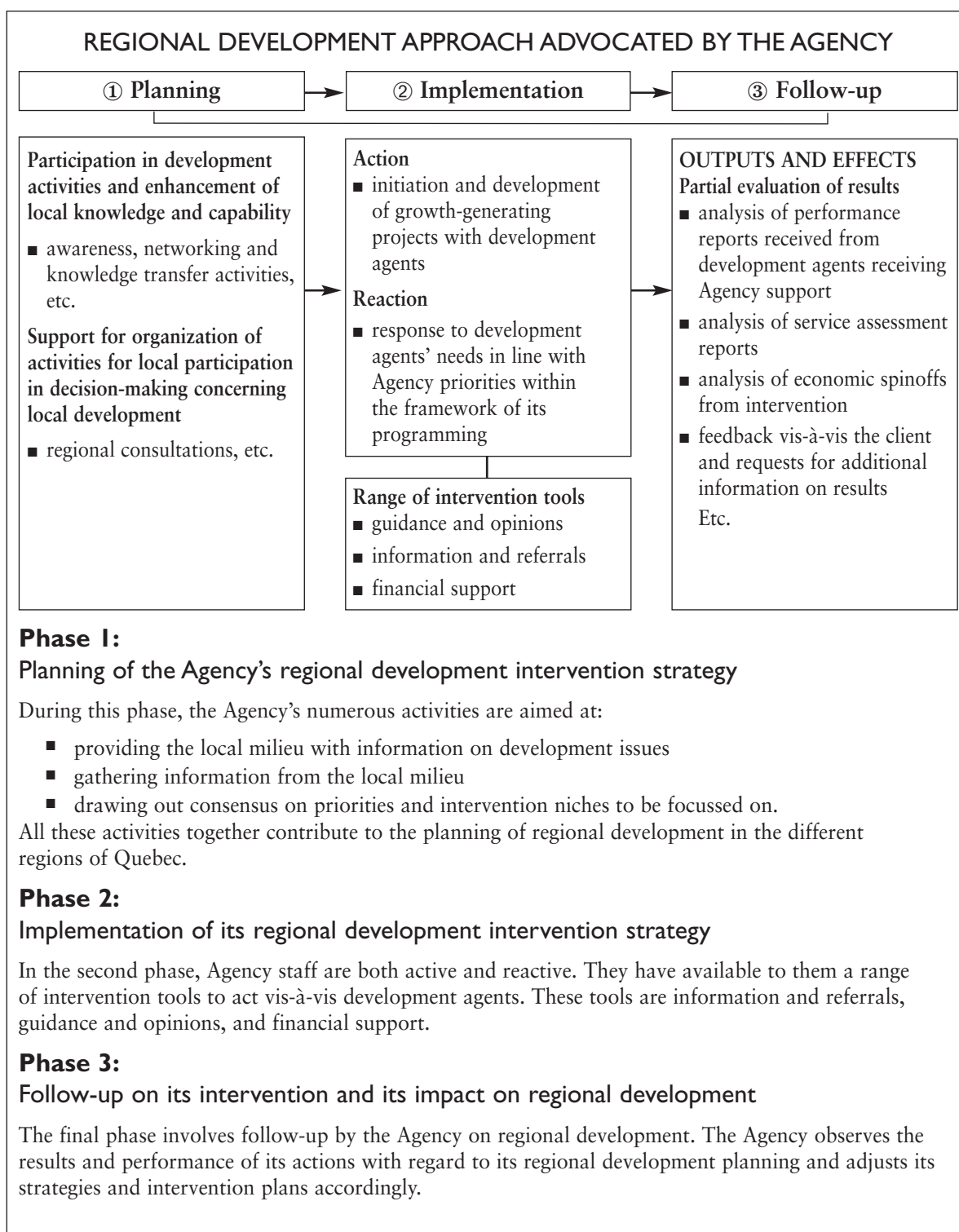
The Agency's intervention tools which enable it to achieve its objectives and meet development agents' needs are:

- guidance and advice
- information and referral
- financial support in the form of contributions and, in exceptional cases, grants.

The guidance and advice services, and information and referral services provided by the Agency are often crucial for the development of Quebec's regions. Without such support, a large number of development agents, in particular regional promoters, would not be in a position to initiate or complete the drawing up of projects with strategic impact for their respective regions, or even to obtain contributions from other funding providers.

Appendix 2 provides further information on Agency intervention tools in regional development.

The box on the following page provides a brief illustration of the approach advocated by the Agency with respect to regional development. While they are presented sequentially, the different phases of the approach overlap in time. In other words, the end of one phase is not a necessary condition for the start of another phase.



Thus, the approach advocated by the Agency involves the delivery of several types of support during the different phases, in line with development agents' needs and the Agency's objectives. The first section provides a more detailed picture of the approach advocated by the Agency in regional development.



## Overall performance

### Departmental performance context

Due to a number of external factors, the economy of Quebec grew at a slower pace in 2003 than predicted. These factors affected a variety of industries, from beef to manufacturing, and arose from a variety of sources including an unexpected appreciation of the Canadian dollar vis-à-vis the American dollar and increased competition from around the globe. Innovation, focus on productivity and the expectations of an improved situation for the future helped many Quebec companies ride through the slight turbulence that the year offered.

The economies of the regions fared well considering the numerous obstacles they faced. The more populous, urban regions were able to generally improve their employment situations, aided by a strong domestic demand for goods and services. The more remote regions, although slightly improving on their performance from the previous year, continued to struggle due to their dependency on the volatile natural resource sector, which remained at the mercy of several international factors.

Definition . . .	■ <b>OUTPUTS</b>	direct products or services provided by the Agency to development agents.
	■ <b>NEW CONTRIBUTION AGREEMENT</b>	agreement reached between the Agency and a development agent during a given fiscal year for implementation of a project.
	■ <b>FINANCIAL ASSISTANCE APPROVED</b>	amount of money subject to a contribution agreement between the Agency and a development agent. This amount constitutes a financial commitment toward a development agent that may be spread over several fiscal years.

### Main outputs

During FY 2003-2004, under its programs, the Agency approved 1,110 new contribution agreements for the implementation of development projects. The following table presents the Agency's main financial output in line with its three targeted strategic outcomes.

## OVERALL PERFORMANCE

New contribution agreements approved in 2003-2004

New contribution agreements by strategic outcome	Number of new agreements	Financial assistance approved (in millions of \$)
SO #1 <i>Enterprise development</i>	693	99.7
SO #2 <i>Improvement of the environment for economic development of the regions of Quebec</i>	320	102.3
Subtotal (Agency's core mandate)	1,013	202
SO #3 <i>Development and renewal of community infrastructure (special mandate)</i>	97	152.3
<b>Total (all three strategic outcomes)</b>	<b>1,110</b>	<b>354.3</b>

In 2003-2004, under its core mandate consisting of the first two strategic outcomes, the number of new contribution agreements rose by 30.5% compared with 2002-2003 (776 new contribution agreements). Excluding the *Papiers Gaspésia inc* project (\$80 million) from the total amount of financial assistance approved in 2002-2003, this assistance amounted to \$166.5 million. Total financial assistance approved in 2003-2004 was \$202 million, up 21% since 2002-2003.

In 2003-2004, the Agency also signed contribution agreements under programs it administers in Quebec on behalf of other federal departments. Under the Softwood Industry and Community Economic Adjustment Initiative Contribution Program, which the Agency administers on behalf of Industry Canada, it concluded 185 new contribution agreements for total financial assistance of more than \$21.3 million. The Agency also approved more than \$3.7 million in financial assistance for implementation of 83 export projects under a Department of International Trade Canada (ITCan) program, the Program for Export Market Development (PEMD).

### Human and financial resources

In 2003-2004, to deliver products and services (outputs) to development agents and achieve the targeted results, the Agency had the equivalent of 408 full-time employees across Quebec in 14 business offices, an office in Gatineau ensuring liaison with the federal government and a Head Office in Montreal.

For FY 2003-2004, the Agency's contribution and grant expenditures amounted to \$305.5 million, while its operating expenditures totaled \$41.6 million. Appendix 1 provides further information concerning the Agency's financial performance for FY 2003-2004.

■ <b>RESULTS</b>	consequences attributable in whole or in part to the products and services provided by the Agency.
■ <b>EXPENDITURE</b>	amount of money spent within the framework of a project in progress following a request for payment from a development agent.
■ <b>PROJECT IN PROGRESS</b>	project that has been subject to an expenditure during a given fiscal year. Expenditures incurred under a project should generally constitute guarantees of the manifestation of certain results.
■ <b>TOTAL EXPENDITURES INCURRED</b>	total expenditures incurred within the framework of a project from its start until March 31, 2004. Total expenditures incurred within the framework of a project in progress in 2003-2004 can include spending generated during prior fiscal years. The total expenditures incurred indicator provides more comprehensive information on expenditures made by the Agency to achieve the results presented.

## Main results and associated expenditures

The Agency's achievements with regard to the projects it supports are proof positive of its commitment to the development of Quebec's regions. The table on the following page provides an overview and a view by strategic outcome of the Agency's main achievements documented with respect to all projects in progress in 2003-2004.

The total value of projects in progress is an indicator of the Agency's impact on regional development. The Agency made the financial commitment to support to the tune of more than \$1.02 billion the completion of 2,116 projects that were in progress in 2003-2004. Adding investment from other funding providers to that of the Agency, the total value of these 2,116 projects in 2003-2004 rose to more than \$3.9 billion.

<b>OVERALL PERFORMANCE</b>	
Main results observed as of March 31, 2004 <sup>1</sup>	
Number of projects in progress in 2003-2004	2,116
Indicator of promotion of regional development	
■ Total value of projects in progress (total cost, irrespective of funding source) <sup>2</sup>	\$3.9 billion
Incentive effect of financial assistance <sup>3</sup>	
■ Proportion of clients who stated that they would not have completed their projects without Agency assistance (completion effect)	73.9%
Agency's financial commitment to encourage completion of projects in progress in 2003-2004	
■ Total value of financial assistance approved by the Agency <sup>4</sup>	\$1.02 billion
Actual expenditures in 2003-2004	\$305.5 million
Total expenditures incurred	\$605.2 million

STRATEGIC OUTCOME #1 <i>Enterprise development</i>	STRATEGIC OUTCOME #2 <i>Improvement of the environment for economic development of the regions of Quebec</i>	STRATEGIC OUTCOME #3 <i>Development and renewal of community infrastructure</i>
Number of projects in progress 1,293	Number of projects in progress 564	Number of projects in progress 259
Indicator of enterprise development	Indicator of improvement of the development environment	Indicators of infrastructure development and renewal
■ Total value of projects in progress (total cost, irrespective of funding source) \$1.5 billion	■ Total value of projects in progress (total cost, irrespective of funding source) \$1.8 billion	■ Total value of projects in progress (total cost, irrespective of funding source) \$692.0 million
Indicators of enterprises' competitiveness	Indicators of results on the development environment	■ Households that have or will have access to municipal water supply providing better quality drinking water 484,408
■ Proportion of respondent enterprises stating a sales increase <sup>5</sup> 58.6%	■ Initiatives stemming from local milieu owing to services offered by Agency- funded development agencies 345	■ Communities that will benefit from establishment or upgrading of transportation infrastructure 260
■ Average sales increase \$650,000	■ Foreign tourists and visitors drawn to Quebec regions <sup>6</sup> 3,600,000	■ Communities that will benefit from establishment or upgrading of sports, recreational or cultural facilities 79
Indicators of the impact of assistance from Agency-supported organizations on the enterprises served	Indicators of capability to provide services to the local milieu	
■ Enterprises in pre-startup, startup or expansion 2,789	■ Value of services provided by development agencies through Agency financial support \$309.9 million	
■ New exporters (SMEs) 404	■ Proportion of development agencies stating that they would not have completed their projects without Agency assistance (completion effect) 84.3%	
■ SMEs having made sales on new markets 322		
■ SMEs having commercialized a new or improved product 86		
Expenditures made to generate the results shown above	Expenditures made to generate the results shown above	Expenditures made to generate the results shown above
■ Actual expenditures in 2003-2004 \$134.9 million	■ Actual expenditures in 2003-2004 \$99.9 million	■ Actual expenditures in 2003-2004 \$70.8 million
■ Total expenditures incurred (including spending from previous years) \$275.5 million	■ Total expenditures incurred (including spending from previous years) \$240.9 million	■ Total expenditures incurred (including spending from previous years) \$125.4 million

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; thereby, underestimating 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.
- 2 The total value of projects in progress is the indicator of the financial effort invested by all development agents, irrespective of funding source, to carry out projects with which the Agency was associated during FY 2003-2004.
- 3 The proportion of beneficiaries having completed their projects who stated that they would not have been able to complete their projects without Agency assistance was 73.9% (or 455 out of a total of 616 respondents). Among respondents who said they would have been able to carry out their projects without Agency financial support (26.1%, or 161 out of a total of 616 respondents), 71.1% (n = 113) stated that they would not have been able to see through their projects on the same scale, while 60.2% (n = 97) responded that they would not have been able to complete their projects within the same timeframe without financial assistance from the Agency.
- 4 This indicator presents financial assistance provided under the Program of assistance for the development of Quebec SMEs (IDEA-SME), the Regional Strategic Initiative (RSI), the Community Futures Program (CFP), the Canadian Support Program for the Gaspésie-Îles-de-la-Madeleine Economy, the Canadian Apparel and Textile Industries Program (CATIP), the Adjustment Measures for Quebec Fishing Communities and the Infrastructure Canada Program for projects whose outcomes are presented in this report, that is, projects in progress in 2003-2004. Since many of these projects were active prior to FY 2003-2004 and will remain active in subsequent fiscal years, the financial assistance provided for projects being reported on exceeds actual expenditures incurred for those projects in 2003-2004. Generally speaking, more than 40% of projects are completed within a 12-month period, 35% of projects are spread over 12-24 months, while fewer than 25% are spread over more than 24 months.
- 5 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: 1) Did the project funded by Canada Economic Development enable your enterprise to increase its sales? (253 respondents out of a total of 432; 58.6%); 2) By approximately how much (in \$CAN) did your sales increase as a result of this project? (241 out of a total of 253; trimmed mean of 5% = \$657,497).
- 6 The information gathered on this indicator comes from organizations which conduct international promotion of Quebec's regions. It is cumulative--in other words, if a project of this type has been in progress for several years, the foreign visitors and tourists drawn since the start of this project are counted and included in the report, along with the total expenditures incurred. With the addition of the data from a major Montreal-area project, the number of foreign tourists and visitors increased substantially in 2003-2004. Last year, data were not available concerning the number of foreign visitors attracted by the project.

The findings of the yearly customer survey show that Agency financial support has an incentive effect on the completion of development agents' projects. In fact, 73.9% of clients indicate that they would not have been able to complete their projects without financial assistance from the Agency (completion effect). Among the 26.1% of clients who stated that they would have carried out their projects anyway, 60.2% say they would not have been able to complete their projects within the same timeframe (acceleration effect), and 71.1% consider they would have been unable to carry out their projects on the same scale (increased-scale effect).

Directly and indirectly, the 2,116 projects in progress, excluding employment results for the Community Futures Program, had already contributed, as of March 31, 2004, to the creation, transformation and maintenance of more than 13,671 jobs in the different regions of Quebec. This indicator is an estimate of jobs created, maintained and transformed, as of March 31, 2004, as stated by those responsible for the projects in progress during FY 2003-2004. Appendix 4 provides further information on this subject. While not constituting targeted short- or medium-term results, 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 2003-2004 gain in scope and tend toward maturity.

To foster enterprise development, the first strategic outcome targeted by the Agency, 1,293 projects were in progress in 2003-2004. Actual expenditures in 2003-2004 for those projects stood at \$134.9 million. In terms of results, in response to the annual survey of Agency clientele, 58.6% of respondent enterprises stated that they had increased their sales.

With respect to organizations funded by the Agency to deliver services to enterprises, their efforts contributed notably to the pre-startup, startup and expansion of more than 2,780 enterprises in Quebec's regions as a whole.

To improve the environment for economic development of the regions of Quebec, the second strategic outcome targeted by the Agency, 564 projects were in progress in 2003-2004. Actual expenditures in 2003-2004 under these projects amounted to \$99.9 million. The total value of these projects, including financial assistance approved by the Agency and investment by other funding providers, was \$1.8 billion.

As to results observed with respect to sums invested, services delivered by development agencies present in the different regions of Quebec contributed to the emergence of 345 local development initiatives. These initiatives take the form of strategies or projects with strategic impact for the development of the regions. Their number is an indicator of the regions' capability to take charge of their own development.

Projects to promote Quebec's regions internationally funded by the Agency under the second strategic outcome contributed to attracting more than three million foreign tourists or visitors to Quebec over the past few years. These tourists stayed an average of four days in the regions.

To develop and renew community infrastructure, 259 projects were in progress in 2003-2004. Actual expenditures under these projects stood at \$70.8 million. In a few years, when the projects approved under the Infrastructure Canada Program are completed, more than 480,000 households will enjoy better quality drinking water, 260 communities will benefit from the establishment or upgrading of transportation infrastructure, and 79 communities will enjoy the establishment or upgrading of sports, recreational and cultural facilities.

### Customer satisfaction

Each year, the Agency measures its clientele's satisfaction with respect to different aspects of its services, so as to enhance their quality. The following table shows how the results associated with Agency clientele's satisfaction have evolved.

MAIN ASPECTS OF SERVICE	2001-2002	2002-2003	2003-2004
Quality of services in general	92.0%	93.0%	94.5%
■ Access to services	87.7%	90.9%	91.4%
■ Ability to meet clients' needs	87.3%	85.3%	88.6%
■ Fairness and impartiality of services	N/A <sup>1</sup>	91.4%	92.5%
■ Financial application assistance response time	86.0%	75.5%	78.2%
■ Claim response time	82.0%	81.0%	84.6%
■ Clarity of administrative documents received	88.2%	85.2%	86.5%
■ Courtesy of staff	97.3%	97.6%	98.4%
■ Competence of staff	91.2%	93.0%	93.9%
■ Guidance through procedure	90.5%	89.9%	89.1%
Note: 1 N/A = not available			

The Agency's objective is to maintain its high customer satisfaction levels, and in 2003-2004 these levels generally increased.

## **Lasting impact of Agency intervention**

The Agency measures the long-term results of its intervention vis-à-vis its clientele by means of a follow-up telephone survey. The information gathered in this way enables it to learn more about the lasting nature of the results achieved. The findings of the follow-up survey on enterprises receiving a financial contribution from the Agency between 1996 and 2000 show that, after several years, growth in the great majority of enterprises questioned is positive in terms of sales, employment, and innovation, R&D and market development activities. Appendix 4 provides detailed information on the methodology of the follow-up survey conducted by the Agency.

More than one third (39%) of enterprises receiving Agency assistance between 1996 and 2000 show increased revenues. The sales figures of enterprises receiving Agency assistance grow over time. Thus, a higher proportion of enterprises with the longest follow-up periods (receiving a financial contribution in 1995-1996, 1996-1997 and 1997-1998) posted increased sales during the period studied. The Agency's contribution to business growth is also recognized, particularly vis-à-vis enterprises receiving financial assistance of \$50,000 or more. A long-term impact on employment is also observed. More than half the enterprises (57%) reported an increase in the number of employees. At the time of the survey, the average number of employees per enterprise was 36, up 33% compared with the information gathered during previous surveys.

Among enterprises stating that they had carried out innovation and R&D activities, 85% continued to perform this type of activity during the 12 months preceding the survey. Carrying out innovation and R&D activities contributed to increasing the enterprises' productivity and competitiveness. Thus, 87% of enterprises stated that these activities contributed to increasing their productivity, and 83% pointed to enhancement of their competitiveness.

With respect to enterprises stating that they had carried out market and export development activities, close to three quarters (74%) said they had continued their efforts in that regard during the 12 months preceding the survey. Of those enterprises, 78% made export sales outside Quebec in 2003. For more than half of them (53%), these sales outside Quebec were up over the same period the previous year.



## Fulfilment of commitments and explanation of performance

In its 2003-2004 *Report on Plans and Priorities*, the Agency had undertaken to split its expenditures 60/40 between its first strategic outcome and its second over the next three fiscal years as a whole. The following table profiles this commitment after one year of operation.

Strategic outcome	Three-year spending commitment 2003-2006	Actual spending in 2003-2004
SO #1: <i>Enterprise development</i>	\$385 million (60%)	\$134.9 million (57%)
SO #2: <i>Improvement of the environment for economic development of the regions</i>	\$255 million (40%)	\$99.9 million (43%)

The results presented show that, to within a few percentage points, from the first year, the Agency met its commitment to split its expenditures 60/40 with respect to its first two strategic outcomes.

In a spirit of continuity and consolidation, the Agency also undertook to foster innovation and economic adjustment of regions in difficulty.

With respect to innovation, as pointed out in Section 5 of this report, total financial assistance provided for projects of this type was up 3.7% in 2003-2004 (\$109.4 million in 2002-2003; \$113.5 million in 2003-2004). The number of projects was also up, by 47% in 2003-2004 compared with 2002-2003 (397 projects in 2002-2003; 585 projects in 2003-2004).

Over the past five years, the relative share of financial assistance provided by the Agency for innovation projects rose substantially, climbing from 24% of total financial assistance in 1999-2000, to 40% in 2000-2001, 57% in 2001-2002, and then 69% in 2002-2003, before tailing off slightly to 61% in 2003-2004. Innovation projects' relative share of total financial assistance approved under the IDEA-SME and RSI programs including transfers to the National Research Council Canada (NRC). In 2003-2004, CATIP projects are included in the IDEA-SME program. The trend observed over the past five years shows that the Agency truly has placed innovation among its intervention priorities.

The regions experiencing economic adjustment difficulties are Abitibi-Témiscamingue, Bas-St-Laurent, Côte-Nord, Gaspésie—Îles-de-la-Madeleine, Nord-du-Québec and Saguenay—Lac-St-Jean. With respect to the Agency's intervention targeting economic adjustment of these regions in difficulty, in 2001-2002, 35.4% of the financial assistance approved was allocated for the implementation of projects in those regions, compared with 50.8% in 2002-2003 and 29.4% in 2003-2004. The substantial increase in 2002-2003 is attributable to a major contribution (\$80 million) for completion of the *Papiers Gaspésia inc* project in the Gaspésie—Îles-de-la-Madeleine region. Excluding this special case, the

proportion of the Agency's intervention in regions experiencing adjustment difficulties stood at 18.3% in 2002-2003, for total financial assistance approved of \$45.1 million. In 2003-2004, the Agency invested \$65.6 million, or 29.4% of its total financial assistance, in these regions, which accounted for 11.8% of the population of Quebec.

Over the past three years, the relative share of financial assistance provided in these regions was greater than their relative demographic weight within Quebec. This observation confirms the special attention paid by the Agency to the economic adjustment of regions in difficulty.

Finally, in presenting its detailed plans and priorities in its 2003-2004 RPP, the Agency renewed its commitment to achieve tangible, lasting results for Canadians in the different regions of Quebec in line with their development potential. In this regard, for the past several years, it has applied a results measurement and analysis strategy which enables it to:

- make decisions and manage on the basis of information on its activities and results
- adjust its intervention so as to meet its commitment toward attaining results.

Generally speaking, the information presented in this report reveals a progression in the results achieved by the Agency over time, as the development projects it has supported are carried out and completed. Furthermore, information from the client follow-up survey shows that several years after its intervention, results continue to be observed in connection with projects supported by the Agency.

## **Parliamentary Committee recommendations**

No recommendations were issued by any Parliamentary Committees concerning the Agency during FY 2003-2004.

## Section 1

# AGENCY OVERVIEW

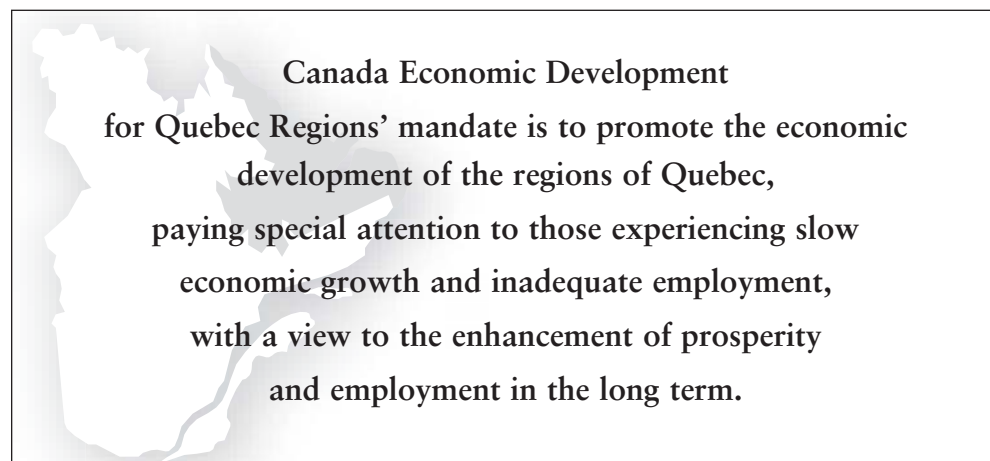
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This section presents the Agency as it was during FY 2003-2004. The reader will find in it the answers concerning the following:

- the Agency's rationale
- what the Agency seeks to achieve
- what the Agency does, how and with whom.

These answers lead to a better interpretation of the information concerning performance and results as presented in Section 2.

### 1.1 The Agency's rationale



In fulfilling its mandate, Canada Economic Development helps the Government of Canada deliver on its commitment to promote equality of opportunity for all Canadians in their pursuit of well-being and to further the economic development of all regions of the country in order to reduce disparity in opportunities, a fundamental Canadian value reflected in section 36 of *The Constitution Act*, 1982.

Under the terms of Part II of the *Department of Industry Act* and its attendant legislation, the objectives of the Minister responsible for the Agency with respect to regional economic development in Quebec are to:

- promote the economic development of regions where low incomes and slow economic growth are prevalent or where opportunities for productive employment are inadequate
- emphasize long-term economic development and sustainable employment and income creation
- focus on small and medium-sized enterprises (SMEs) and the enhancement of entrepreneurial talent.



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>.

With respect to regional development, the Agency is called upon to play the role of catalyst vis-à-vis development agents in order to:

- design and implement Government of Canada policy, priorities and programming
- co-ordinate federal intervention
- establish co-operative relations with the other levels of government or other socio-economic stakeholders
- develop knowledge and disseminate information
- advocate within the federal government apparatus
- design and implement special mandates for regional development and job creation in Quebec.

### **1.1.1 How the Agency contributes to national priorities**

Under its mandate, 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 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 SMEs in the development and application of new technologies in traditional and emerging industries
- 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
- 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 and sustainable development.

## 1.2 What the Agency seeks to achieve

### 1.2.1 Strategic outcomes

The Agency aims to achieve three strategic outcomes in order to contribute to regional development in Quebec:

- enterprise development
- improvement of the environment for economic development of the regions
- development and renewal of community infrastructure.

The first two strategic outcomes comprise the Agency's core mandate, while the third corresponds to a special mandate. The table presented on page 8 shows the synergy between the three strategic outcomes and the ultimate goals targeted by the Agency.

The first strategic outcome targeted is *Enterprise development*. Enterprises are the prime engine of regional economic development and wealth creation. The growth of enterprises which innovate and export has a particularly stimulating effect on regional development and lasting employment growth. The Agency works notably with SMEs and non-profit organizations that provide services for enterprises. In so doing, the Agency fosters the establishment of strategic enterprises, enterprises' competitiveness and development of small enterprises. The following table presents the activities with respect to which the Agency intervenes to achieve the targeted strategic outcome.

#### STRATEGIC OUTCOME #1: ENTERPRISE DEVELOPMENT

##### ACTIVITIES

- General information and awareness
- Establishment of strategic enterprises
- Competitiveness — New business practices
- Competitiveness — Innovation in processes, equipment and products
- Competitiveness — Commercialization
- Development of small enterprises

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 community spinoffs, such as festival operators and directors of research centers. The Agency intervenes in order to enhance local capability to energize development of the local economy, foster economic enhancement of regional development assets, and encourage development and reinforcement of knowledge-based competitive advantages. The following table presents the activities with respect to which the Agency intervenes to achieve the targeted strategic outcome.

## **STRATEGIC OUTCOME #2: IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT OF THE REGIONS OF QUEBEC**

### **ACTIVITIES**

- Local capability to energize development of the local economy
- Economic enhancement of regional development assets
- Development and reinforcement of knowledge-based competitive advantages

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 activities with respect to which the Agency intervenes to achieve the targeted strategic outcome.

## **STRATEGIC OUTCOME #3: DEVELOPMENT AND RENEWAL OF COMMUNITY INFRASTRUCTURE**

### **ACTIVITIES**

- Drinking water and wastewater infrastructure
- Local transportation infrastructure
- Projects with urban or regional economic impact

### 1.2.2 Key intervention priorities

Periodically, the Agency determines intervention priorities which prompt it to pay special attention to challenges and issues being experienced in the regions and enable it to emphasize activities likely to foster their development.

For several years now, these intervention priorities, which are integrated into departmental and regional planning, are to:

- foster innovation in each region of Quebec
- foster the economic adjustment of regions in difficulty.

Each of the activities presented under the strategic outcomes contributes directly to the Agency's action with respect to one or other of its intervention priorities. For instance, to intervene with respect to its priority associated with promotion of innovation and the knowledge economy in the regions of Quebec, the Agency focuses more on the implementation of projects targeting in particular the *Establishment of strategic enterprises, Innovation in processes, equipment and products* and *Development and reinforcement of knowledge-based competitive advantages*.

### 1.2.3 Regional intervention strategies

To adjust its intervention to specific regional features and work on enterprise development and improvement of the environment for regional development, the Agency has set up in each region of Quebec a forward-looking regional intervention strategy (RIS) which builds significantly on innovation and is geared to the development context specific to each region.

These strategies, developed in conjunction with development agents, provide the link among national economic priorities, those of the Agency and those specific to each region. They are made to measure and build on the regions' economic strengths, their industrial and institutional fabric, competitive advantages and niches of excellence (for instance, aluminum processing in the Saguenay, mining in Abitibi, the marine sector in Eastern Quebec, or optics-photonics in Québec City) to harness the potential specific to each region. The RISs are also complementary to the strategies of the other regional development players, notably the other federal departments and the Government of Quebec.

### **1.3 What the Agency does, how and with whom**

The Agency elicits, accompanies and supports the completion of development projects. This mandate is fulfilled vis-à-vis development agents by means of a range of intervention tools. In this regard, it works to increase the synergy among local and regional development players. Through its action, the Agency encourages the implementation of development projects that would not be carried out without its assistance, or which would not be carried out on the same scale or would be postponed, at the risk of being abandoned.

To facilitate the implementation of development projects, the Agency uses a varied range of intervention tools. Thus, Agency advisors are called upon to:

- provide advice and timely information
- organize and stage awareness, capability development or guidance activities
- develop and foster dynamic business partnership networks
- participate actively in initiating growth-generating projects
- support development agents so as to help them identify and grasp development opportunities in line with their competitive advantages
- financially support implementation of development projects
- support the dynamism of development agents so as to facilitate their participation in drawing up development policy and strategy
- help the local milieu to document regional issues and make them better known to government decision-makers.

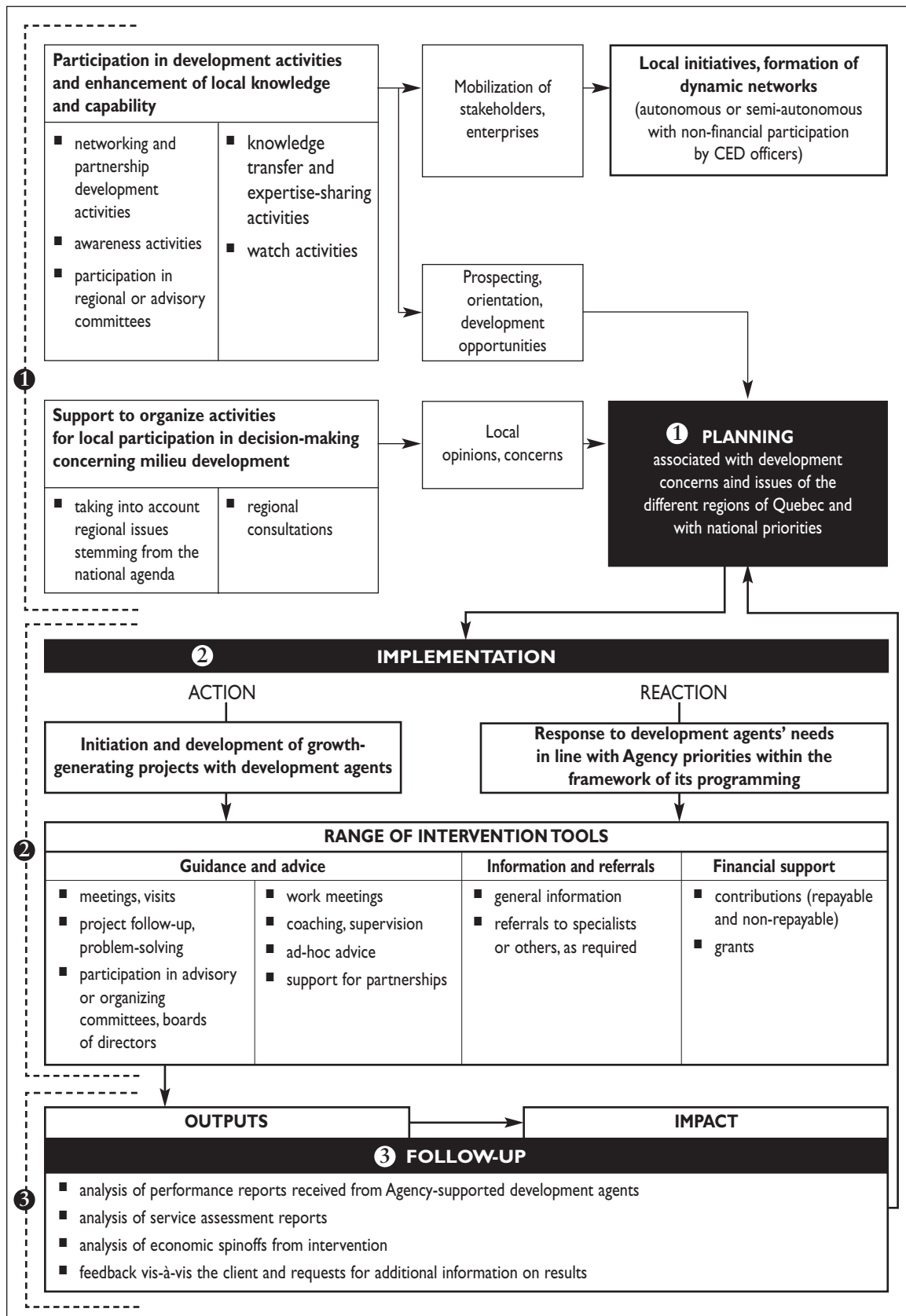
This support is provided to development agents by Agency personnel and by organizations assisted financially by the Agency to that end. The box on the following page provides further details on the approach advocated by the Agency with respect to regional development.

When the Agency provides financial assistance in the form of contributions (repayable and non-repayable) and, in exceptional cases, grants, it complies with the terms and conditions specific to each of its programs, as approved by Treasury Board. The Agency's intervention tools with respect to regional development are described in Appendix 2 below.

The table on the following page explains the three main phases of the Agency's approach to regional development. While they are presented sequentially, implementation of each phase overlaps in time, and the end of one phase is not a necessary condition for the start of another phase.



## REGIONAL DEVELOPMENT APPROACH ADVOCATED BY THE AGENCY



### **Phase 1: Planning of the Agency's regional development intervention strategy**

The first phase presents the Agency's activities for which, often, no financial participation is necessary. These activities give rise to consensus in the development milieu concerning the priorities and intervention niches to be focussed on. The information gathered provides fodder for planning development in the different regions of Quebec. The RISs of the Agency's business offices, presented above, are outcomes of these activities carried out in conjunction with development agents.

Furthermore, through its presence in the regions of Quebec, the Agency stimulates and encourages the mobilization of development agents. In this way, it helps the players draw up development strategies leading to the design and implementation of development-generating initiatives or projects in the regions.

The Agency also supports the organization of activities that enable development agents to discuss the issues and share their concerns and needs with respect to regional development. This practice opens the way to effective communication between development agents and the Government of Canada. It also gives the regions the opportunity to take part in decisions that have an impact on their development.

### **Phase 2 : Implementation of the Agency's regional development intervention strategy**

The second phase of the approach advocated by the Agency involves facilitating regional development, particularly by implementing its own intervention strategy. This means it must be both active and reactive. In an active role, in conjunction with development agents, including the other federal departments, it initiates and develops growth-generating projects for the regions. In a reactive role, it receives financial assistance applications and delivers its programming, and is frequently called upon to advise and supervise applicants with respect to their financial assistance applications. Whether in active or reactive mode, the Agency intervenes in many ways to meet its clientele's needs. When it intervenes vis-à-vis development agents, its staff can, in particular:

- provide advice
- undertake a guidance approach
- deliver information
- refer clientele to specialists or other information sources in line with their needs
- ensure enterprises' participation in business networks
- provide financial support.

### **Phase 3 : Follow-up on Agency intervention and its impact on regional development**

The third phase concerns follow-up on the Agency's intervention and impact on regional development. Since it has to follow the results of its intervention in the different regions of Quebec, information on results first enables it to influence and adjust the planning of its intervention in regional development and then, in the medium term, to increase its impact and enhance the quality of its services and of those provided by the intermediary groups its funds.

Through its 14 business offices, Canada Economic Development has a well-entrenched presence in each region of Quebec. Appendix 3 presents the Agency's organizational structure.

This presence in the regions of Quebec allows the Government of Canada to stay informed at all times as to the evolving challenges facing Quebec SMEs as well as regional issues. The Agency is a full partner in the different forums and events marking the development of each region, and listens actively and understands communities' concerns by helping them to mobilize to meet their development challenges.

The Agency teams up with a broad network of development agents in each region of Quebec. Often the Agency's action on development is carried out through intermediary groups funded by the Agency. By supporting these organizations and facilitating their networking, the Agency moves closer to citizens and the different regional realities. It also makes it possible for local stakeholders to contribute to the development of their economy.

As the table on page 31 illustrates, the Agency carries out its mandate in a complex environment consisting of a variety of players, of which it is an integral part. In fact, it works with more than 100 local organizations, many of which have the mandate to provide specialized services to regional enterprises. Many organizations are volunteer-based and represent the way in which individuals can play a major role in the economic development of their own milieu. For instance, the Community Futures Development Corporations (CFDCs), Business Development Centres (BDCs) and Community Economic Development Corporations (CEDCs) can count on the involvement of 1,400 volunteers who collectively devote several tens of thousands of hours' work to their communities' development.

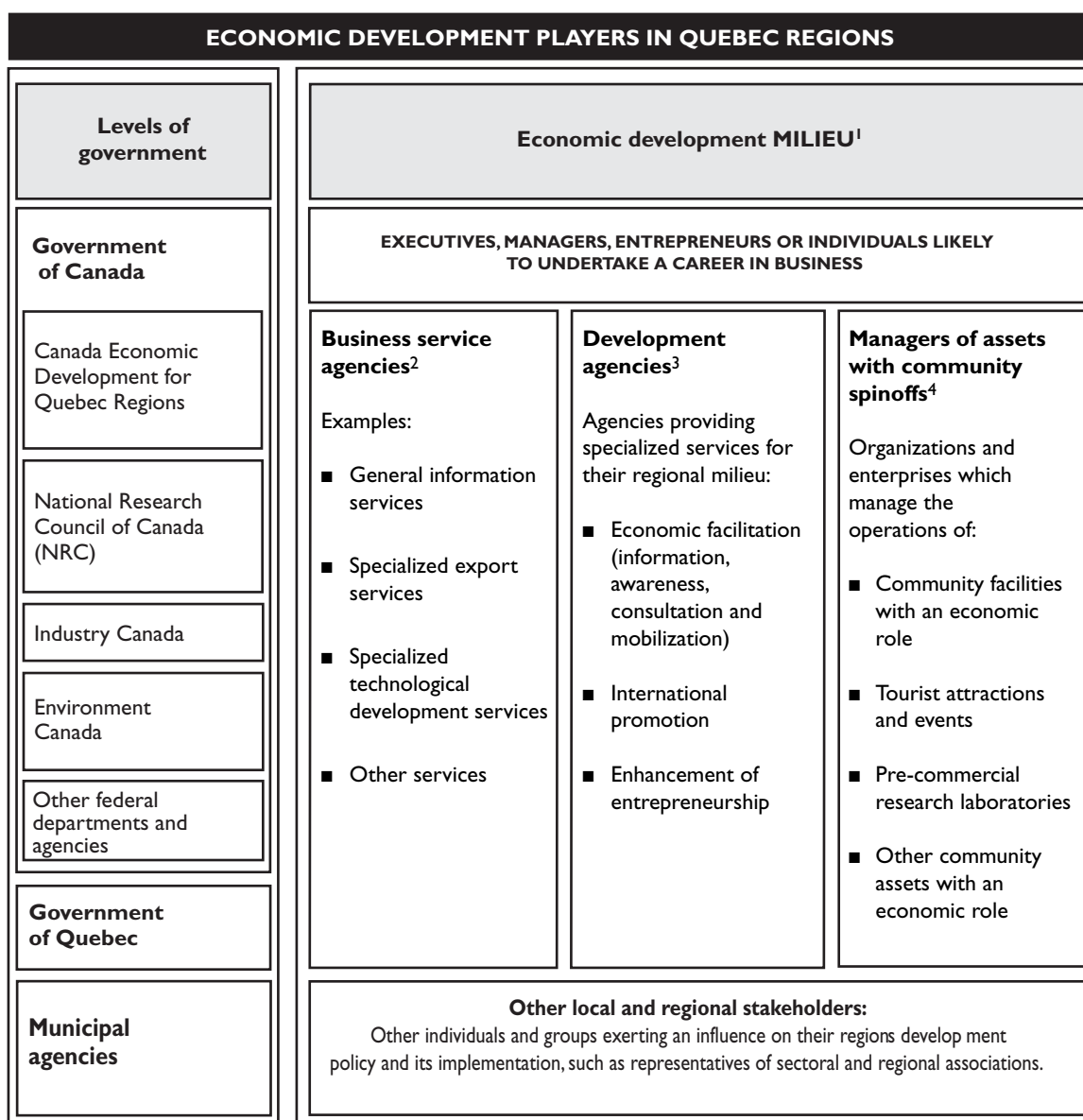
The Agency relies on Canada Business Service Centres (CBSCs), namely *Info entreprises* in Montreal and *Ressources Entreprises* in Québec City, to provide entrepreneurs with general or specialized information related to the business world.

The CBSCs have shown that they deliver quality services, even receiving the United Nations Public Service Award in the “Improvement of Public Service Results” category. The awards ceremony was held on June 23, 2004 in New York to underscore the excellence of this initiative put in place for the past ten years in every region of Canada.

Many other examples of co-operation should be emphasized. Canada Economic Development works closely with *Alliance numériQC*, *Enviro-Accès* and *BioQuébec* to promote innovation in enterprises. The Agency also maintains close links with Montreal’s World Trade Center and a network of regional export-promotion organizations to contribute to the attainment of national objectives for development of international markets. Also working with the Agency are *Manufacturiers et exportateurs du Québec*, various trade associations and the boards of trade and chambers of commerce.

The Agency works with several departments and agencies of the Government of Canada to intervene in a consistent, integrated manner in Quebec and foster the achievement of common objectives, using a complementary approach that builds on each organization’s specific expertise. Close co-operation has been instituted through such co-ordination mechanisms as Team Canada Inc. or the Canadian Technology Network. The Agency also works with the National Research Council Canada, Canadian Heritage, Environment Canada, Parks Canada, Transport Canada, Fisheries and Oceans Canada, Natural Resources Canada (including the Canadian Forest Service) and Human Resources and Skills Development Canada.

In the case of programs corresponding to its core mandate, the Agency works with several departments and agencies of the Government of Quebec 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, some projects supported by the Agency are also backed by the Government of Quebec, other Government of Canada departments and agencies, or municipal authorities, which participate in the financing. In the case of the Infrastructure Canada Program, a formal co-operation agreement was signed with the Government of Quebec.



Notes:

- <sup>1</sup> **Milieu** means all players taking an active role in their region's development.
- <sup>2</sup> Business service agencies specialize in one of the following areas: development of external markets, innovation, incubation of startup enterprises, or financial services to small enterprises. Most of these organizations have a regional operating base. Among the services they provide are dissemination of information, raising of awareness and assistance with development of knowhow.
- <sup>3</sup> Regional agencies providing services to the **milieu** (development agencies) include organizations providing information, awareness, skills development, mobilization and consultation of their local **milieu** as well as international promotion organizations and organizations or groups carrying out activities to enhance entrepreneurship.
- <sup>4</sup> **Assets with community spinoffs** means tourist attractions and events, and community facilities with an economic role.



For further information on Canada Economic Development, the reader is invited to consult the Agency's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca).



## Section 2

# INFORMATION ON PERFORMANCE AND RESULTS

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### 2.1 Section overview

The *Information on Performance and Results* section contains data on the Agency's outputs and main short-term results, along with a number of documented medium-term results.

This section is divided into three subsections:

- The first offers some keys to guide readers in the analysis of the results presented; it briefly presents the methodology and its limitations, a topic developed in greater detail in Appendix 4.
- The second depicts the context prevailing during the past year, which had an impact on the Agency's results with respect to economic development of the regions of Quebec.
- The final subsection presents the Agency's results as observed on March 31, 2004, and describes the outputs and short- and medium-term results for each of the three strategic outcomes.

### 2.2 Interpretation of results and reference bases for reporting

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.

#### 2.2.1 Scope and limitations

The Agency is an organization focussed on measurement of the results of its interventions. But the very nature of the interventions is that their results show over a period of more than one year. As the Performance Report is a yearly follow-up document, its underlying methodology does not make it possible to measure longer-term results, so the report presents only part of the results which Agency intervention helps generate. This report therefore presents primarily short-term results, along with some medium-term results. For a more accurate idea of the scope of the long-term economic development results obtained, it is necessary to refer to the different evaluation reports on Agency intervention. Numerous reports have been produced over the past few years, and they provide a wealth of information on the effects generated.

The results presented must be interpreted in light of the following contextual elements. First, the Agency's mandate is to promote economic development, through support and guidance for the completion of regional development projects. The implementation of these regional development projects lies with the enterprises and local and regional stakeholders who design and bring into reality the projects supported by the Agency. The result is interdependence between the players involved and 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.

The Agency's support for the funding of a project generally corresponds to no more than a fraction of its total cost. The Agency encourages the implementation of projects which often also receive financial support from other stakeholders. In short, although the results obtained from completion of these projects are a consequence of Agency intervention, they cannot be fully attributed to the Agency's contribution alone.

### **2.2.2 Reference bases for presenting Agency performance**

Two reference bases are used in this report to illustrate Agency achievements and performance. On the one hand, to present its 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 between April 1, 2003 and March 31, 2004.

On the other hand, when the time comes to present the main results observed as of March 31, 2004, the reference base used is that of projects in progress, that is, projects for which an expenditure was made during FY 2003-2004. In fact, to be able to report results for a project, that project has to have been the subject of an expenditure, that is, activities must have been carried out, thus contributing to attainment of results. This reference base of projects in progress contains projects that may have begun, continued or ended in 2003-2004. Moreover, some of these projects that were still in the process of implementation as of March 31, 2004 will be completed during subsequent fiscal years. Their results will then be reported in future Performance Reports.

These two reference bases are not mutually exclusive. New contribution agreements approved during FY 2003-2004 may also have been the subject of an expenditure, and therefore of activities leading to results. So they are included in the reference base of projects in progress when this document reports on results observed as of March 31, 2004. Appendix 4 explains the scope and limitations of the methodology used to generate the information contained in this report



## 2.3 Economic context in which the Agency sought to achieve

### 2.3.1 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 regional development sphere and, as a consequence, the attainment of results.

The Agency's performance is influenced by the economic situation and future expectations, and by how the other partners involved in regional development interpret these signals.

#### Overall performance

Quebec's gross domestic product (GDP) continued to grow in 2003, albeit more slowly than expected following the strong showing in the previous year. Although the provincial growth rate was 1.6%, Quebec found itself between Ontario (1.3%) and Alberta (2.1%) in terms of growth rates.

One aspect that many thought would help the Quebec economy was a resurgence from its largest international trading partner—the United States of America. Despite a rebound in the economy south of the border, international trading did not follow suit. Exports to the US fell for the third straight year, in spite of 3% growth in the American economy in 2003. The electronic products industry is one of several sectors that have seen the value of their exports reduced by a large margin over the past few years. Two major industries in Quebec were affected by international trade disputes, as well. The beef sector was essentially closed to foreign exports with the discovery of an Albertan cow infected with bovine spongiform encephalopathy. The dispute with the United States over the softwood lumber industry persisted throughout the year, and continued to limit the amount of exports by Quebec's significant lumber industry. Furthermore, the emergence of new internationally active actors, such as China, had an impact on the international trading scene in 2003, and this may have taken away some of the market share of Quebec goods. Exports were also hampered by a weak American dollar, which lost approximately 15% of its value against the Canadian dollar, effectively increasing the prices of Quebec products sold south of the border. However, the Canadian dollar remained stable with respect to other currencies, and this limited the promotion of exports elsewhere. All of these international factors had an impact on the performance of the Agency, as it supports SMEs in their efforts to penetrate foreign markets.

The Quebec economy found relief from these external factors within its borders. Consumer confidence remained strong, and domestic demand helped offset the lack of exports. Housing starts, generally a good indication of consumers' expectations of the economy, reached levels not seen in well over a decade. Since 2003 did not match the expectations presented at the end of 2002, it could be viewed as a slight setback. However, when compared with other provinces' performances, Quebec showed that it was able to negotiate quite well the various obstacles it faced and continued along its growth trend.

## **Innovation, competitiveness and entrepreneurship**

Quebec's openness to innovation continues to be strong. Spending on research and development as a percentage of GDP in Quebec was 2.3% in 2000, the highest of any province. Quebec was home to 26% of all Canadian R&D spending in 2000, well above its national GDP share of 21%.

The Agency encourages improvement in business productivity, which is a major concern among Quebec enterprises in their quest to be competitive. Some gains have been made of late, but overall productivity remains 5-8 % lower in Quebec than in Ontario. Quebec still needs to improve in this regard to match the level of major international competitors, notably the United States, which has a substantial advantage in terms of productivity.

The share of small- and medium-sized enterprises is a significant component of the Quebec economy. Despite a lower creation rate than had been witnessed in the past, Quebec accounted for 20% of new businesses created in Canada in 2003. Moreover, those enterprises that are being created are being generated by promising opportunities, as opposed to necessity, in stark contrast to the situation a few years ago. However, a larger proportion of new enterprises in Quebec, compared with the levels in Canada as a whole, are operating within the primary sector, which is losing its share to the much more energetic tertiary sector.

## **Regional perspective**

Despite the economic recovery of the past few years, Montreal still lags behind the 25 other main large cities in North America for a series of indicators such as GDP per inhabitant, employment rate and disposable income per inhabitant. Its jobless rate increased in 2003 (9.5%) and continued to be higher than Toronto (7.7%) and Vancouver (7.3%), and its demographic growth was lower (3% from 1996 to 2001, as against 9.8% in Toronto and 8.5% in Vancouver). The Island of Montreal, the focal point for migrants (both intra-provincial and international), performed slightly worse than the Montreal Census Metropolitan Area (CMA), with an unemployment rate of 11.5% in 2003.

The central regions, those areas within a 150-km radius of large metropolitan centres, showed strong employment gains and reduced unemployment in 2003. These areas benefit from a dynamic manufacturing sector, which is based on medium- and low-level technological industries. These characteristics (dynamic/low-level technology), however, also keep this sector highly vulnerable to external pressures arising from globalization.

The economies of the regions remote from major centres are based primarily on the harvesting of natural resources. These industries faced continuing difficulty in 2003, and that explains in part why the employment situation in those regions continues to lag behind the other areas of Quebec. Although small employment gains were made throughout 2003, the remote regions continue to post high unemployment rates ranging from 9.9% to 17.5%. In some cases, these regions' unemployment rates rank among the highest found across the country.

## 2.4 How the Agency intervened in 2003-2004

In 2003-2004, in order to contribute to regional development, the Agency approved 1,110 new contribution agreements with development agents, representing financial commitments of more than \$354 million. This sum will be paid out over several years, as the projects subject to these agreements are completed.

### 2.4.1 Main outputs by strategic outcome and development agent category

The following table presents, by strategic outcome and category of development agent, the number of new contribution agreements and the financial assistance approved in 2002-2003 and 2003-2004.

Compared with FY 2002-2003, the Agency went from 776 new contribution agreements to 1,013 in 2003-2004, an increase of 237 projects. Excluding a special case (the \$80-million *Papiers Gaspésia inc* project) from the total financial assistance approved in 2002-2003, the total amounted to \$166.5 million. The total amount of financial assistance approved in 2003-2004 stood at \$202 million, representing an 21% increase over 2002-2003.

OVERALL PERFORMANCE				
New contribution agreements in 2002-2003 and 2003-2004				
New contribution agreements by strategic outcome and category of development agents		Number of new agreements		Financial assistance approved (in millions of \$)
		2002-2003	2003-2004	2002-2003 2003-2004
SO #1	<i>Enterprise developments</i>	544	693	169.4 99.7
	■ Business service agencies	195	149	44.6 30.9
	■ Enterprises	349	544	124.8 <sup>1</sup> 68.8
SO #2	<i>Improvement of the environment for economic development of the regions of Quebec</i>	232	320	77.1 102.3
	■ Development agencies	141	182	22.7 27.7
	■ Managers of assets with community spinoffs	91	138	54.4 74.6
Subtotal (Agency's core mandate)		776	1 013	246.5 202
SO #3	<i>Development and renewal of community infrastructure</i> (special mandate)	299	97	170.4 152.3
Total (all three strategic outcomes)		1,075	1,110	416.9 354.3

Note:

1 This figure includes the \$80 million in financial assistance provided to *Papiers Gaspésia inc*.

With respect to the first strategic outcome, 693 new contribution agreements (68%) were reached, compared with 320 new agreements (32%) for the second strategic outcome. Financial assistance approved under the Agency's core mandate (for the first two strategic outcomes only) stood at \$202 million. It broke down as follows: financial assistance approved for fostering enterprise development amounted to \$99.7 million, or 49% of the total financial assistance approved by the Agency under its core mandate, while financial assistance approved for improving the environment for economic development of the regions totaled \$102.3 million (51%).

The increase in the number of files approved under the first strategic outcome is mainly attributable to the addition of delivery of the Canadian Apparel and Textile Industries Program (CATIP) to the Agency's mandate in 2003-2004. Some 137 new contribution agreements were reached in 2003-2004 under this program, primarily with enterprises.

The higher number of files approved under the second strategic outcome is explained by the addition of the Adjustment Measures for Quebec Fishing Communities to the Agency's programming in 2003-2004. In fact, 53 new contribution agreements were signed on the basis of additional funding allocated to the Agency. On the other hand, the approval of several large-scale tourism projects is behind the substantial increase in financial assistance approved (eg., Granby Zoological Society, *Cité de l'Énergie*, *Place des festivals*). Finally, the signing of several contribution agreements with knowledge institutions also explains the growth in financial assistance approved under the second strategic outcome (eg., *Biotechnologies Océanova*, *Institut national de recherche scientifique*, and the *Institut des sciences de la mer de Rimouski* of the *Université du Québec à Rimouski*).

As to its intervention with respect to development agents, in 2003-2004, under the first strategic outcome, the Agency intervened more with enterprises than with organizations delivering services to enterprises. Under the second strategic outcome, the Agency provided more financial assistance to managers of assets with community spinoffs, while reaching more new agreements with development agencies.

With respect to the third strategic outcome, namely, the Agency's special mandate, 97 new contribution agreements were approved, representing total financial assistance approved of \$152.3 million. Compared with 2002-2003, the Agency signed fewer new contribution agreements (299 in 2002-2003, 97 in 2003-2004). The amount of financial assistance approved in 2003-2004 was also lower than in 2002-2003 (\$170.4 million in 2002-2003 compared with \$152.3 million in 2003-2004). Since virtually all program funds have been committed, the number of new contribution agreements reached under the program fell in 2003-2004 and should continue to decline over the next few years.

## **2.5 Results of Agency intervention as of March 31, 2004**

### **2.5.1 Agency performance with respect to *Enterprise development*, its first strategic outcome**

Enterprises are central to the regional development of Quebec. 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 wealth 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.

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 manage to make a name for themselves on the national and international economic stage. Regardless of how they develop in the future, small enterprises are an essential element in maintaining the economic vitality of rural communities and regions far from major urban centers.

The logic model on page 41 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 regional development of the regions of Quebec and enhancement of their economic prosperity and employment.

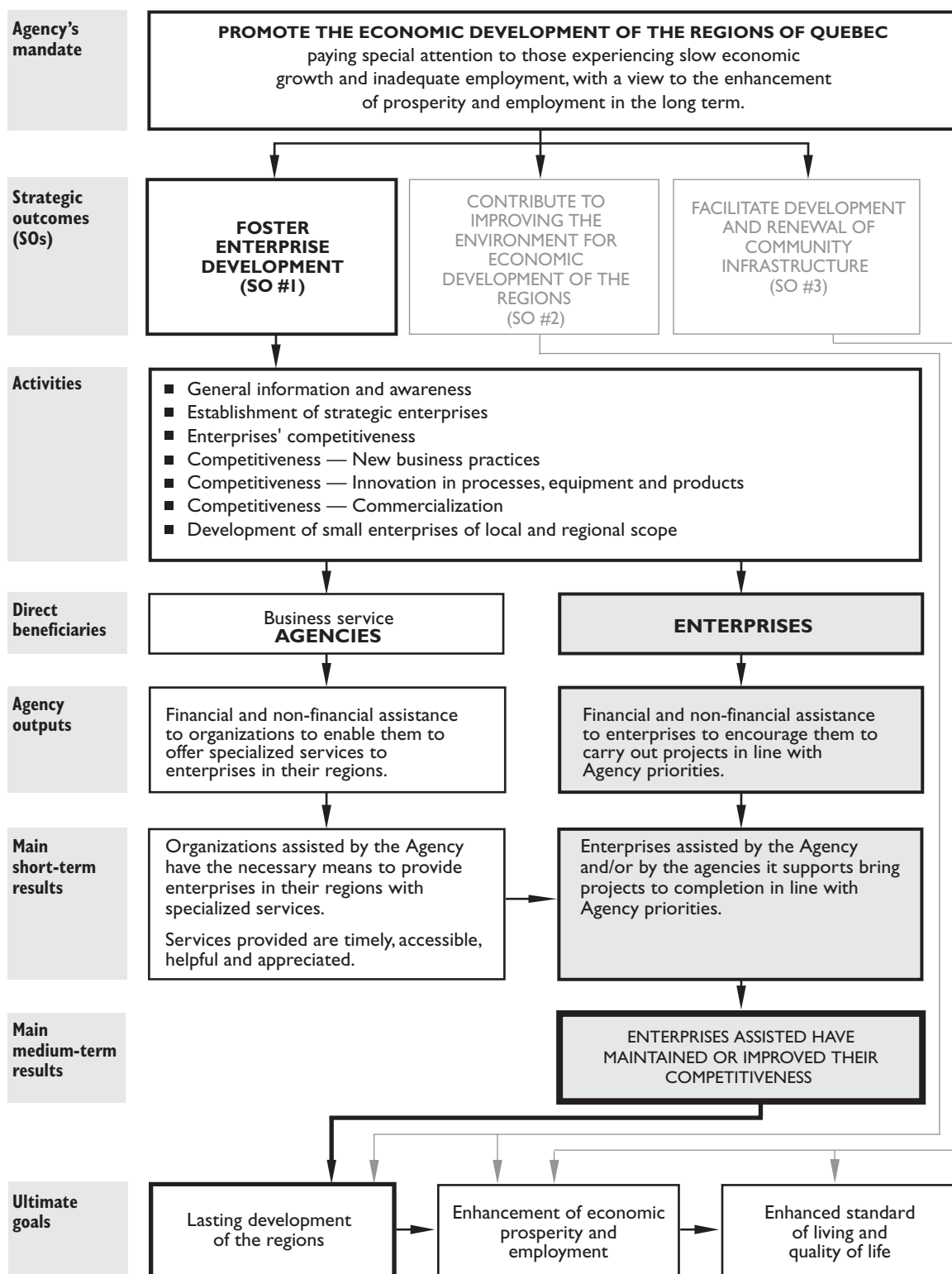
The results presented under its first strategic outcome are the overall results observed with respect to all activities relating to it.



Further information on the results observed in the activities with respect to this strategic outcome may be obtained from Canada Economic Development's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under *Publications*.

Readers interested in these results may also pick up a copy of them from their nearest Canada Economic Development business office.

## LOGIC MODEL FOR STRATEGIC OUTCOME #1



Note:

Shaded boxes present the main outcomes targeted by the Agency, those vis-à-vis enterprises.

## Main Agency outputs for *Enterprise development*

With a view to fostering *Enterprise development*, as presented above, the Agency reached 693 new contribution agreements with development agents, representing \$99.7 million in financial assistance approved during FY 2003-2004.

The following table shows the distribution of new contribution agreements in 2002-2003 and 2003-2004 on the basis of the different activities under the first strategic outcome, *Enterprise development*. Close to two thirds of new contribution agreements signed by the Agency in 2003-2004 under this strategic outcome concern activities targeting *Competitiveness — Innovation in processes, equipment and products*, and *Competitiveness — Commercialization*. The second most important activity in terms of financial assistance approved is Establishment of strategic enterprises.

STRATEGIC OUTCOME #1				
NEW CONTRIBUTION AGREEMENTS IN 2002-2003 AND 2003-2004				
New contribution agreements by activity		Number of new agreements		Financial assistance approved (in millions of \$)
		2002-2003	2003-2004	2002-2003 2003-2004
SO #1	<i>Enterprise development</i>	544	693	169.4 99.7
	■ General information and awareness <sup>1</sup>	4	10	0.1 0.9
	■ Establishment of strategic enterprises	70	68	109.6 21.4
	■ Competitiveness — New business practices	32	95	6.2 7.2
	■ Competitiveness — Innovation in processes, equipment and products	186	270	25.0 41.7
	■ Competitiveness — Commercialization	159	170	16.1 20.1
	■ Development of small enterprises	93	80	12.4 8.4

Note:

- 1 This element does not include two other agreements paid directly from the Agency's operating budget, to the tune of \$1.5 million.

Compared with 2002-2003, the Agency intensified its intervention primarily in activities targeting the improvement of enterprises' competitiveness. For instance, the Agency considerably increased its intervention in the *Competitiveness — Innovation in processes, equipment and products* activity. This increase in the number of new contribution agreements and in the amounts of financial assistance approved for innovation projects should help generate, over the next few years, the Agency's planned results in this area of intervention, namely, an increase in enterprises' productivity, profitability and competitiveness.



The \$80-million contribution agreement signed with *Papiers Gaspésia inc* in 2002-2003 had the effect of significantly increasing the amount of financial assistance approved in 2002-2003. Excluding the amount of financial assistance approved for this project in 2002-2003, the Agency increased by \$10.3 million the financial assistance approved under this strategic outcome in 2003-2004.

As mentioned above, delivery of the CATIP explains the increase in the number of agreements approved under the first strategic outcome, since all the agreements reached under this program concern activities associated with improvement of enterprises' competitiveness. In fact, 74 new contribution agreements were reached in *New business practices*, 47 in *Innovation in processes, equipment and products* and 16 in *Commercialization*.

### **Main results observed for *Enterprise development***

Within the framework of the 1,293 projects in progress in 2003-2004 with respect to *Enterprise development*, the total value of projects in progress stands close to \$1.5 billion, including investment from other funding providers. The Agency's actual expenditures this fiscal year were \$134.9 million. As to total expenditures incurred as of March 31, 2004 to achieve the results presented in this report associated with projects in progress in 2003-2004, they amounted to more than \$275 million.

The results associated with the first strategic outcome concern enterprises, either directly or through business service agencies. As the logic model for the strategic outcome on page 41 shows, agencies offering services to enterprises play a leading role in the achievement of results with regard to enterprises in Quebec.

### **Business service agencies**

Close to 40% of development agents receiving a financial contribution from the Agency under the first strategic outcome are non-profit organizations. The services delivered by these organizations are of two kinds: general services (information or referral, for instance) or specialized services to enterprises in the regions of Quebec (eg., technology transfer, exports). As identified in the logic model above, one of the first results of Agency intervention vis-à-vis business service agencies is to enable them, by means of financial and non-financial support, to offer a broad range of products and services to enterprises in such areas of expertise as advanced business practices, innovation, exports and commercialization. The following box presents a Montérégie region agency which offers services to enterprises as part of their innovation approach.

Valotech is currently the sole agency in the Montérégie whose mission is to bring together and guide SMEs in their innovation approaches. It provides enterprises with front-line information, awareness and networking services as well as guidance services targeting various aspects of the management of innovation: pursuit of financing, commercialization, technology transfer, patents, etc.

The Agency's Montérégie business office signed a first agreement with Valotech in 1999 to provide it with the necessary resources and means to promote and support innovation in the region's SMEs.

After more than four years, Valotech has successfully met most of the short-term objectives that had been established at the outset—objectives focussed on carrying out a number of awareness, information, networking and guidance activities. A number of other projects have been initiated or completed by Valotech, notably:

- bringing on line of its Web portal in Fall 2002
- preparation of teaching tools for electronic marketing
- preparation of structured training in technology transfer
- organization and holding of several training seminars on such topics as technology transfer, financing and sales, etc.

Little progress has been made in attaining the medium-term results targeted. This observation raises questions that will be followed up on by Canada Economic Development's Montérégie business office with regard to clientele's interest in some of the services offered by Valotech and the impact of Valotech's activities on the innovation projects of the enterprises reached.

Source: Le Groupe Stragesult, *Case study, Valotech Inc.*

The Agency's collaborators offer products and services to enterprises throughout Quebec. 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. The table on the following page presents the results attained by the Agency through its funding of business service agencies.

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, and is always attuned to their needs and fosters their development fully.

<b>BUSINESS SERVICE AGENCIES</b>		
<b>Main results observed with respect to projects in progress<sup>1</sup></b>	<b>2002-2003</b>	<b>2003-2004</b>
<b>Number of projects in progress</b>	498	495
<b>Indicator of capability to deliver services to enterprises</b>		
■ Value of services provided through Agency financial support (estimated value of total cost of projects in progress, irrespective of funding source)	\$352.7 million	\$441.3 million
<b>Indicators of the impact of assistance from organizations supported by the Agency on enterprises served</b>		
■ Enterprises in pre-startup, startup or expansion	2,485	2,789
■ Jobs created and jobs maintained	4,298	5,377
<b>Expenditures made to generate the results shown above</b>		
■ Actual expenditures with regard to projects in progress	\$60.2 million	\$59.6 million
■ Total expenditures incurred for projects in progress (including spending from previous years)	\$112.0 million	\$146.9 million
■ Total value of financial assistance approved by the Agency	\$203.2 million	\$223.9 million
Note: 1 The main results are observed as of March 31 with respect to projects in progress.		

The Agency spent more than \$59 million in 2003-2004 on 495 projects from business service agencies. The total value of the services offered by these organizations, including the amounts invested by the Agency and those from other funding providers, was more than \$440 million.

The services delivered by these agencies contributed to the pre-startup, startup and expansion of more than 2,750 enterprises and the creation and maintenance of more than 5,300 jobs in the different regions of Quebec.

The results observed with respect to projects being undertaken in 2003-2004 are slightly higher than those observed in 2002-2003. The number of enterprises in pre-startup, startup or expansion is 12% higher in 2003-2004 than in 2002-2003 for a similar number of projects in progress, but higher total expenditures were incurred. As to the number of jobs created and jobs maintained within the enterprises served by business service agencies, they are up 25% over 2003. The results presented are those observed as of March 31 in the case of projects in the process of implementation during FY 2002-2003 and 2003-2004. Thus, several results presented as of March 31, 2004 come from projects that were in progress in 2003-2004, but also in 2002-2003. The difference between the results observed as of March 31, 2003 and those observed as of March 31, 2004 may be due to developments in those projects over time.

In a yearly survey conducted by an independent firm, business service agencies were asked to talk about the impact of the financial and non-financial support provided to them by the Agency. The following table presents the findings of this annual survey.

<b>Business service agencies' perception of the Agency</b>	<b>Agree (Percentage)</b>
■ Helped enhance the organization's service offering	94.8
■ Helped reached a larger number of clients	89.1
■ Had an effect on financial participation of other funding providers	84.7
■ Is an essential partner in fulfilling the organization's mandate	93.4
■ Contributed significantly to development of the sector of activity	90.9
■ Constitutes a gateway to other federal partners	62.4
■ Helped establish co-operation or linkages with other local organizations	64.5
Note: Annual survey 2004, N= 409	

The agencies' perception is highly positive with respect to the impact of Agency intervention on the improvement of the service offering and their ability to reach a larger number of clients. The Agency also plays a leverage role with regard to the financial participation of other fund providers. In short, for more than 90% of respondents, the Agency is an essential partner in fulfilling their organization's mission and has contributed significantly to the development of their sector of activity. Without any special effort having been made along those lines, a significant proportion of the agencies recognize spontaneously that Canada Economic Development is a gateway to other federal partners as well as helping establish collaboration or linkages with other local organizations.

## Enterprises

The following table presents the results observed with respect to enterprises' projects funded directly by the Agency.

<b>ENTERPRISES</b>		
<b>Main results observed with respect to projects in progress<sup>1</sup></b>	<b>2002-2003</b>	<b>2003-2004</b>
<b>Number of projects in progress</b>	651	798
<b>Indicators associated with enterprises' competitiveness</b>		
■ Proportion of respondent enterprises stating a sales increase (2003: n = 177; 2004: n = 392)	66%	58.6%
■ Average sales increase <sup>2</sup>	\$490,000	\$650,000
<b>Employment indicator</b>		
■ Jobs created, transformed or maintained	3,702	4,937
<b>Expenditures made to generate the results shown above</b>		
■ Actual expenditures with regard to projects in progress	\$63.1 million	\$75.3 million
■ Total expenditures incurred for projects in progress (including spending from previous years)	\$94.9 million	\$128.6 million
■ Total value of financial assistance approved by the Agency	\$186.1 million	\$196.8 million
<b>Notes:</b> 1 The main results are observed as of March 31 with respect to projects in progress. 2 Calculation of the average sales increase excludes extreme values.		

The Agency spent more than \$75 million in 2003-2004 on 798 corporate projects. The total value of those projects, irrespective of funding source, was more than \$196 million. When the projects in progress in these enterprises are completed over the next few years, the whole of this sum will have been invested in the different regions of Quebec.

In the yearly survey conducted on the Agency's behalf in 2004 by an independent firm, the enterprises contacted stated that they had created, maintained or transformed more than 4,900 jobs with the help of financial support from the Agency. In addition, 58.6% of the respondent enterprises mentioned that they had increased their sales.

The proportion of enterprises stating increased sales fell by 7.4% compared with the results observed as of March 31, 2003. However, since many approved projects target improved productivity, the impact of these projects aimed at lowering production costs is not felt in sales growth in the short term. This result, while lower than that observed as of March 31, 2003, is satisfactory.

### 2.5.2 Agency performance with respect to *Improvement of the environment for economic development*, its second strategic outcome

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.

To contribute to improving the economic development environment, 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 successfully take charge of their development. 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 challenges
- help the stakeholders upgrade their competencies.

The Agency also supports non-profit organizations as well as enterprises, to enable them to carry out projects with a strategic impact for their region. These projects consist in enhancing community facilities with an economic role and tourist attractions, or enhancing pre-competitive research and development capabilities in their regions. The Agency defines the promoters of these strategic projects as managers of assets with community spinoffs. Notable examples include festival or park operators, or directors of research centers.

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

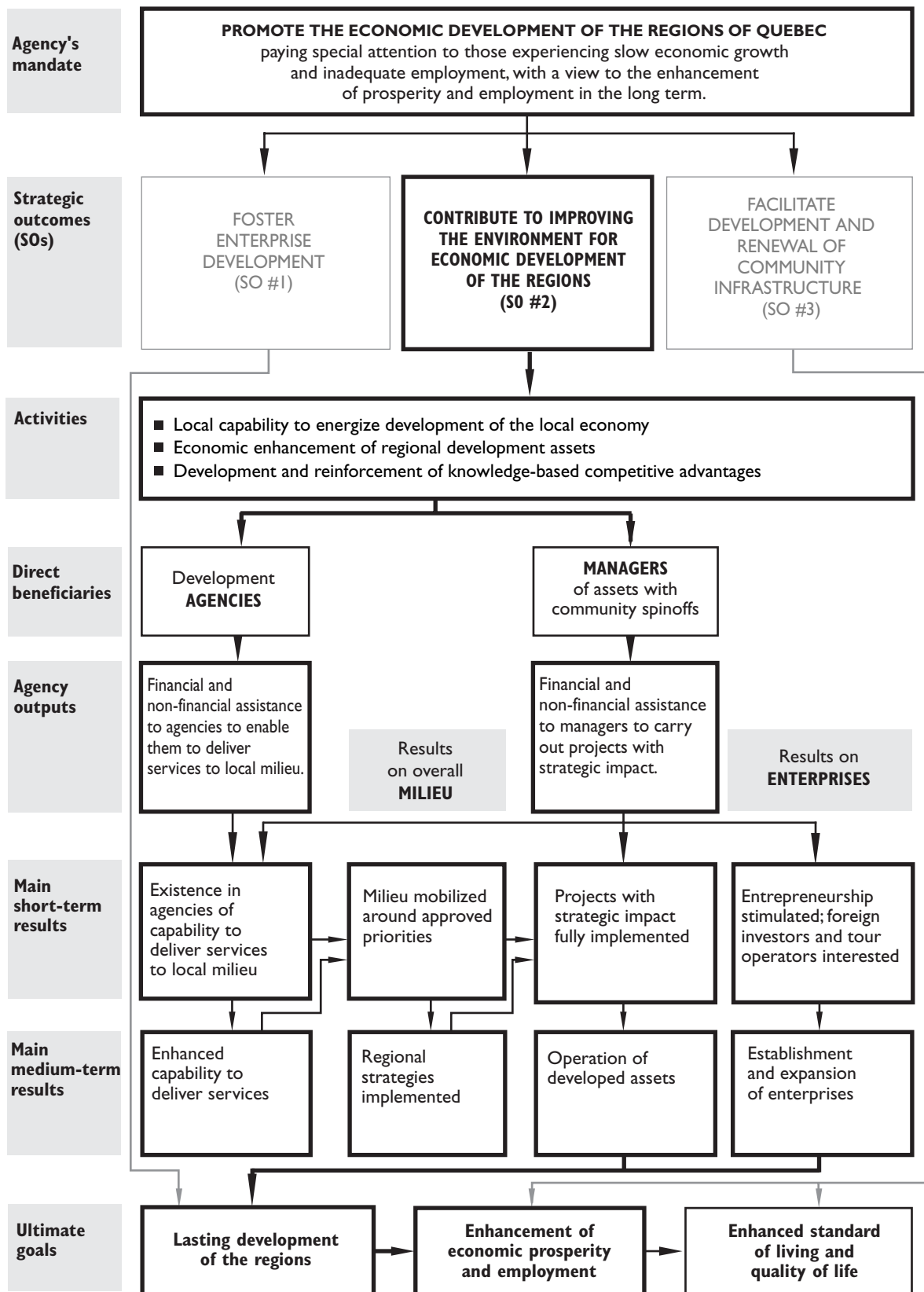
The results presented under its first strategic outcome are the overall results observed with respect to all activities relating to it.



Further information on the results observed from activities with respect to this strategic outcome may be found on Canada Economic Development's Web site at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under *Publications*.

Readers interested in these results may also pick up a copy of them from their nearest Canada Economic Development business office.

## LOGIC MODEL FOR STRATEGIC OUTCOME #2



## Main Agency 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 activities under the second strategic outcome, *Improvement of the environment for economic development of the regions of Quebec*.

STRATEGIC OUTCOME #2				
New contribution agreements in 2002-2003 and 2003-2004				
New contribution agreements by activity		Number of new agreements		Financial assistance approved (in millions of \$)
		2002-2003	2003-2004	2002-2003 2003-2004
SO #2	<i>Improvement of the environment for economic development of the regions of Quebec</i>	232	320	77.1 102.3
	■ Local capability to energize development of the local economy	140	201	21.8 28.7
	■ Economic enhancement of regional development assets	65	81	15.2 42.7
	■ Development and reinforcement of knowledge-based competitive advantages	27	38	40.1 30.9

In 2003-2004, as far as the number of new contribution agreements is concerned, the Agency increased its intervention with respect to activities targeting *Local capability to energize development of the local economy* and *Economic enhancement of regional development assets*. In financial terms, the Agency provided the most financial assistance for the *Economic enhancement of regional development assets* activity.

Compared with FY 2002-2003, the Agency considerably intensified its intervention in *Local capability to energize development of the local economy* and *Economic enhancement of regional development assets* activities. The introduction of the Adjustment Measures for Quebec Fishing Communities in 2003-2004 enabled the Agency to intensify its intervention with respect to *Local capability to energize development of the local economy* activities, thus contributing to the Agency's commitment to pay special attention to regions experiencing adjustment difficulties. Furthermore, the growth in Agency investment for activities targeting *Economic enhancement of regional development assets* is attributable to the approval of tourism projects mentioned above on page 38.

In 2003-2004, the Agency's intervention targeting *Development and reinforcement of knowledge-based competitive advantages* was down from 2002-2003 in terms of the amount of financial assistance approved. While new contribution agreements were more numerous, they involved smaller sums than those of the previous fiscal year.



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

The total value of the 564 projects in progress in 2003-2004 with respect to *Improvement of the environment for economic development of the regions* amounted to more than \$1.8 billion, including investment from other funding providers. The Agency's actual expenditures this fiscal year stood at \$99.9 million. As to total expenditures incurred as of March 31, 2004 to achieve the results presented in this report associated with projects in progress in 2003-2004, the Agency spent more than \$240.9 million.

### **Development agencies**

By providing financial and non-financial support for local and regional development agencies, the Agency seeks to foster participation, organization and taking charge of development by stakeholders in the regions. The results of development agencies' efforts may, for instance, lead to the implementation of regional initiatives stemming from the local milieu. The following table presents some results observed with respect to Agency-funded development agencies.

<b>DEVELOPMENT AGENCIES</b>		
<b>Main results observed with respect to projects in progress<sup>1</sup></b>	<b>2002-2003</b>	<b>2003-2004</b>
<b>Number of projects in progress</b>	303	316
<b>Indicator of capability to deliver services to local milieu</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	\$309.9 million
<b>Indicators of the impact of assistance from Agency-supported organizations on the environment for development</b> <ul style="list-style-type: none"> <li>Initiatives (strategies, strategic projects) stemming from the local milieu following assistance from a development agency<sup>2</sup></li> <li>Foreign tourists attracted</li> </ul>	N/A <sup>3</sup> 1,415,431	345 3,206,787
<b>Expenditures made to generate the results shown above</b> <ul style="list-style-type: none"> <li>Actual expenditures with regard to projects in progress</li> <li>Total expenditures incurred for projects in progress (including spending from previous years)</li> <li>Total value of financial assistance approved by the Agency</li> </ul>	\$25.3 million \$57.9 million \$102.3 million	\$31.0 million \$60.1 million \$103.4 million
<b>Notes:</b> <ul style="list-style-type: none"> <li><sup>1</sup> The main results are observed as of March 31 with respect to projects in progress.</li> <li><sup>2</sup> Information on this indicator was compiled for the first time during FY 2003-2004.</li> <li><sup>3</sup> N/A = not available</li> </ul>		

During FY 2003-2004, the Agency spent \$31 million on development agencies' projects in the regions of Quebec. These agencies' efforts contributed to designing or setting up more than 345 initiatives with strategic impact on development for the regions. These initiatives may take the form in particular of local development strategies or growth-generating projects for a region. The following boxes provide two examples of development agencies which, through their efforts, contribute to encouraging the local milieu to take charge of local development.

Operating in the Saguenay—Lac-St-Jean region, the *Groupe de recherche et d'intervention régionales* (GRIR) is a non-profit organization, two of whose main objectives are to elicit and develop research in a perspective of self-development of regional communities, particularly those in Saguenay—Lac-St-Jean. In 2003-2004, the Agency supported their project to design and implement a global vision of the region's development over a 20-year horizon by involving the entire regional community.

With assistance from the Agency, over the past few months, GRIR held 17 theme-based and sectoral seminars with local and regional stakeholders by applying a rigorous, creative, forward-looking method (diagnosis, action options, determinant factors and prognosis). Subsequently, building on the conclusions drawn from seminars, GRIR organized and held a symposium, called *Le devenir du Saguenay* (The future of the Saguenay), in order to bring out development proposals and options for recovery.

Over the coming months, armed with a report containing summaries, analyses and validation of the development proposals and options for recovery, GRIR will once again bring together all the agents and partners involved in development of the region at a regional forum in order to present to them and discuss with them the main development challenges to be met over the next few years.

For further information on GRIR, the reader is invited to consult their Web site at <http://www.uqac.ca/dsh/grir/>.

Faced with declining population and a high unemployment rate, the community of Rouyn-Noranda set up *Club Défi*, a non-profit organization whose mission is to stimulate entrepreneurship and support joint action and lobbying activities. On its creation, *Club Défi* managed to collect more than \$1 million, primarily from local citizens and enterprises.

In 2003-2004, the Agency supported *Club Défi* in order to help it conduct the necessary studies for establishing both a local investment and a local development fund. The Agency also contributed to preparation of a promotional toolbox and creation of a Northern development committee to stimulate trade with Cree business people involved in the large-scale hydroelectric projects.

Over the coming months, *Club Défi* plans to finance part of this new investment fund, taking into account the new development focuses sought by the Rouyn-Noranda community.

For further information, the reader is invited to visit the following Web site [www.rouyn-noranda.net](http://www.rouyn-noranda.net).

Finally, financial assistance from the Agency to development agencies which promote Quebec's regional attractions abroad contributed to attracting more than three million foreign tourists to the province. These tourists stayed an average of four days in the regions.

### Managers of assets with community spinoffs

The main anticipated results under the second strategic outcome concern the completion of projects by managers of assets with community spinoffs. The following table shows the results observed in the context of this type of project.

MANAGERS OF ASSETS WITH COMMUNITY SPINOFFS		
Main results observed with respect to projects in progress	2002-2003	2003-2004
Number of projects in progress	212	248
<b>Indicator of Improvement in the environment for economic development of the regions</b>		
■ Total value of projects in progress from managers of assets with community spinoffs (total cost, irrespective of funding source)	\$1.4 billion	\$1.5 billion
<b>Expenditures made to generate the results shown above</b>		
■ Actual expenditures with regard to projects in progress	\$91.0 million	\$68.9 million
■ Total expenditures incurred for projects in progress (including spending from previous years)	\$173.0 million	\$180.8 million
■ Total value of financial assistance approved by the Agency	\$255.6 million	\$280.0 million
Note: I The main results are observed as of March 31 with respect to projects in progress.		

The Agency spent \$68.9 million in 2003-2004 on 248 projects with managers of assets with community spinoffs. The total value of these projects, including investment from other funding providers, stands at \$1.5 billion. When the projects in progress are completed over the next few years, the whole of this sum will have been invested in the different regions of Quebec.

The following box presents some of the results achieved by the *Technocentre éolien Gaspésie-Les Îles*, an organization operating in the Gaspé Peninsula and Magdalen Islands.

The wind potential of the Gaspésie—Îles-de-la-Madeleine region has been demonstrated in many studies over the past few years. It stands behind the interest manifested by a number of regional players in development of a wind power industry that could be established in the Gaspé Peninsula. This desire led to the creation of a non-profit organization, the *Technocentre éolien*, whose mission is to develop wind energy by acting as an engine and contributing to the growth of wind industry-related enterprises and organizations, for the benefit of the Gaspésie—Îles-de-la-Madeleine region and Quebec as a whole. The *Technocentre* focuses its intervention on:

- promotion of wind energy and the region
- support for development of wind energy knowhow (research and development)
- technological and business watch
- support for enterprise development.

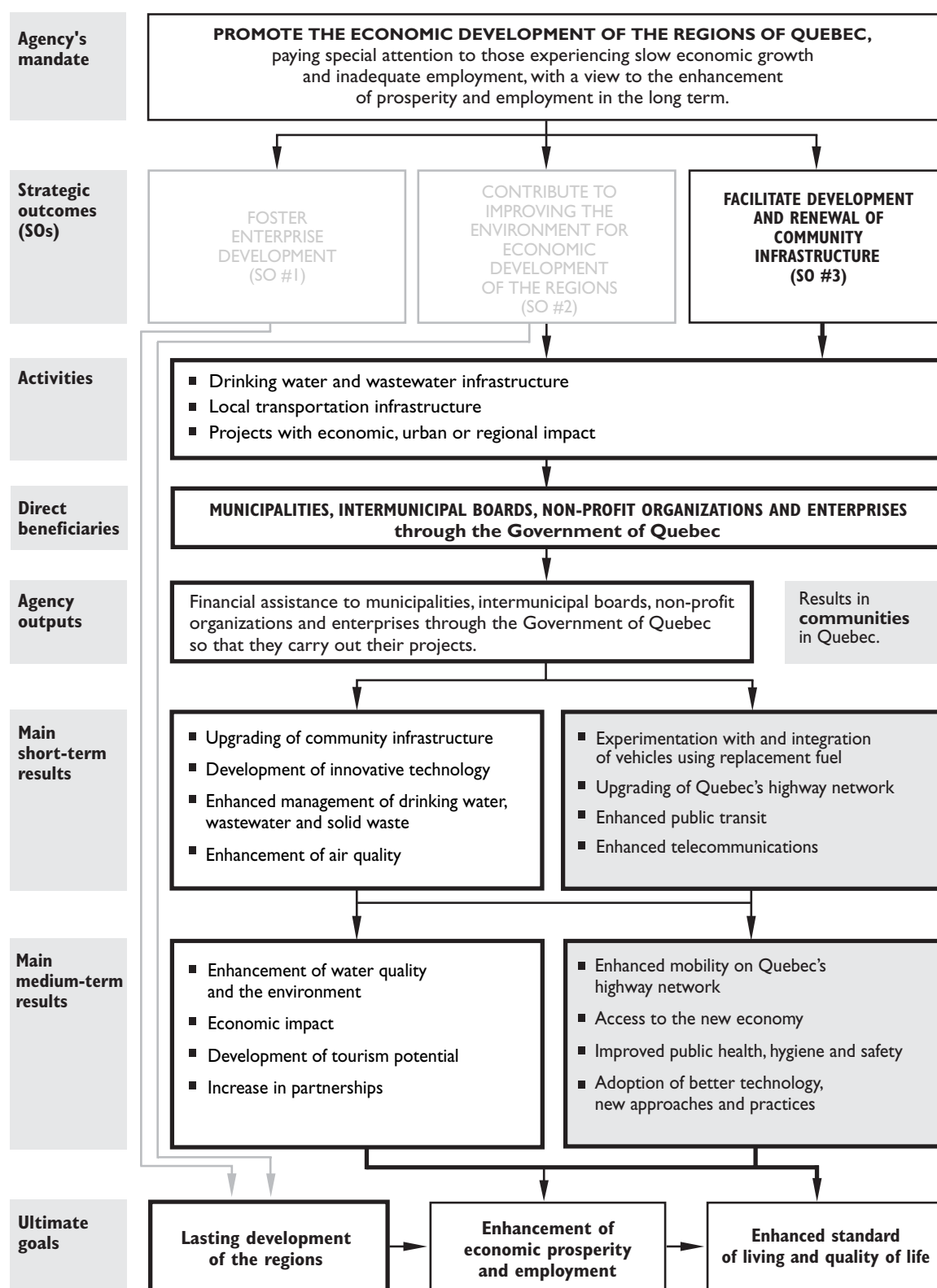
Since its establishment in 2002, the *Technocentre*, with little funding, has taken part in drawing up different strategies that can be used to lay the foundation for a wind industry in the region. Identification of success factors leading to the creation of an environment conducive to setting up such an industry in the region, but generating spinoffs for the whole of Quebec, were central to the efforts invested by the *Technocentre*. Its advocacy vis-à-vis the Government of Quebec allowed it to influence the content of the government order setting the framework for Hydro-Québec's calls for tenders concerning the installation of 1,000 megawatts of wind energy in the designated region (Gaspésie—Îles-de-la-Madeleine and Matane Regional County Municipality). This represents investment of some \$1.5 billion for a period running from 2006 to 2012.

Gathering and disseminating information vis-à-vis its members is part of the organization's rationale. The *Technocentre*'s activities are funded on an equal-share basis by the Agency and the Government of Quebec. The organization is currently working intensively on setting up an R&D center in the region, as this was identified as a necessary element for industrial development. In the context of trade globalization, knowledge is a fundamental factor in an industry's success and competitiveness.

We invite you to consult the *Technocentre éolien Gaspésie-Les Îles* Web site at <http://www.eolien.qc.ca/>.

### 2.5.3 Agency performance with respect to *Development and renewal of community infrastructure* (Infrastructure Canada Program)

#### LOGIC MODEL FOR STRATEGIC OUTCOME #3



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 Government of Quebec for its implementation (Canada-Quebec Infrastructure Agreement). The Agency was given the special mandate to manage this program in Quebec.

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

The ICP 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 intervention 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 Government of Quebec. Projects approved by the Agency also receive financial assistance from the Government of Quebec and the applicants concerned.

As illustrated in the logic model on the previous page, financial assistance provided under the program should contribute, in the short term, to upgrading community infrastructure and Quebec's highway network, developing new technology and enhancing 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 ICP are summarized in the following table.

<b>SO #3: FACILITATE DEVELOPMENT AND RENEWAL OF COMMUNITY INFRASTRUCTURE</b> (Infrastructure Canada Program - Quebec Region)	
Total planned funding for the initiative in Quebec (irrespective of funding source)	<i>\$1,5 billion</i>
Total planned federal funding for the initiative in Quebec <sup>1</sup> (total cost, irrespective of funding source)	<i>\$515.5 million</i>
Number of projects approved from start of program to March 31, 2004	867
Component 1: Drinking water and wastewater infrastructure	399
Component 2: Local transportation infrastructure	351
Component 3: Projects with urban or regional economic impact	117
Federal contribution approved from start of program to March 31, 2004	<i>\$463 million</i>
Total federal expenditures from start of program to March 31, 2004 <sup>2</sup>	<i>\$125.4 million</i>
Notes: 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, 2004 will generate the following benefits:

- 484,408 households have or will have access to a municipal water supply providing better quality drinking water
- 5,942 households will have access to an effective municipal wastewater collection and treatment system
- 260 communities will benefit from the establishment or upgrading of transportation infrastructure
- 79 communities will benefit from the establishment or upgrading of sports, recreational or cultural facilities
- 954 permanent jobs will be created directly by the projects.

The program evaluation reports that will be forthcoming over the next few years will provide more information on the results achieved through the funding of infrastructure projects. In this way, they will help gauge more accurately the attainment of planned results and associated commitments under the program.





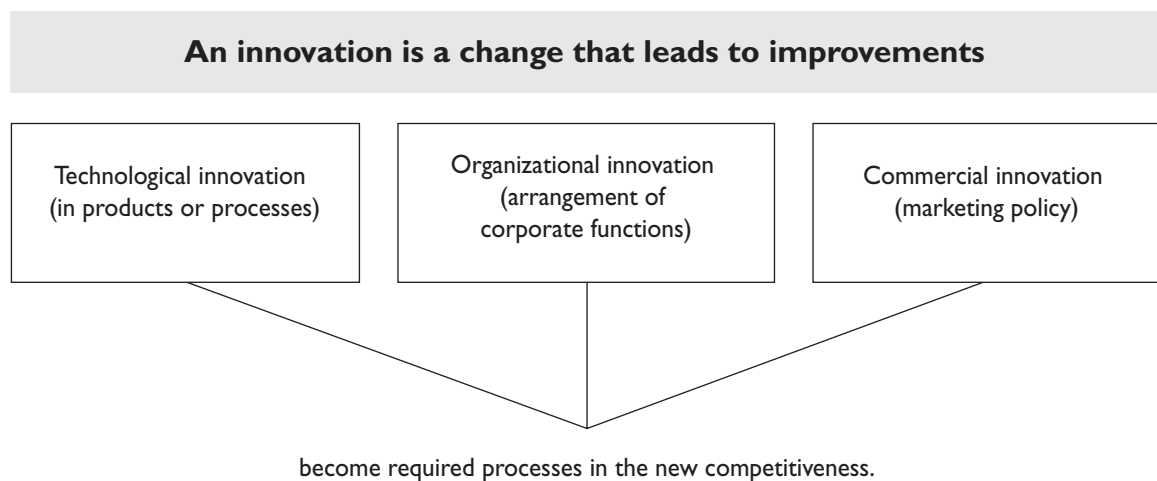
## Section 3

# THE AGENCY'S PERFORMANCE WITH RESPECT TO ITS INTERVENTION PRIORITIES

This section presents the results observed with respect to the Agency's activities in regard to its two intervention priorities, namely, innovation and knowledge economy, and economic adjustment of regions experiencing difficulty adapting. These are not new interventions carried out in addition to those performed in the context of strategic outcomes or new information on results. Rather, they represent a different way of presenting the Agency's intervention and its results on the basis of either of its key intervention priorities.

### 3.1 Innovation and knowledge economy

The IDEA-SME and RSI programs have been contributing for close to a decade to enterprises' technological, commercial or organizational innovation projects and to the different projects aimed at stimulating innovation by the different economic development agents in the regions of Quebec.



Source: *Management framework for IDEA-SME and RSI programming*, p. 17.

In June 2001, the Treasury Board of Canada Secretariat approved the transfer to the Agency, over a four-year period, of \$177.2 million from the balance of the Canada Jobs Fund (CJF). These additional funds are to enable the Agency to intensify its intervention in innovation and knowledge economy, with a special effort in the regions experiencing difficulty adjusting to the new economic context.

The Agency's intervention in innovation and knowledge economy target simultaneously two of its strategic outcomes, namely, *Enterprise development* and *Improvement of the environment for economic development of the regions*. Thus, with the assistance of its network of collaborators, the Agency:

- encourages enhancement of research
- supports the implementation of pre-startup and startup projects by technological enterprises
- fosters the adoption of advanced business practices, in e-business and other areas
- facilitates enterprises' access to technology transfer services and development and commercialization of new products
- supports an increase in R&D activities which lead to improvement in and marketing of products and processes.

The Agency has implemented a regional intervention strategy (RIS) in each region of Quebec. These strategies build among other things on innovation in a manner geared to the specific context of each region, notably supporting the development of niches of excellence. RISs are developed based on a process of consultation, joint action and mobilization of regional economic agents. By intervening in this way, the Agency helps the regions meet the challenges of *Canada's Innovation Strategy*, which targets among other things the formation of industrial clusters that are competitive on an international level and the reinforcement of communities' performance in terms of innovation.

Through its targeted intervention in this area, the Agency also aims to respond to one of the Government of Canada's main concerns with respect to innovation and SMEs, in close co-operation, region by region, with the network of technological advisors from the National Research Council Canada, in complementarity with its Industrial Research Assistance Program (IRAP).

The impact of the Agency's intervention to promote innovation is primarily felt by SMEs in cities located in the main metropolitan areas of Quebec and in urban centres located in outlying regions.

For their part, the Agency's initiatives targeting the development and economic enhancement of research help Quebec's main university cities in particular to entrench themselves more firmly in the knowledge economy in the network of large North American cities.

### 3.1.1 Main outputs in innovation and knowledge economy

In 2003-2004, the Agency approved 585 new contribution agreements in innovation and knowledge economy for total financial assistance of \$113.5 million. The following table provides further detail on Agency intervention in innovation and knowledge economy in 2003-2004 by strategic outcome.

INNOVATION AND KNOWLEDGE ECONOMY		
New contribution agreements by strategic outcome	Number of new agreements	Financial assistance approved (in millions of \$)
SO #1 <i>Enterprise development</i>	512 (87.5%)	73.4 (65%)
SO #2 <i>Improvement of the environment for economic development of the regions of Quebec</i>	73 (12.5%)	40.1 (35%)
Total	585 (100%)	113.5 (100%)

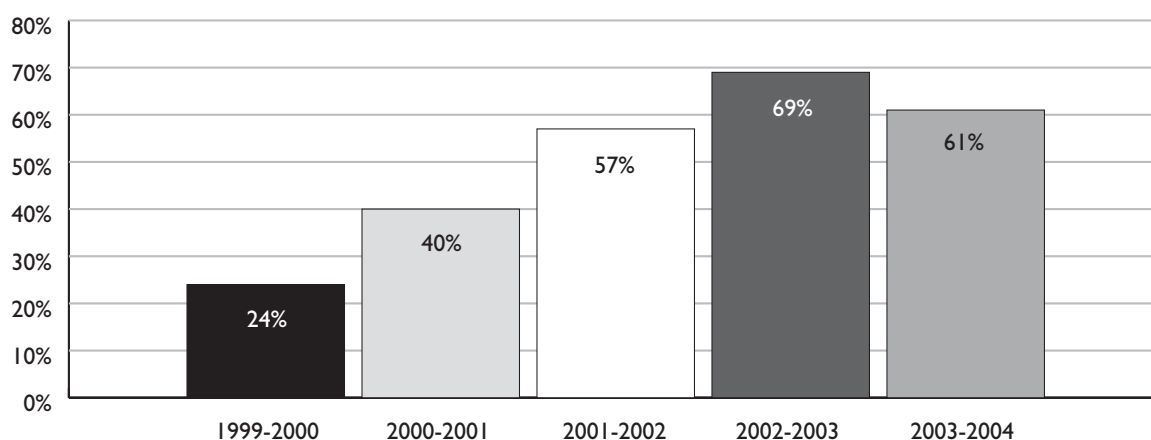
The Agency intervenes further under *Enterprise development* with respect to innovation and the knowledge economy. In this regard, 87.5% of new contribution agreements were approved under that strategic outcome, as well as 65% of financial assistance. Close to two-thirds of new contribution agreements in innovation (n = 306) and more than half the financial assistance approved (\$177.6 million) is aimed at fostering enterprises' productivity as well as commercialization of innovation.

The average amount of financial assistance approved with respect to the second strategic outcome is higher than for the first. The average contribution provided with respect to the first strategic outcome is more than \$143,000, whereas for the second strategic outcome it is more than \$549,000. This difference may be explained by the scope and scale of the projects funded with respect to the second strategic outcome. In fact, the Agency notably provides financial assistance to research centres in high technology fields so that the product of their research can be disseminated to Quebec enterprises in the different regions of the province and these enterprises can grasp business opportunities. For instance, in 2003-2004, the Agency funded the National Optics Institute in Québec City, an organization which conducts applied research in the optics-photonics field with a view to the transfer of business applications to enterprises. The Agency also reached a contribution agreement with the *Université du Québec en Outaouais* for establishment of the NRC's Language Technologies Research Centre.

The total amount of financial assistance provided for innovation projects rose by 3.7% (\$109.4 million in 2002-2003; \$113.5 million in 2003-2004). The number of innovation projects also rose, up 47 % in 2003-2004 over 2002-2003 (397 projects in 2002-2003; 585 projects in 2003-2004). Many of these new projects consist in productivity enhancement diagnoses.

The following graph presents the relative share of financial assistance approved over the past five fiscal years for new contribution agreements in the innovation and knowledge economy field under the IDEA-SME (including CATIP program innovation projects) and RSI program, the latter including \$3 million in 2003-2004 transferred to the NRC for the IRAP.

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



Over the past five years, the relative share of financial assistance provided by the Agency for innovation projects rose substantially, climbing from 24% of total financial assistance in 1999-2000 to 40% in 2000-2001, 57% in 2001-2002 and 69% in 2002-2003, before flagging slightly to 61% in 2003-2004. The trend observed over the past five years shows that the Agency has significantly intensified its intervention with respect to innovation, which is one of its intervention priorities.

### **3.1.2 Main results in innovation and knowledge economy**

The total value of the 872 projects in progress in 2003-2004 in innovation and knowledge economy reached \$1.2 billion, including investment from other funding providers. The Agency's actual expenditures this fiscal year amounted to \$86.7 million, while total expenditures incurred as of March 31, 2004 for projects in progress stood at \$166.2 million.

**A- Results observed in innovation and knowledge economy with respect to the first strategic outcome.**

<b>INNOVATION AND KNOWLEDGE ECONOMY</b> <b>ENTERPRISE DEVELOPMENT</b> Main results observed as of March 31, 2004	
<b>Number of projects in progress in 2003-2004</b>	<b>740</b>
<b>Indicator of promotion of innovation and the knowledge economy</b> <ul style="list-style-type: none"> <li>■ Total value of projects in progress in 2003-2004 (total cost, irrespective of funding source)</li> </ul>	<i>\$629.2 million</i>
<b>Agency's financial commitment</b> <ul style="list-style-type: none"> <li>■ Total value of financial assistance approved</li> </ul>	<i>\$155.5 million</i>
<b>Expenditures made to generate the results shown in this table</b> <ul style="list-style-type: none"> <li>■ Actual expenditures in 2003-2004 with respect to projects in progress</li> <li>■ Total expenditures incurred for projects in progress (including spending from previous years)</li> </ul>	<i>\$54.8 million</i> <i>\$101.1 million</i>

Business service agencies	Enterprises
Number of projects in progress <b>128</b>	Number of projects in progress <b>612</b>
<b>Indicators of the impact of services delivered to enterprises by agencies</b> <ul style="list-style-type: none"> <li>■ Enterprises in pre-startup (305), startup (35) or expansion (24) <b>364</b></li> <li>■ Enterprises having developed new products, processes or equipment <b>311</b></li> <li>■ Enterprises having carried out a diagnosis or action plan in innovation <b>842</b></li> <li>■ Enterprises having adopted new business practices <b>759</b></li> <li>■ Enterprises having commercialized a new or improved product <b>26</b></li> <li>■ Jobs created (534), jobs transformed (36) and jobs maintained (198) <b>768</b></li> </ul>	<b>Indicators of main results in innovation as stated by respondent enterprises (n = 207)</b> <ul style="list-style-type: none"> <li>■ Percentage of SMEs having reduced their production costs <b>32%</b></li> <li>■ Percentage of SMEs having commercialized new products or services <b>22%</b></li> <li>■ Percentage of SMEs having improved their business processes <b>20%</b></li> <li>■ Jobs created (965), jobs transformed (1,160) and jobs maintained (1,903) <b>4,028</b></li> </ul>
<b>Expenditures made to generate the results shown in this table</b> <ul style="list-style-type: none"> <li>■ Actual expenditures in 2003-2004 with respect to projects in progress <b><i>\$18.7 million</i></b></li> <li>■ Total expenditures incurred for projects in progress (including spending from previous years) <b><i>\$41.9 million</i></b></li> </ul>	<b>Expenditures made to generate the results shown in this table</b> <ul style="list-style-type: none"> <li>■ Actual expenditures in 2003-2004 with respect to projects in progress <b><i>\$36.1 million</i></b></li> <li>■ Total expenditures incurred for projects in progress (including spending from previous years) <b><i>\$59.2 million</i></b></li> </ul>

### Business service agencies

In 2003-2004, 128 projects of business service agencies were in the process of implementation. Actual expenditures under these projects more than \$18 million, while total expenditures incurred with respect to the results presented in the table on the previous page were \$41.9 million.

Agency-funded business service agencies contributed to the pre-startup, startup and expansion of 364 enterprises. They also contributed to the adoption, by 759 enterprises, of advanced business practices, and the completion by 842 enterprises of diagnoses or action plans with respect to innovation. In addition, business service agencies led to the creation and maintenance of more than 732 jobs within the enterprises served. The following boxes present case studies of agencies offering innovation services to enterprises in different regions of Quebec.

#### CENTRE DE HAUTE TECHNOLOGIE SAGUENAY — LAC-SAINT-JEAN

In 2002, in the wake of studies demonstrating the technological gap posted by Saguenay—Lac-Saint-Jean enterprises in innovation, and building on the support of all its partners, the *Centre de haute technologie* revised its mandate to bring it more closely in line with the region's strategic focus.

The *Centre de haute technologie de Jonquière* thus became the *Centre de haute technologie Saguenay—Lac-Saint-Jean* (CHT), an organization which now intends to devote itself fully to innovation to support the region's SMEs. The region's CHT thus became a linchpin for transforming the Saguenay—Lac-Saint-Jean into an innovative region.

Since 2002, the numerous activities organized by the *Centre de haute technologie* (more than 900 participants) have contributed to modernization and technology transfer within the region's enterprises. The poll conducted on ten or so SMEs as part of this case study confirms that the CHT is attaining its objectives, which are to promote R&D within enterprises, enrich entrepreneurs' technological information, increase the use of leading-edge technology and raise the level of innovation by SMEs in the region.

Source: Johnson & Roy. *Case study*, le Centre de haute technologie Saguenay—Lac-Saint-Jean, April 13, 2004

Stemming from a regional awareness of the importance of integrating biotechnology in the region's key industries and from a regional process of strategic reflection led by Canada Economic Development's Montérégie business office in 1996, BIOAGRAL was established in 1997. This new organization's mission was to foster and promote technology development and commercialization of products and services from Quebec agrifood bio-industries. Its mandate to support development of the regional innovation system included the following objectives:

- create a business climate conducive to harmonious development of the agrifood bio-industry in Quebec
- promote the application of biotechnology in the conventional agrifood industry
- foster synergy among the various stakeholders in the agrifood bio-industry.

First, BIOAGRAL's action generated a substantial number of visible, tangible achievements. Among these are the following activities:

- organization, establishment and organizing partner of the international Bio-Agro Contact conference-shows from 1998 to 2000, the Agribionet network, the *Rendez-vous de l'industrie des biotechnologies agroalimentaires* (RIBA) and InnoVeT 2004
- seminars on startup of bio-agrifood enterprises.

Second, BIOAGRAL's diffuse or intangible achievements. Often fundamental despite their intangible nature, these achievements are characteristic of the difficult, ambiguous role that has to be played by organizations involved in mobilization and growth-generation in order to energize stakeholders from a region or industry in favour of innovation. While it is difficult to establish accurately the direct and indirect impact of its intervention, an *ex post facto* objective observation of the evolution of the regional innovation system since 1997 in the Montérégie provides evidence that the organization has had a certain ripple effect on:

- stakeholders' awareness of the need to acquire the means and infrastructure required to generate knowledge on the one hand, and to have it disseminated to enterprises on the other hand
- implementation of many projects concerning physical infrastructure for research and technology transfer precisely with a view to supporting regional and sectoral innovation activities in agrifood biotechnology.

A restructuring of the organization was initiated at the Agency's request in February 2003 with a view to enhancing BIOAGRAL's complementarity with *BioQuébec*, whose mandate concerns the biotechnology sector as a whole, and for which the Agency is also a funding provider. This restructuring aims for a renewal of BIOAGRAL's mandate, objectives and services in order to respond more closely to the needs and priorities dictated by its member enterprises.

Source: E&B Data. *A strategic role essential to innovation in Quebec's bio-agrifood sector, Case study*, March 25, 2004

## Enterprises

The Agency spent \$36.1 million on innovation in the context of 612 corporate projects in the process of implementation in 2003-2004. Total expenditures incurred through these projects stood at \$59.2 million.

Among enterprises responding to the yearly survey whose projects were in innovation, 32% stated that the main result obtained following completion of their project was a reduction in their production costs. A further 22% of these enterprises said the main result obtained was to have commercialized new products or services, and 20% indicated that the project had contributed to enhancing their business processes.

In 2003-2004, in response to a requirement from the Treasury Board of Canada Secretariat, the Agency conducted an assessment of its intervention in innovation and the knowledge economy over a period from 1998 to 2003. The following box presents the main results observed vis-à-vis enterprises through this assessment.



## EVALUATION OF CANADA ECONOMIC DEVELOPMENT'S INTERVENTION IN INNOVATION AND KNOWLEDGE ECONOMY FROM 1998 TO 2003

### Main medium-term results vis-à-vis enterprises

Enterprise development is one of the two strategic outcomes of the Agency's core mandate. In the context of the evaluation, a survey conducted on enterprises having received a financial contribution from the Agency during the period 1998-2003 shows that overall the Agency's intervention has had many positive results for enterprises, notably in terms of enhanced competitiveness, profitability and commercialization. The impact measured since the transfer of the balance of the Canada Job Fund—a shorter reference period, 2002-2003—more especially concerns lower operating costs and reduced

environmental impact. There are differences between the two periods. This may notably be attributable to the fact that a large number of productivity-related projects were carried out during 2002-2003 whose short-term objectives were more related to bringing down operating costs and to a reduction in projects to commercialize innovation. The following table presents the results of the survey for the two periods concerned, the period preceding the award of additional funding to promote innovation and the knowledge economy (1998-2002), and the period since the granting of CJF credits (2002-2003).

Medium-term results – Respondents' perception	1998-2002 (Percentage)	2002-2003 (Percentage)
■ Enterprise's position enhanced vis-à-vis its competition	75	79
■ Faster commercialization of the product or service	63	57
■ Increased sales outside Canada	55	45 <sup>1</sup>
■ Increased sales outside Quebec	41	44
■ Increased profitability	51	59
■ Lower operating costs	16	42 <sup>1</sup>
■ Reduced environmental impact	9	19 <sup>1</sup>
Projects completed (N)	183	169

Source: Réseau Circum. *Survey on enterprises*, March 2004.

Note:

1 Statistically significant difference to a level of confidence of 95% or more.

Moreover, three quarters (75%) of the enterprises stated that they had increased their domestic and export sales. For those enterprises, this represents an average of some \$700,000 in additional sales made during the 12 months preceding the survey. It is important to mention that 57% of these enterprises were not exporting prior to completion of the Agency-supported project.

These new exporting enterprises are most promising in terms of their potential impact on job creation in the medium term.

The Agency's intervention in innovation and knowledge economy does not necessarily lead to job creation, at least in the short term. In fact, some of the Agency's interventions in productivity improvement

*Continued from previous page*

projects, for instance, contribute more to maintaining or transforming jobs than to creating new jobs. Thus, 67% of enterprises stated that the financial assistance from the Agency helped maintain existing jobs, that is, jobs that would have been abolished without this financial assistance. This represents 1,785 jobs maintained, more than half (55%) of them for projects accepted between April 2002 and June 2003.

In the case of job creation, 61% of enterprises state that the financial assistance from the Agency contributed to the direct creation of new jobs, that is, additional jobs that did not previously exist. Thus, 1,405 jobs were created, more than one third (35%) of them during 2002-2003.

Some of the Agency's interventions also had an impact on the nature of existing jobs. Thus, 28% of enterprises stated that Agency assistance contributed to the transformation of existing jobs, that is, jobs whose tasks were modified. Some 520 jobs were transformed, more than two thirds (68%) of them for 2002-2003.

Overall, without financial support from the Agency, more than half (55%) of the projects would not have been completed during the period. Among projects which could have been carried out, it is observed that the Agency's financial contribution nevertheless had acceleration and increased effects on the projects. The following table presents more information on the incentive character of the Agency's financial assistance with respect to innovation projects.

Incentive character of financial assistance – Respondents' perception	Total (Percentage)
■ Would not have been carried out without financial assistance from the Agency (completion effect)	55
■ The project could have been carried out, but... <sup>1</sup>	
■ would have been launched considerably later (acceleration effect)	47
■ would have been carried out over a longer period (acceleration effect)	43
■ would have been carried out on a smaller scale (increased-scale effect)	27
■ would not have received support from other financial partners	6

Source: Réseau Circum. *Survey on enterprises*, March 2004; N = 404

Note:

1 More than one answer possible to this question.

**B- Results observed in innovation and knowledge economy with respect to the second strategic outcome**

<b>INNOVATION AND KNOWLEDGE ECONOMY</b> <b>IMPROVEMENT OF THE ENVIRONMENT FOR ECONOMIC DEVELOPMENT</b> Main results observed as of March 31, 2004	
<b>Number of projects in progress in 2003-2004</b>	<b>132</b>
<b>Indicator of promotion of innovation and knowledge economy</b> ■ Total value of projects in progress in 2003-2004 (total cost, irrespective of funding source)	\$591.5 million
<b>Financial commitment from the Agency</b> ■ Total value of financial assistance approved	\$137.2 million
<b>Expenditures made to generate the results shown in this table</b> ■ Actual expenditures in 2003-2004 with regard to projects in progress ■ Total expenditures incurred for projects in progress (including spending from previous years)	\$31.9 million  \$65.1 million

The total value of the 132 projects in progress in 2003-2004 with respect to *Improvement of the environment for economic development of the regions* was close to \$600 million, including investment from other funding providers. The Agency's actual expenditures this fiscal year amounted to \$31.9 million. As to total expenditures incurred as of March 31, 2004 to achieve the results presented in this report associated with projects in progress in 2003-2004, the Agency spent more than \$65.1 million.

The regional innovation system is not the product of a deliberate strategy on the part of economic agents. Rather, it stems from the slow adjustment of enterprises and institutions to the new economic and social realities. Over time, the various system components were added and their relationships defined.

Source: Luc Desaulniers, Khalid El-Mellahi. *Case study, Bas-Saint-Laurent Region*, April 2004

In some regions of Quebec, the Agency intervenes to consolidate or facilitate the implementation of the regional innovation system. A regional innovation system has four dimensions:

- development of knowledge carried out by research organizations for scientific production and applied research
- development of competencies carried out by post-secondary educational institutions and competency development organizations
- liaison and transfer implemented by organizations involved in disseminating knowledge with an essential role of facilitation of the local milieu
- financing by organizations giving access to venture capital.

The following two case studies show the role played by the Agency in setting up regional innovation systems, along with the results attained.

The Saguenay—Lac-Saint-Jean region initiated some 20 years ago a process whereby the region progressively acquired research and technology transfer centres as well as business service agencies that were catalysts for innovation. These elements today form the regional innovation system built around a central core comprising the research and training activities of the *Université du Québec à Chicoutimi*.

The range of intervention by Canada Economic Development's Saguenay—Lac-Saint-Jean business office over the past ten years has enabled it to act and invest in all stages of the continuum of innovation, from strategic planning to the attribution of financial assistance to enterprises. Thus, the Agency's business office has intervened over the past few years:

- with respect to strategic planning activities
- by investing regularly, substantially and lastingly where the market is absent or hesitant to invest (lack of market or excessively high risk) and in partnership/conjunction with the other public players to support strategic investment
- in research infrastructure
- in transfer, linkage and exchange activities
- in enterprises for projects aimed at commercialization or integration of new technology or processes stemming from innovation activities.

All the stakeholders questioned also consider that the Agency business office's intervention with regard to the regional innovation system have generally proven to be powerful levers, in both strategic and financial terms.

While the Saguenay—Lac-Saint-Jean regional innovation system has a few years of development ahead before it reaches its full cruising speed, many stakeholders have observed over the past five years an acceleration in the growth of activities surrounding it, as well as growing interest from enterprises in activities specific to innovation.

Source: E&B Data. *The regional innovation system, Saguenay—Lac-Saint-Jean Region, Case study*, June 7, 2004.

In the Bas-Saint-Laurent, the transition to the knowledge economy coincides with a profound social and economic transformation: demographic decline, exhaustion of natural resources, mechanization of resource-harvesting operations, downward pressure on raw material prices, enterprises' outdated technology, etc.

For the region, the challenge is a major one. It lies in the capability of enterprises and community economic levers to ensure a rapid transition to a knowledge-based, diversified economy capable of enhancing the region's natural, human and technological resources.

But the Bas-Saint-Laurent is favoured by its geographical location, which has enabled it to build on the development of the marine sector. Around this comparative advantage, the region has successfully built the largest science and technology cluster outside Montreal and Québec City, bringing together more than 600 researchers and technicians who contribute to its worldwide reputation.

The intervention in innovation by Canada Economic Development's Bas-Saint-Laurent business office has played a decisive role in guiding regional enterprises in their technological development and fostering the establishment of infrastructure associated with the knowledge economy. More specifically, the Agency's Bas-Saint-Laurent business office has fostered the construction, expansion or modernization of the means of production of enterprises and organizations deemed strategic for the development of the region. Moreover, the Bas-Saint-Laurent business office maintains numerous strategic partnerships with departments, institutions and innovation support organizations.

Nevertheless, while the Bas-Saint-Laurent is currently living through an interesting period in its development, the innovation system it has built remains fragile. Most organizations facilitating this system are young and surviving on public funds. This is also the case with a large number of technological startups which have not yet entered their commercialization phase. The next few years will be crucial for these organizations and SMEs to establish a lasting presence.

Source: Luc Desaulniers, Khalid El-Mellahi. *Case study, Bas-Saint-Laurent Region*, April 2004

Case studies on regional innovation systems have enabled the Agency to observe that they need at least two elements to exist. First, a number of components necessary for the system have already to be present in the region. It seems that these components are set up gradually—first a university, then a research centre, and so on. Not only do these essential components for such a system have to exist, they also have to interact for the system to be dynamic. Finally, these systems have to be open to the outside world so as to remain at the leading edge of knowledge and technology.

Projects of managers of assets with community spinoffs, such as those targeting the establishment and operation of research centres or laboratories, take part in setting up the components necessary for regional innovation systems to run smoothly. The following two case studies show the results achieved in the context of projects of managers of assets with community spinoffs supported by the Agency.

An autonomous non-profit corporation, Maritime Innovation places R&D, technological watch, technical assistance and documentation services at the disposal of industry. These services are offered in several areas of expertise, including navigation, marine mechanics, shipbuilding, professional diving and underwater work.

The establishment of Maritime Innovation arose largely from the involvement and dynamism of the different players in the Bas-Saint-Laurent. Many of them played essential roles in implementing the project. Notable in this regard were the will and involvement of staff of the *Institut maritime du Québec*, and the support and backing of financial partners, in particular Canada Economic Development's Bas-Saint-Laurent business office.

In all, the Agency's Bas-Saint-Laurent business office provided close to \$1 million to Maritime Innovation. Aside from its financial contribution, it also offered significant specialized guidance to Maritime Innovation that took the tangible form of constant support, in every phase of project implementation.

Building on a partnership and networking approach, Maritime Innovation has succeeded in less than three years in carving itself out a prime position in the world of applied research. To date, its employees have worked on 100 or so projects. In addition, Maritime Innovation has provided training services and participated in numerous activities to disseminate knowledge (publications, conferences), thus contributing to the enrichment of marine sector expertise and, more generally, to the knowledge economy.

While it was established relatively recently, it is already acknowledged as having made a significant contribution to energizing the marine sector in Bas-Saint-Laurent. Among Maritime Innovation's main clients are more than 30 organizations in the public, parapublic and private sectors. Testimony gathered for this case study is unanimous: the establishment of Maritime Innovation was timely and fulfilled a significant need in the applied research arena.

Source: ÉVALUATION. *The case of Maritime Innovation*, March 2004

A product of the Canadian Aluminum Industry Technological Roadmap, announced officially in October 2000 and in operation since 2002 on the campus of the *Université du Québec à Chicoutimi*, the Aluminum Technology Centre was set up by the NRC with the mandate to bring to the aluminum industry the expertise and technical support required to develop value-added aluminum-based products. The Aluminum Technology Centre's strategic objectives include:

- helping enterprises to manage, adopt and develop new manufacturing technologies in the aluminum sector
- establishing links to facilitate dissemination of scientific and technical information and commercialization of technology in that sector.

Canada Economic Development's Saguenay—Lac-Saint-Jean business office team played a fundamental role from the gestation of the idea to the concrete deployment of the Aluminum Technology Centre on-site.

Less than two years after the Aluminum Technology Centre began operating, its achievements may be observed to have already elicited the interest of aluminum sector manufacturing enterprises both in Saguenay—Lac-Saint-Jean and provincially and nationally. With respect to the R&D activities carried out in partnership with industry and particularly with SMEs in the region, the Aluminum Technology Centre already has three formal co-operation agreements, two of them with three Saguenay—Lac-Saint-Jean region enterprises in the field of secondary and tertiary aluminum processing.

Source: E&B Data. *Aluminum Technology Centre, Case study*, May 28, 2004

### 3.2 Agency intervention targeting economic adjustment of regions in difficulty

The economy of the regions far from large cities (Gaspésie—Îles-de-la-Madeleine, Bas-Saint-Laurent, Abitibi-Témiscamingue, Saguenay—Lac-Saint-Jean, Côte-Nord and Nord-du-Québec) is based primarily on the harnessing of natural resources: forestry and wood products, mines and aluminum smelters, fishing and processing of fish products, generation and transmission of electricity, and so on. Many communities depend on a single main employer or a dominant industry. These regions have to contend with a shrinking population (-4% from 1996 to 2001) as a result of the low birth rate, the exodus of young people and the decline in resource sector employment, the consequence notably of productivity gains, technological progress, fiercer international competition and declining resources. These remote regions experience difficulty adjusting to the new globalized economy that is increasingly knowledge-oriented, and they all

post higher unemployment rates and lower income levels than the Quebec average. They are faced with major challenges of economic diversification owing to their distance from markets, variable access to major transportation and communication networks, and the difficulty of hiring an educated labour force.

One of the main challenges of the remote regions is to develop activities with greater added value, particularly in the natural resource sectors, building on their university and research centres, which are their gateway to the knowledge economy. In the Saguenay metropolitan area and the major centres of Rimouski and Rouyn-Noranda, for instance, the specialized expertise of such centres, notably in aluminum processing, boreal forest, marine sciences or mining, enables them to invest their knowledge in niches of excellence that will generate development.

The Agency pays special attention to regions and communities struggling with adjustment difficulties. These regions benefit much less than others from the fruit of the 21st-Century economy. They post the highest jobless rates in Quebec and, in some communities, among the highest unemployment rates in Canada. A number of them are shaken by crises (plant closings, rarer natural resources) which jeopardize their economic viability. The Agency's rationale and mandate point to the need for it to pay special attention to these regions where job opportunities are inadequate.

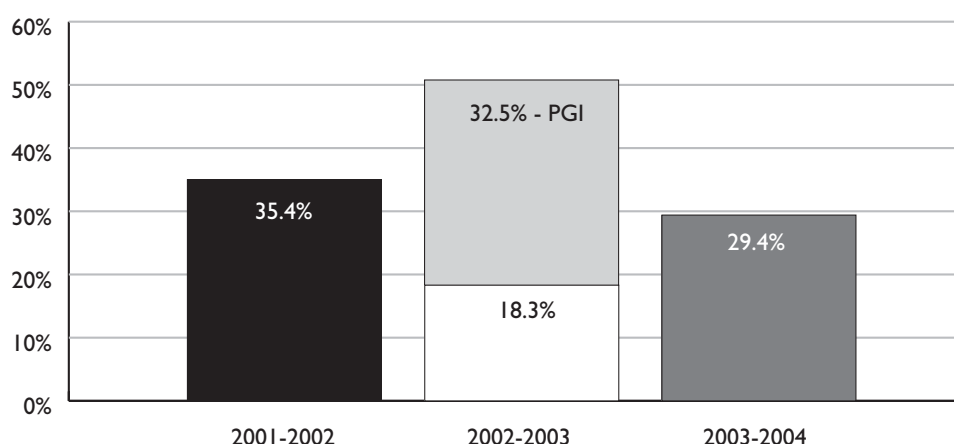
With respect to the *Enterprise development* and *Improvement of the environment for economic development of the regions* strategic outcomes, this priority affects each activity associated with the Agency's core mandate, including the field of innovation and the knowledge economy. This priority also translates into the application of three special initiatives: the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy, the Adjustment Measures for Quebec Fishing Communities (an initiative under the RSI program) and the Softwood Industry and Community Economic Adjustment Initiative. These initiatives target the revitalization and diversification of the economy of these communities, which are experiencing major adjustment difficulties, by building in particular on the promotion of local entrepreneurship and job creation.



### 3.2.1 Main Agency outputs with respect to economic adjustment of regions in difficulty

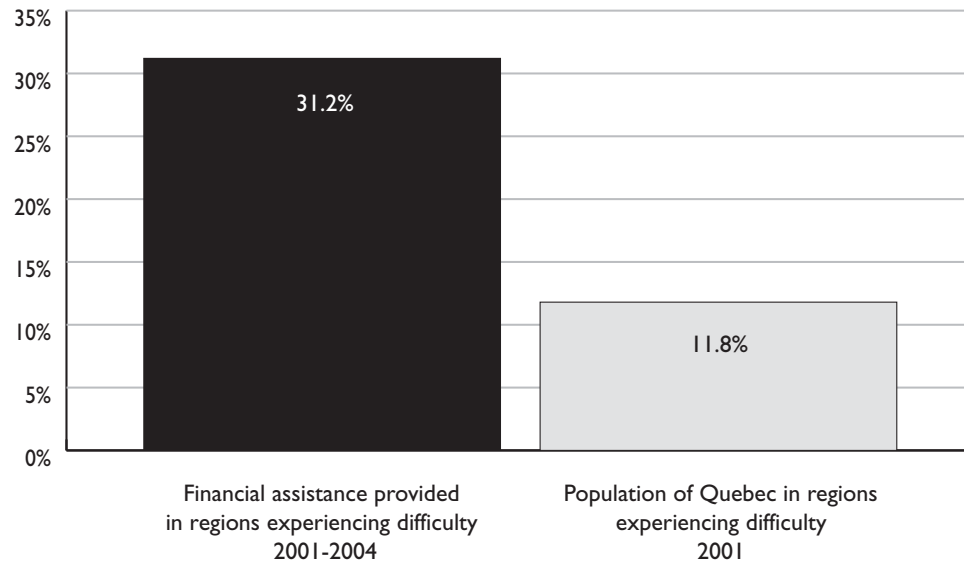
In 2001-2002, 35.4% of the financial assistance approved was allocated for intervention in those regions, compared with 50.8% in 2002-2003 and 29.4% in 2003-2004, including financial assistance approved in 2003-2004 under the Softwood Industry and Community Economic Adjustment Initiative. The substantial increase in 2002-2003 is attributable to the contribution (\$80 million) for completion of the *Papiers Gaspésia inc* project. Excluding this exceptional case, the proportion of Agency interventions in regions experiencing adjustment difficulties stood at 18.3% in 2002-2003, for total financial assistance approved of \$45.1 million. In 2003-2004, the Agency invested \$65.6 million, or 29.4% of its total financial assistance, in these regions, which are home to 11.8% of the Quebec population. The following graph presents the Agency's intervention in regions far from large cities over the past three fiscal years, isolating the participation in the *Papiers Gaspésia inc* project in 2002-2003 (32.5%).

Financial assistance approved in regions experiencing adjustment difficulties over the past three fiscal years



Over the past three years, the relative share of financial assistance provided in these regions was greater than their relative demographic weight within Quebec. This observation confirms the special attention paid by the Agency to the economic adjustment of regions in difficulty. The graph on the following page presents this observation in terms of financial assistance approved in those regions and in terms of demographic weight. For purposes of analysis, the major *Papiers Gaspésia inc* project was excluded in 2002-2003 and the total amount of financial assistance approved under the Softwood Industry and Community Economic Adjustment Initiative was added.

Relative share of financial assistance provided in regions  
experiencing adjustment difficulties from 2001 to 2004  
by their demographic weight in Quebec



The Agency, which administers the Softwood Industry and Community Economic Adjustment Initiative on behalf of Industry Canada, signed 185 new contribution agreements for total financial assistance of more than \$21.3 million. Many of these projects (68.6%), approved in the six regions experiencing economic adjustment difficulties, represent investment of more than \$15 million. These amounts, added to the \$50.4 million invested by the Agency under its programming associated with its core mandate, will contribute, in the short and medium term, to:

- increased use of new technology
- diversification of the economies of communities dependent on softwood lumber
- enhanced viability and autonomy for the communities
- development of community action plans
- development of local leadership with regard to development.

## Section 4

# GOVERNMENT-WIDE INITIATIVES

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In order to fulfil its mandate more effectively and, above all, to offer its programs and services to development agents in an effective manner, the Agency incorporates into its day-to-day management several government-wide initiatives. These are notably part of the Government of Canada's management framework: *Results for Canadians*.

### 4.1 Modern Comptrollership

The Government of Canada's Modern Comptrollership initiative was implemented at Canada Economic Development under the title of *Modernization of Management Practices*.

The Agency formally committed to implementation of this modernization initiative in March 2002. This commitment then 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 2003-2004, the Agency developed an action plan for implementing the main recommendations of the assessment of its situation with regard to modern management practices. This action plan highlighted four management practices which the Agency identified as action priorities and a starting point for modernization of its management practices as well as opportunities for continuous improvement which are considered and worked on in the Agency's day-to-day activities.

The goal of this action plan is:

- modernization of the organization's planning process
- integration of risk into the processes governing management of contributions
- integrated financial and operational information combined with management tools for using that information
- more pro-active human resources management based on a Values and Ethics Code espoused by all employees.

The committees set up to implement each of the priorities began work during the second half of 2003-2004, and their work evolved at different speeds. The table on the following page presents, for each priority, the results of the work carried out during 2003-2004.

Modernization of the planning process	Risk management and streamlining of processes
<ul style="list-style-type: none"> <li>■ In conjunction with the responsibility centres, the review of the Agency's strategic and operational planning process was initiated.</li> <li>■ By reinforcing the links among the directorates concerned, the integration of planning and performance evaluation activities has evolved considerably, leading among other things to an improvement in the Report on Plans and Priorities and the Performance Report.</li> <li>■ The links between the priorities set out in its RPP and project selection have been tightened.</li> <li>■ A mechanism for sharing and harmonizing business plans was set up to derive common priorities and areas of synergy, mutual assistance and complementarity.</li> </ul>	<ul style="list-style-type: none"> <li>■ The risks inherent in managing applications for financial assistance were identified and defined.</li> <li>■ Risk assessment grids have been developed, along with flowcharts incorporating the changes required by risk management.</li> <li>■ A proposal, modifying: <ul style="list-style-type: none"> <li>■ the processes associated with the different stages in evaluation of applications for assistance</li> <li>■ the management and follow-up of the resulting contribution agreements</li> </ul> was presented to and discussed with representatives of the Agency's different sectors.</li> <li>■ An action plan for implementation has been initiated.</li> </ul>
Management of information and management tools	Human resources management
<ul style="list-style-type: none"> <li>■ An information management framework, definition of the function, vision and planned results, a breakdown of contributions and responsibilities and the beginnings of a realistic action plan have been developed by a committee of directors general.</li> <li>■ A project respecting the principles of information management was developed. This will make it possible to review and optimize the information flow in decision-making processes associated with service delivery using the results-based management approach.</li> <li>■ The evolution of such technology as electronic document management, data storage and the Intranet will be influenced by the application of information management principles.</li> </ul>	<ul style="list-style-type: none"> <li>■ A human resources management framework was developed to foster integration of the Agency's human resources management with its management practices and processes and its organizational plans and priorities.</li> <li>■ During 2003-2004, work was carried out on: continuation of the classification modernization initiative, development of a learning strategy, competency management, implementation of a series of initiatives following up on the main findings of the 2002 survey of federal public servants, drawing up of an official languages accountability framework and raising of staff awareness of the Values and Ethics Code for the Public Service.</li> </ul>

In addition to the achievements presented in the table above, work was initiated on clarifying the roles and responsibilities of each sector in response to one of the opportunities for continuous improvement identified in the action plan.

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

## 4.2 Service Improvement Initiative and customer satisfaction

The quality of services is a constant concern of staff. Since 1997, 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. In 2002-2003, the Agency successfully performed the transition to the ISO 9001: 2000 standard, and still maintains its certification in this 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, as it makes it possible to reach the largest number of respondents. The survey questionnaire was developed from the common measurement tool used within the Government of Canada.

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.

Satisfaction levels of enterprise and organization clientele receiving financial assistance from the Agency in 2003-2004.

Key indicators	Satisfaction level <sup>1</sup>		
	2001-2002	2002-2003	2003-2004
■ Access to services	87.7%	90.9%	91.4%
■ Ability to meet clients' needs	87.3%	85.3%	88.6%
■ Fairness and impartiality of services	N/A <sup>2</sup>	91.4%	92.5%
■ Financial application assistance response time	86.0%	75.5%	78.2%
■ Claim response time	82.0%	81.0%	84.6%
■ Clarity of administrative documents received	88.2%	85.2%	86.5%
■ Courtesy of staff	97.3%	97.6%	98.4%
■ Competence of staff	91.2%	93.0%	93.9%
■ Guidance through procedure	90.5%	89.9%	89.1%
Quality of service in general	92.0%	93.0%	94.5%

Notes:

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

2 N/A = not available

The table above shows a slight increase in satisfaction levels in 2003-2004 with regard to all aspects of service. Satisfaction with respect to financial assistance application response time rose by 3.6%, after falling in 2002-2003. Indeed, this aspect was the subject of special attention over the past year.

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, 65.2% of these clients plan to make a financial assistance application to the Agency over the coming year.

Since the Agency wishes to continue its service delivery improvement process, it introduced improvements in some of its business practices over the past year so as to increase the quality of its service delivery.

Thus, the Agency made checklists available to its clients to facilitate the preparation of the documents that have to be produced with financial assistance applications and claims.

In its concern to improve its services, the Agency also opened a service point in April 2003 in Chibougamau, in Northern Quebec. The target communities and promoters now have regular, in-person access to an Agency representative who can meet their needs.

### 4.3 Government On-line (GOL)

Through this initiative, the Agency contributes to the Government of Canada's goal of enhancing the effectiveness of its service delivery to individuals and enterprises.

In this perspective, the Agency has undertaken to:

- provide on-line information on all its programs and services in a regional perspective, meeting the real, evolving needs of its clientele and the development agencies that support them
- provide its clientele with personalized, value-added services
- include the Agency in the development of the vision for the Government of Canada's Business Gateway.



For further information, the reader is invited to consult the *Report on the Government On-line initiative at Canada Economic Development* on the Agency's Web site at [www.dec-ed.gc.ca/Complements/Publications/PublicationAgence-EN/GED\\_October-31-2003 .htm](http://www.dec-ed.gc.ca/Complements/Publications/PublicationAgence-EN/GED_October-31-2003.htm)

## 4.4 Sustainable Development Strategy (SDS)

The Agency achieved, and in many respects even exceeded, the overall commitments made in its 2000-2003 SDS. Between April 1, 2000 and December 31, 2003, the Agency contributed to funding 214 projects in line with the objectives of its SDS, for an amount of \$59.7 million. The total cost of these projects amounted to some \$259.2 million. The following table presents the main goals and objectives of the 2000-2003 SDS for external and internal targets along with recorded results as of December 31, 2003. The SDS commitments lie in a different timeframe from the RPP. As a result, the commitments mentioned in the 2003-2004 RPP refer to those of the 2000-2003 SDS which were to be carried out as of December 31, 2003.

<b>External targets</b>			
Goal: Play a strategic role in advancing understanding and acquisition of the principles of sustainable development within SMEs in the regions of Quebec and vis-à-vis the Agency's different private and public partners			
<b>Objectives for 2000-2003</b>	<b>Objectives</b>	<b>Results</b>	<b>Expenditures<sup>1</sup></b>
<b>Foster development of innovative products and services associated with the environment and sustainable development</b>			
▪ Technological feasibility and commercialization studies	20	41	\$7.6 million
▪ Technology demonstration platforms	2	6	\$4.4 million
▪ Development projects for eco-efficient products and processes	10	53	\$28.6 million
<b>Contribute to the completion of testing and experimentation projects for products, technologies, processes and methodologies associated with development and sustainable harvesting of natural resources</b>			
▪ Testing and experimentation projects	25	41	\$6.2 million
<b>Support the commercialization of environment industry products and services</b>			
▪ Commercialization projects	20	35	\$4.1 million
<b>Enhance SMEs' environmental performance</b>			
▪ Enviroclubs	5	6	
▪ Participation of manufacturing SMEs in implementation of pollution prevention and eco-efficiency projects	60	70	\$1.5 million

Note:

1 Amounts invested by the Agency to achieve the planned objectives.

<b>Internal targets</b>		
Goal: Make the SDS a tool for further integrating sustainable development concerns and foster ecologically efficient management of the Agency's day-to-day operations.		
<b>Objectives for 2000-2003</b>	<b>Objectives</b>	<b>Results</b>
<b>Continue in-house greening efforts</b> <ul style="list-style-type: none"> <li>■ Extend multi-product recycling program to the Agency's business offices</li> <li>■ Fit Agency vehicles with hybrid engines.</li> </ul>	31%  22%	Achieved  Achieved
<b>Raise in-house awareness and development of consensus-building and co-operation activities with Agency partners</b> <ul style="list-style-type: none"> <li>■ Sensitization of all personnel to sustainable development and the principles of pollution prevention and eco-efficiency</li> <li>■ Development of mechanisms for partnership and joint action with Government of Canada departments and agencies and regional and local organizations operating in the environment and sustainable development sectors.</li> </ul>	Qualitative objectives deemed to have been achieved	

#### 4.4.1 Long-term contribution of goals, objectives and targets to attainment of the Agency's strategic outcomes

The Agency's SDS ties in with the attainment of the first two strategic outcomes of the Agency's intervention framework, namely:

- enterprise development
- improvement of the environment for long-term economic development of the regions, through application of the principles of sustainable development.

Innovation through sustainable development and productivity through eco-efficiency in particular have become important assets for enterprises' competitiveness and for the long-term economic growth and prosperity of the regions. Pollution and waste often stem from inefficient use of raw materials and resources as well as revealing defects in product design or manufacturing processes. Changes to be made in enterprises to resolve these problems represent innovation opportunities which can not only have beneficial environmental spinoffs, but also lead to productivity gains and enhanced competitiveness.

The testing and experimentation projects contribute to the development of new products and services conducive to enhancement of natural resources and waste which can present commercialization potential. While these are high-risk projects, they contribute to the economic diversification of the regions while enhancing the management of natural resources and waste.



Commercialization projects respond to ad-hoc needs of the environmental industry or specific issues in the regions. These projects provide essential assistance for the environmental industry by contributing to an increase in sales of environmental products or technology.

Pollution prevention projects adopt an innovation approach and demonstrate that sustainable development prompts SMEs to make productivity gains and enhance their competitiveness. The Agency helps SMEs adopt pollution prevention practices in two ways. On the one hand, it puts Enviroclubs in place, in conjunction with Environment Canada and NRC-IRAP. These Enviroclubs constitute a formula that yields tangible results in establishing sound pollution prevention and environmental management practices within SMEs. On the other hand, the Agency contributes to the implementation of productivity projects involving eco-efficiency in SMEs. These projects generally aim to optimize the use of raw materials and reduce energy consumption, pollutant discharge and waste that are often harmful to the environment.

#### **4.4.2 Adjustments made in response to lessons learned**

##### **External targets**

The Agency has dropped the sub-objective of fostering the establishment of environmental management systems in SMEs as a new business practice associated with sustainable development (first objective). The attempts made to foster the establishment of environmental management systems in SMEs were not conclusive. Indeed, it emerges that it is not proven that this type of business practice is really appropriate and geared to SMEs. The Agency plans to focus instead on establishing Enviroclubs.

##### **Internal targets**

With respect to empowerment of Agency personnel, under the 2000-2003 SDS, several awareness activities were carried out, and advisors attended a sustainable development training session on a pilot basis. Following evaluation, the information conveyed proved not to meet expectations and was not geared to the advisors' work. In its 2003-2006 SDS, the Agency restated its commitment to empower its staff and planned to put in place measures that should enable it to attain this objective, in the form of training sessions for advisors that should begin in the second year of its strategy. Management and training tools geared to staff are currently being developed to enable the Agency to achieve its objective in this regard. Moreover, the management tools that are to be developed should facilitate analysis of, follow-up on and reporting on the results of the 2003-2006 SDS.



## Appendix I

# FINANCIAL PERFORMANCE

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### Overview

The Agency's actual expenditures were \$385.3 million in 2003-2004 and total authorities stood at \$522.6 million. This difference of \$137 million is primarily attributable to the deferral of funding to subsequent years in order to provide funding for the Infrastructure Canada Program. The financial tables on the following pages provide details of the Agency's financial performance.

### Summary financial tables

The financial tables show the Agency's resources in 2003-2004 as well as its revenues and how the Agency used them. The financial tables are as follows:

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 2003-2004 by strategic outcome
Financial table 5	Revenue
Financial table 6	Statutory payments
Financial table 7	Transfer payments
Financial table 7a	Description of funds distribution by program

The definitions and sources of information concerning these financial tables are:

- The *Total planned spending* column shows the expenditures planned at the start of the year and the amounts match those shown in the *2003-2004 Report on Plans and Priorities* in the Planned spending 2003-2004 column.
- The *Total authorities* column shows the authorities, which consist of Main Estimates and Supplementary Estimates voted by Parliament and correspond to those shown in the Public Accounts for 2003-2004.
- The *Total actual expenditures* column shows the actual expenditures and revenue as reported in the Public Accounts for 2003-2004.

## FINANCIAL TABLE 1: SUMMARY OF VOTED APPROPRIATIONS

### Financial requirements by authority

This table shows appropriations voted by Parliament for resources provided for in the *2003-2004 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		2003-2004 (in millions of \$)		
Vote		Total planned spending	Total authorities	Total actual expenditures
60	Operating expenditures	41.7	43.5	41.6
65	Grants and contributions	444.5	440.8	305.5
(S)	Obligations under the <i>Small Business Loans Act</i>	13.4	7.8	7.8
(S)	Obligations under the <i>Canada Small Business Financing Act</i>	21.9	25.5	25.5
(S)	Contributions to employee benefit plans	4.9	5.0	5.0
(S)	Spending of proceeds from disposal of surplus Crown assets	-	0.01	0.01
<b>TOTAL</b>		<b>526.4</b>	<b>522.6</b>	<b>385.4</b>

With respect to grants and contributions, the \$139-million decrease in actual expenditures over planned spending is primarily attributable to the deferral of funding to subsequent years to finance the Infrastructure Canada Program and to sums not paid out under the *Papiers Gaspésia inc* project as a result of their request to use the *Companies' Creditors Arrangement Act*.

With respect to obligations under the *Small Business Loans Act*, actual expenditures were lower than planned expenditures because claims payable were overestimated.

## FINANCIAL TABLE 2: COMPARISON OF TOTAL PLANNED SPENDING WITH ACTUAL EXPENDITURES

This table shows the net cost of the Agency by adding to expenditures those services received free-of-charge, such as premises provided by Public Works and Government Services Canada and services provided by Justice Canada, then subtracting revenues to arrive at the organization's net cost to Canadians.

Promotion of the economic development of the regions of Quebec	2003-2004 (in millions of \$)		
	Total planned spending	Total authorities	Total actual expenditures
<b>FTE<sup>1</sup></b>	370	378	408
■ Operations <sup>2</sup>	46.6	48.5	46.6
■ Grants and contributions <sup>3</sup>	479.8	474.1	338.8
<b>Total gross expenditures</b>	<b>526.4</b>	<b>522.6</b>	<b>385.4</b>
<b>Less:</b>			
■ Respendable revenues	-	-	-
<b>Total net expenditures</b>	<b>526.4</b>	<b>522.6</b>	<b>385.4</b>
<b>Other revenues and expenditures:</b>			
■ Revenues <sup>4</sup>	(43.3)	(43.3)	(52.7)
■ Cost of services provided by other departments	4.9	4.9	5.1
<b>Net program cost</b>	<b>488.0</b>	<b>484.2</b>	<b>337.8</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 revenues are shown in Table 5.			

The difference between the planned use of 378 full-time equivalents (FTE) and the actual use of 408 is attributable to resources hired to meet the Agency's operational requirements.

### 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.

Promotion of the economic development of the regions of Quebec			2003-2004 (in millions of \$)		
	Actual expenditures 2001-2002	Actual expenditures 2002-2003	Total planned spending	Total authorities	Total actual expenditures
	260,6	367,2	526,4	522,6	385,4
<b>Total</b>	260,6	367,2	526,4	522,6	385,4

In 2003-2004, 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 sums not paid out under the *Papiers Gaspésia inc* project as a result of their request to use the *Companies' Creditors Arrangement Act*.

## FINANCIAL TABLE 4: ACTUAL EXPENDITURES 2003-2004 BY STRATEGIC OUTCOME

This table shows actual expenditures 2003-2004 in grants and contributions (Vote 65) by strategic outcome

Promotion of the economic development of the regions of Quebec	Strategic outcome (in millions of \$)		
	Foster enterprise development	Contribute to improving the environment for economic development of the regions	Facilitate development and renewal of community infrastructure
Planned resources 2003-2006 in the <i>2003-2004 Report on Plans and Priorities</i>	385.0 / 3 years	255.0 / 3 years	369.0 / 3 years
Actual expenditures 2003-2004	134.9	99.9	70.8

## FINANCIAL TABLE 5: REVENUE

This table provides a historical view of revenue. Revenue consists essentially of service fees for loan guarantees, which represent fees paid by borrowers approved under the *Small Business Loans Act* and the *Canada Small Business Financing Act*, as well as repayment of repayable contributions provided by the Agency. The latter are included in refunds of previous years' expenditures.

Promotion of the economic development of the regions of Quebec			2003-2004 (in millions of \$)		
	Actual revenue 2001-2002	Actual revenue 2002-2003	Planned revenue	Total authorities	Actual Revenue
Service fees - Loan guarantees	16.0	20.6	22.8	22.8	19.5
Refunds of previous years' expenditures	33.6	20.6	20.5	20.5	31.3
Adjustment to payables at year-end	0.0	1.6	0.0	0.0	1.9
<b>Total revenue</b>	<b>49.6</b>	<b>50.5</b>	<b>43.3</b>	<b>43.3</b>	<b>52.7</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.

Promotion of the economic development of the regions of Quebec			2003-2004 (in millions of \$)		
	Actual expenditures 2001-2002	Actual expenditures 2002-2003	Total planned spending	Total authorities	Total actual expenditures
	45.2	47.0	40.2	38.3	38.3
Total statutory payments	45.2	47.0	40.2	38.3	38.3

Actual expenditures in 2003-2004 were lower than planned spending because claims payable under the SBLA were overestimated.

The decrease in actual expenditures from 2002-2003 to 2003-2004 is attributable to a reduction in claims by Agency clientele.

## FINANCIAL TABLE 7: TRANSFER PAYMENTS

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

Details of transfer payments for 2003-2004 by program are presented in Table 7a.

Promotion of the economic development of the regions of Quebec			2003-2004 (in millions of \$)		
	Actual expenditures 2001-2002	Actual expenditures 2002-2003	Total planned spending	Total authorities	Total actual expenditures
■ Grants	13.1	3.3	0.3	6.3	6.1
■ Contributions	203.5	316.2	479.5	467.8	332.7
Total grants and contributions	216.6	319.5	479.8	474.1	338.8

The difference between actual expenditures and planned spending with respect to grants is attributable to payment of a grant to *Grand Prix F-1 du Canada inc* in order to ensure the holding of the Canadian Grand Prix in 2004, 2005 and 2006.

The difference between planned spending and actual expenditures on contributions is primarily attributable to the deferral of funding to subsequent years in order to provide funding for the Infrastructure Canada Program and to sums not paid out under the *Papiers Gaspésia inc* project as a result of their request to use the *Companies' Creditors Arrangement Act*.

## FINANCIAL TABLE 7A: DESCRIPTION OF FUNDS DISTRIBUTION BY PROGRAM

This table shows resources for each of the Agency's programs for 2003-2004.

Program (in millions of \$)	Total planned spending	Total authorities	Total actual expenditures
IDEA-SME Program	87.9	75.6	72.3
Regional Strategic Initiatives Program (RSI)	112.5	120.1	98.5
Infrastructure Canada Program <sup>1</sup>	163.1	160.0	70.8
Community Futures Program (CFP)	24.0	26.6	26.6
Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy	57.0	52.1	30.9
Special Coastal Quebec Fund (CQF)	0.0	0.4	0.4
Grant to <i>Grand Prix F-1 du Canada inc</i>	0.0	6.0	6.0
<i>Canada Small Business Financing Act</i> (CSBFA)	21.9	25.5	25.5
<i>Small Business Loans Act</i> (SBLA)	13.4	7.8	7.8
<b>Total</b>	<b>479.8</b>	<b>474.1</b>	<b>338.8</b>
Note: 1 Includes some residual expenditures from the Canada Infrastructure Works Program (1994).			



## Appendix 2

# THE AGENCY'S REGIONAL DEVELOPMENT INTERVENTION TOOLS

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The approach advocated by the Agency with respect to regional development, as presented on page 27, shows that it possesses a range of tools for intervening in each phase, whether for planning its regional development intervention or for its implementation. The Agency's range of intervention tools consists of accompaniment and advice, information and referrals, and financial support.

These tools, used alone or together by the Agency, contribute in particular to:

- empowerment of economic development agents; in other words, the Agency provides development agents with means and opportunities (studies, workshops, seminars) for:
  - becoming aware of the scope of the issues affecting them (awareness process)
  - acquiring competencies and knowhow in various specialized fields (development of capabilities)
  - reinforcing and broadening their business partnership networks (development of networks and business partners)
- initiating growth-generating projects, that is, identifying a development potential and initiating processes aimed at local mobilization and joint action to design and implement a plan, strategy or growth-generating project for a region's development
- facilitating local participation in defining the regional development priorities and policy of the Agency and the Government of Canada
- helping the local milieu to gather information and put forward regional issues to government decision-makers.

### Guidance and advice

For the Agency, guidance and advice involve helping a development agent design and develop policy, a strategy, a business plan, an action plan or a project, or helping him plan a financial package, identify funding sources, and so on. At Canada Economic Development, provision of advice by a staff member and a guidance approach are services delivered to a development agent on an individual basis, geared to his specific situation. Provision of advice constitutes ad-hoc assistance. A guidance approach constitutes systematic, sustained, prolonged assistance, at various stages along the development agent's path toward design and implementation of his project.

## Information and referrals

For the Agency, information and referrals involve producing timely information and making it more easily accessible and usable so development agents may reach informed decisions. They also involve referring development agents to resources likely to provide a timely, appropriate response to their specific needs.

In this regard, the Agency relies in particular on the CBSCs operating in Quebec, namely, *Info entreprises* in Montreal and *Ressources Entreprises* in Québec City, for Eastern Quebec. These organizations deliver information, referral and reference material services to development agents throughout Quebec.

## Financial support

Under its programming, the Agency makes both repayable and non-repayable contributions and, in exceptional cases, grants to development agents. The Agency's programming may be divided into different categories, which are presented in the following table.

CANADA ECONOMIC DEVELOPMENT PROGRAMMING	
<b>1 Regular programming associated with the Agency's core mandate</b>	
	<ul style="list-style-type: none"><li>■ Program of assistance for development of SMEs in Quebec (IDEA-SME)</li><li>■ Regional Strategic Initiatives program (RSI)</li><li>■ Community Futures Program (CFP)</li></ul>
<b>2 Dedicated programming under the Agency's core mandate</b>	
	<ul style="list-style-type: none"><li>■ Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy</li><li>■ Adjustment Measures for Quebec Fishing Communities</li></ul>
<b>3 Programming under mandates from the Government of Canada and other federal departments</b>	
	<ul style="list-style-type: none"><li>■ Infrastructure Canada Program (2000)</li><li>■ Canada Infrastructure Works (1994)</li><li>■ Canadian Apparel and Textile Industries Program (CATIP)</li><li>■ Softwood Industry and Community Economic Adjustment Initiative contribution program</li><li>■ Program for Export Market Development (PEMD)</li></ul>
<b>4 Statutory programming reported in Agency accounts</b>	
	<ul style="list-style-type: none"><li>■ <i>Canada Small Business Financing Act (CSBFA)</i></li><li>■ <i>Small Business Loans Act (SBLA)</i></li></ul>

### **Regular programming associated with the Agency's core mandate**

The Agency's main regular programs of financial assistance are IDEA-SME, RSI and CFP. Completing the programming inherent in the Agency's core mandate are the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy and the Adjustment Measures for Quebec Fishing Communities, which have dedicated budget envelopes.

### **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 commercialization. In that way, this program fosters realization of the regions' 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 commercialization 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.



For information:

[http://www.dec-ced.gc.ca/asp/ProgrammesServices/prg\\_idee\\_pme.asp?LANG=EN#1](http://www.dec-ced.gc.ca/asp/ProgrammesServices/prg_idee_pme.asp?LANG=EN#1)

### **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 regional development potential, leading in the long term to lasting improvement in prosperity and employment. The 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 helps develop the regions' tourist attraction potential, too, 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
- an increase in the number of projects concerning the regions' adjustment to the new global economic environment, notably in rural areas.

### 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 development. In Quebec, the CFP financially supports 57 Community Futures Development Corporations, as well as providing support for 14 Community Economic Development Corporations and nine Business Development Centres.



For information:

<http://www.dec-ced.gc.ca/asp/ProgrammesServices/PDC.asp?LANG=EN>

### 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).



## **Dedicated programming under the Agency's core mandate**

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

Funded from the Agency's core budgets, this program is a special measure to improve the economic situation in the Gaspé Peninsula and the Magdalen Islands. 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
- emerging initiatives.



For information:

[http://www.dec-ced.gc.ca/asp/ProgrammesServices/PCAEGIM\\_Gaspesie.asp?LANG=EN](http://www.dec-ced.gc.ca/asp/ProgrammesServices/PCAEGIM_Gaspesie.asp?LANG=EN)

### **Adjustment Measures for Quebec Fishing Communities**

In a horizontal federal intervention approach, the Agency has partnered with other Government of Canada departments and agencies, in particular Human Resources and Skills Development Canada and Fisheries and Oceans Canada, to help communities affected by the reduction in fishing activity stemming from the moratorium on the cod fishery and restrictions on crab. Having received additional funding for this initiative through the RSI program, the Agency supports projects leading to the creation of short-term jobs in those communities.



For information:

[http://www.dec-ced.gc.ca/asp/NouveauSurSite/Annonce\\_speciale.asp?LANG=EN](http://www.dec-ced.gc.ca/asp/NouveauSurSite/Annonce_speciale.asp?LANG=EN)

## **Programming under mandates from the Government of Canada and other federal departments**

### **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 of upgrading 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 carried out under the Infrastructure Canada Program.



For information:

[http://www.infrastructure.gc.ca/icp/partners/qc\\_ip\\_e.shtml](http://www.infrastructure.gc.ca/icp/partners/qc_ip_e.shtml)

### Canada 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 few projects approved under the Canada Infrastructure Works program are still the subject of expenditures by the Agency.

### Canadian Apparel and Textile Industries Program

Through the IDEA-SME program, the Agency is implementing part of the new Canadian Apparel and Textile Industries Program established by Industry Canada to help those industries adjust to the potential effects of the *Access to markets granted to least developed countries initiative*. Apparel and textile enterprises in Quebec can thus benefit from contributions to carry out projects aimed at diversifying their markets and increasing their competitiveness.



For information:

<http://www.dec-ced.gc.ca/asp/ProgrammesServices/PICTV.asp?LANG=EN>

### Softwood Industry and Community Economic Adjustment Initiative contribution program

The Softwood Industry and Community Economic Adjustment Initiative is a special initiative under the responsibility of Industry Canada whose implementation falls to the regional development agencies. Its goal is to generate long-term economic spinoffs in the regions and communities affected by the lumber trade dispute, primarily by supporting projects to reinforce community capabilities, diversify local economies and enhance productivity. The main planned results from the initiative are:

- increased use of new technology
- diversification of the economies of communities dependent on softwood lumber
- enhanced viability and autonomy for the communities
- development of community action plans
- increase of local leadership with regard to development.

### Program for Export Market Development

The PEMD helps small enterprises exporting for the first time, or wishing to penetrate a new market, to find and exploit outlets for their products and services as well as opportunities for tendering for capital projects abroad.

The Department of International Trade Canada is responsible for PEMD budgets and spending. But, in agreement with ITC and in direct association with its economic development mandate, the Agency delivers the program to enterprises in the regions of Quebec.



For information:

<http://www.dfait-maeci.gc.ca/pemd/menu-en.asp>

### **Statutory programming reported in Canada Economic Development accounts**

#### *Canada Small Business Financing Act*

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* in 1998.



## Appendix 3

# ORGANIZATION

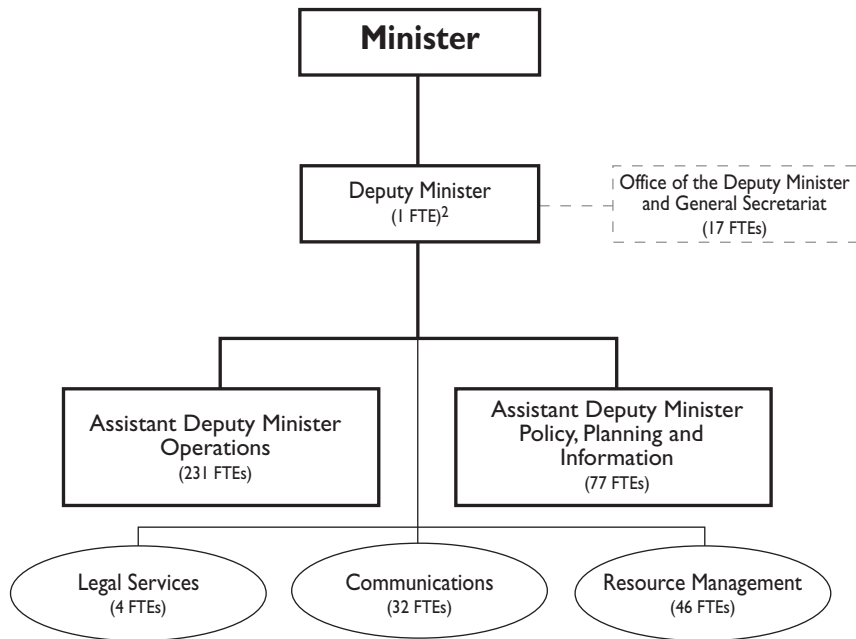
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The Honourable Jacques Saada is the Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec. The Deputy Minister handles the day-to-day management of Agency activities. She acts as deputy head for the purposes of application of the *Financial Administration Act*, the *Public Service Employment Act* and the *Public Service Labour Relations Act*. She also acts as senior policy advisor to the Minister and the Government.

The Assistant Deputy Minister, Policy, Planning and Information is responsible for the departmental planning cycle, definition of strategic policy and objectives for Agency intervention, production of the socio-economic studies required for the development of policy, management of the quality system, and measurement of and follow-up on the performance of programs and initiatives. She ensures, too, that the Agency's position is put forward in the development of national policy and programs and promotes Quebec's regional interests within the federal government apparatus. She is also responsible for relations with Quebec government.

The Assistant Deputy Minister, Operations has the mandate to deliver all the Agency's programs and services, primarily through a network of 14 business offices across Quebec. She also handles negotiation and management of partnership agreements with other Government of Canada departments and agencies and with outside organizations, in particular the Community Futures Development Corporations, Community Economic Development Corporations and Business Development Centres. She is responsible for implementation of agreements reached with the Quebec government, such as the Infrastructure Canada Program.

## CANADA ECONOMIC DEVELOPMENT ORGANIZATION CHART<sup>1</sup>



### Notes:

- 1 A more detailed organization chart is available on the Agency's Web site at <http://www.dec-ced.gc.ca/asp/APropos/Organigramme.asp?LANG=EN>
- 2 FTE: Full-time equivalent

The Agency had in 2003-2004 the equivalent of 408 full-time employees in its business offices across Quebec, its office in Gatineau ensuring liaison with the federal government and its Head Office in Montreal.

## Appendix 4

# AGENCY PERFORMANCE MEASUREMENT METHODOLOGY

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### Project reference base

The reference base for this performance report consists of projects in progress in 2003-2004, that is, projects for which an expenditure was made during FY 2003-2004. These projects can include new contribution agreements signed between April 1, 2003 and March 31, 2004 as well as projects prior to April 1, 2003, provided they were subject to an expenditure by the Agency in 2003-2004.

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 2003-2004 is similar to that used in 2001-2002 and 2002-2003. 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 2003-2004.

### 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
- 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 service 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, who 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 with respect to 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 Quebec CFDC network each year), and the results were used to make a projection for all CFDCs.

### **Incentive nature 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.



### **Agency follow-up survey (long-term results)**

Periodically, the Agency conducts a follow-up survey on its clientele. In this survey, clients who responded several years ago to an annual poll carried out by the Agency are asked the same questions, in order to find out how the subsequently declared results have evolved or whether they are unchanged.

In March 2003, in the follow-up survey conducted by the Agency, the initial sample targeted comprised 1,316 enterprises interviewed between 1996 and 2000 which had received financial contributions from the Agency under the IDEA-SME, PEMD and Coastal Quebec Fund (CQF) programs. In all, 364 enterprises interviewed prior to 2003 were excluded from the calculation of the final response rate. Wrong telephone, fax and answering machine numbers, and enterprises sold or closed down were the main reasons for exclusion. The final sample thus consisted of 952 enterprises. Of these, 516 interviews were completed. The response rate stood at 54% of the final sample (516 out of 952).

### **Methodological limitations with respect to performance measurement**

Documenting the results associated with Agency intervention 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 financial contributions provided for implementation of projects as of March 31, 2004, 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 and 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.

The results presented in this report constitute only part of the results to which the Agency contributes. Regardless of the information collection method used, the Agency's measurement strategy used for writing this report 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.

### 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. That is why information on results with respect to job creation and maintenance by the CFDCs and BDCs is not added to the Agency's information on employment in this report.

### 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 5

### LIST OF EVALUATIONS AND AUDITS

During FY 2003-2004, several reviews—evaluations and audits—were submitted to and approved by the Agency’s Departmental Review Committee. Each review was accompanied by an action plan where the managers responsible respond to the observations and recommendations by proposing concrete steps aimed at the continuous improvement of Agency program and initiatives.

LIST OF EVALUATIONS AND AUDITS CONDUCTED IN 2003-2004 AVAILABLE ON THE AGENCY’S WEB SITE <sup>1</sup>	
Evaluations <sup>2</sup>	Audits <sup>3</sup>
<ul style="list-style-type: none"> <li>■ Evaluation of Canada Economic Development’s <i>Sustainable Development Strategy 2000-2003</i></li> <li>■ Evaluation of the Regional Strategic Initiatives program</li> <li>■ Evaluation of ORPEX (regional export promotion organization) funding programs</li> <li>■ Evaluation of the <i>Geographical Coverage</i> initiative under Canada Economic Development’s Community Futures Program</li> <li>■ Further qualitative information with respect to the economic impact of investment in Phase II of the Mont-Tremblant resort</li> </ul>	<ul style="list-style-type: none"> <li>■ Audit of the Canada-Quebec Agreement concerning the Infrastructure Canada Program for the period from October 20, 2000 to March 31, 2002</li> <li>■ Audit of application of the <i>Canadian Environmental Assessment Act</i> within the framework of the Infrastructure Canada Program</li> <li>■ Internal audit of compliance with key controls on project approval and contribution payment processes for the period ending March 31, 2003 within the framework of the Infrastructure Canada Program</li> </ul>

Notes:

- 1 It is possible to consult these evaluations and audits at [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca) under *Publications*.
- 2 Evaluation: used to take stock of an intervention at a specific moment in its implementation, particularly of its timeliness, short-, medium- and long-term results, and the efficiency and effectiveness of the intervention. It is based on systematic, independent analysis methods so as to ensure the objectivity of the results and involvement of all stakeholders concerned.
- 3 Audit: an independent, objective review of evidence used to provide an assessment of risk management strategies and practices, control frameworks and management practices, and information used for decision-making and presentation of information.

**LIST OF EVALUATIONS AND AUDITS CONDUCTED IN 2003-2004**  
**AVAILABLE ON THE AGENCY'S WEB SITE** *(suite)*

**Case studies**

- *Bas-Saint-Laurent and the knowledge economy, Case study, Bas-Saint-Laurent Region.*
- *The regional innovation system, Saguenay—Lac-Saint-Jean Region.*
- *Case study on innovation and technology transfer in the Montérégie.*
- *Case study, Centre de recherche sur les biotechnologies marines (CRBM).*
- *Aluminum Technology Centre (ATC), Case study, Saguenay—Lac-Saint-Jean Region.*
- *Case study, University entrepreneurship centres.*
- *Case study, BIOAGRAL, An essential strategic role for innovation in Quebec's bio-agrifood sector.*
- *Case study, Centre de haute technologie Saguenay—Lac-Saint-Jean.*
- *Profile of enterprises graduating from the Centre québécois d'innovation en biotechnologie (CQIB).*
- *The case of Maritime Innovation.*
- *Case study: VALOTECH INC, Canada Economic Development's participation in the establishment and development of VALOTECH inc.*

## Appendix 6

### LIST OF ACRONYMS

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ATC	Aluminum 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
CHT	<i>Centre de haute technologie du Saguenay — Lac-Saint-Jean</i>
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
GRIR	<i>Groupe de recherche et d'intervention régionales</i>
ICP	Infrastructure Canada Program
IDEA-SME	Program of assistance for development of SMEs in Quebec
IRAP	Industrial Research Assistance Program
MDS	Market Development Service
NBP	New business practices
NRC	National Research Council Canada
PEMD	Program for Export Market Development
R&D	Research and development
RIS	Regional intervention strategy
RPP	Report on Plans and Priorities
RSI	Regional Strategic Initiatives
SBLA	<i>Small Business Loans Act</i>
SME	Small and medium-sized enterprises



## Appendix 7

# LIST OF CANADA ECONOMIC DEVELOPMENT BUSINESS OFFICES

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### **Abitibi-Témiscamingue**

906 5th Avenue  
Val-d'Or, Quebec J9P 1B9  
Tel.: (819) 825-5260 • 1 800 567-6451  
Fax: (819) 825-3245

### **Bas-Saint-Laurent**

Édifice Trust Général du Canada  
2 Saint-Germain Street East, Suite 310  
Rimouski, Quebec G5L 8T7  
Tel.: (418) 722-3282 • 1 800 463-9073  
Fax: (418) 722-3285

### **Centre-du-Québec**

Place du Centre  
150 Marchand Street, Suite 502  
Drummondville, Quebec J2C 4N1  
Tel.: (819) 478-4664 • 1 800 567-1418  
Fax: (819) 478-4666

### **Côte-Nord**

701 Laure Blvd.  
Suite 202B, P.O. Box 698  
Sept-Îles, Quebec G4R 4K9  
Tel.: (418) 968-3426 • 1 800 463-1707  
Fax: (418) 968-0806

### **Estrie**

Place Andrew Paton  
65 Belvédère Street North, Suite 240  
Sherbrooke, Quebec J1H 4A7  
Tel.: (819) 564-5904 • 1 800 567-6084  
Fax: (819) 564-5912

### **Gaspésie—Îles-de-la-Madeleine**

120 De la Reine Street, 3rd Floor  
Gaspé, Quebec G4X 2S1  
Tel.: (418) 368-5870 • 1 866 368-0044  
Fax: (418) 368-6256

### **Île-de-Montréal**

3340 De l'Assomption Blvd.  
Montreal, Quebec H1N 3S4  
Tel.: (514) 283-2500  
Fax: (514) 496-8310

### **Laval—Laurentides—Lanaudière**

Tour Triomphe II  
2540 Daniel-Johnson Blvd., Suite 204  
Laval, Quebec H7T 2S3  
Tel.: (450) 973-6844 • 1 800 430-6844  
Fax: (450) 973-6851

### **Mauricie**

Immeuble Bourg du Fleuve  
25 des Forges Street, Suite 413  
Trois-Rivières, Quebec G9A 2G4  
Tel.: (819) 371-5182 • 1 800 567-8637  
Fax: (819) 371-5186

### **Montérégie**

Complexe Saint-Charles  
1111 Saint-Charles Street West, Suite 411  
Longueuil, Quebec J4K 5G4  
Tel.: (450) 928-4088 • 1 800 284-0335  
Fax: (450) 928-4097

### **Nord-du-Québec**

Tour de la Bourse  
800 Square Victoria  
Suite 3800, P.O. Box 247  
Montreal, Quebec H4Z 1E8  
Tel.: (514) 283-8131 • 1 800 561-0633  
Fax: (514) 283-3637

### **Outaouais**

259 Saint-Joseph Blvd., Suite 202  
Gatineau, Quebec J8Y 6T1  
Tel.: (819) 994-7442 • 1 800 561-4353  
Fax: (819) 994-7846

### **Québec—Chaudière-Appalaches**

Édifice John-Munn  
112 Dalhousie Street, 2nd Floor  
Quebec, Quebec G1K 4C1  
Tel.: (418) 648-4826 • 1 800 463-5204  
Fax: (418) 648-7291

### **Saguenay—Lac-Saint-Jean**

170 Saint-Joseph Street South, Suite 203  
Alma, Quebec G8B 3E8  
Tel.: (418) 668-3084 • 1 800 463-9808  
Fax: (418) 668-7584

### **CORPORATE SERVICES**

Tour de la Bourse  
800 Square Victoria  
Suite 3800, P.O. Box 247  
Montreal, Quebec H4Z 1E8  
Tel.: (514) 283-6412  
Fax: (514) 283-3302

Place du Portage, Phase II  
165 Hôtel-de-Ville Street  
P.O. Box 1110, Station B  
Gatineau, Quebec J8X 3X5  
Tel.: (819) 997-3474  
Fax: (819) 997-3340





## Appendix 8

### 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 (Fiscal Year 2003-2004)

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The Minister of Industry 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 of Industry 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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