



Western Economic Diversification Canada

1997-98
Estimates

Part III

Expenditure Plan

The Estimates Documents

The Estimates of the Government of Canada are structured in three Parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve. The Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

Instructions for obtaining each volume can be found on the order form enclosed with Part II.

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Western Economic Diversification Canada

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Part III

Expenditure Plan

Approved

Secretary of State,
Western Economic Diversification

The Minister's Message

The Industry Portfolio ***Building Jobs and Growth through Partnerships and Innovation***

Western Economic Diversification (WD) is a member of the Industry Portfolio. WD's mandate is to develop and diversify the western Canadian economy. It's focus is on the development of an integrated service network, providing access to a full range of federal government services to small business and entrepreneurs through over 90 points of service across western Canada in both urban and rural communities. WD also develops and delivers targeted services designed to focus on specific economic development needs. This has the effect of tailoring national programs to regional circumstances in western Canada. The Department also functions to support community economic adjustment and to represent the western perspective in national decision-making processes.

Through the coordinated efforts of its member organizations, the Industry Portfolio is playing a vital role in helping to improve economic growth, and employment and income prospects for Canadians. The Industry Portfolio brings together the key departments and agencies responsible for science and technology, regional development, marketplace services and micro-economic policy. In doing so, the Government of Canada has created a new capacity for partnership and innovation, both within the Portfolio itself and externally, with the private sector and other stakeholders.

As Minister responsible for the Industry Portfolio, I am focussing the Portfolio's activities to help Canadians move confidently into the 21st century. Through the Portfolio, I am working to ensure that our businesses and industries have the best tools and the right conditions to innovate, grow, compete and generate jobs.

The technology-driven global economy which has emerged in the 1990s holds much promise, as well as many challenges. To maintain traditional strengths and markets while building new ones, Canadians must innovate. We have to develop and use leading

The Industry Portfolio Is ...

- Atlantic Canada Opportunities Agency
- Business Development Bank of Canada
- Canadian Space Agency
- Competition Tribunal
- Copyright Board of Canada
- Federal Office of Regional Development (Quebec)
- Industry Canada
- National Research Council of Canada
- Natural Sciences and Engineering Research Council of Canada
- Social Sciences and Humanities Research Council of Canada
- Statistics Canada
- Standards Council of Canada
- Western Economic Diversification

edge technologies and skills needed in the knowledge-based economy. We need to increase the abilities of our firms and industries to export. We must also enlarge Canada's share of international investment. And we must work to ensure all Canadians, especially our youth, are able to participate fully in the new economy. To achieve these goals, business, governments and individual Canadians have to work together, in partnership.

The Industry Portfolio is playing its part by focussing on three areas of activity -- each crucial for our economic success, now and into the next century:

- promoting innovation through science and technology
- assisting business to grow by providing information, advice and financing support
- ensuring a fair, efficient and competitive marketplace.

Innovation is the key to success in the global economy. Creative thinking and adopting new technologies and processes keep traditional industries competitive while launching new industries for emerging and expanding markets. The Industry Portfolio is taking a new, risk-sharing approach to investing in technology through partnerships with the private sector. We are also making strategic investments to expand Canada's intellectual resources and advance knowledge.

The Portfolio assists Canadian businesses to increase their competitive advantage and their capacity to expand. Our actions are particularly directed at strengthening the backbone of Canada's economy -- small and medium-sized enterprises.

The Industry Portfolio has a vital role to ensure an open and efficient marketplace by setting clear and fair "rules of the game." In this way, we are supporting business activity while protecting consumer and investor interests.

Through its wide range of activities, the Industry Portfolio is contributing to economic growth, increased employment and higher living standards for Canadians in every region, both today and into the new century.

John Manley
Minister of Industry

Preface

This document is a report to Parliament to indicate how the resources voted by Parliament have or will be spent. As such, it is an accountability document that contains several levels of detail to respond to the various needs of its audience.

The Part III for 1997-98 is based on a revised format intended to make a clear separation between planning and performance information, and to focus on the higher level, longer term plans and performance of departments.

The document is divided into four sections:

- Secretary of State's Summary;
- Departmental Plans;
- Departmental Performance; and
- Supplementary Information.

It should be noted that, in accordance with Operating Budget principles, human resource consumption reported in this document will be measured in terms of employee full-time equivalents (FTEs).

As well, the reader will note that, while the Estimates currently provide for only one business line for the Department - the Western Diversification Program - a new program framework has been adopted for internal planning purposes. Under this new planning framework, departmental activities are organized into three business lines and four primary program delivery areas.

Table of Contents

I. Secretary of State's Summary	3
II. Departmental Plan	
A. Summary of Departmental Plans	5
B. Departmental Overview	
Roles and Responsibilities	6
Organization and Program Composition	6
Objectives and Priorities	9
Resource Plans	14
C. Details by Business Line and Primary Program Delivery Area	
Business Line/Primary Program Delivery Area Objectives	15
Operating Context and Key Initiatives	19
Financial Details	19
III. Departmental Performance	
A. Summary of Departmental Performance	21
B. Client Service Highlights for 1996-97	22
IV. Supplementary Information	26

I - Secretary of State's Summary

Over the past year, the Department of Western Economic Diversification has become a fundamentally different organization. From its inception in 1987 to early 1995, WD was principally engaged in providing financial support to individual western Canadian businesses - largely in the form of interest-free loans - in an effort to diversify the western economy and reduce reliance on natural resource sectors. The Department's new focus is on providing integrated services to small businesses using, where appropriate, innovative partnerships with the private sector. The partnerships are designed to help small businesses succeed in the changing economy. The focus of the new partnerships is to improve access to private sector capital, to improve access to information which is of particular relevance to small businesses, and to develop new working relationships with other levels of government and the private sector to implement framework policies and pan-western initiatives to improve the economic environment and opportunities for small business. The mandate continues to be to foster the growth and diversification of the western Canadian economy.

Two years ago, WD consisted of four points of service, with one regional office in each western province. Since then, as a result of acquiring responsibility for Community Future Development Corporations, Canada Business Service Centres and creating Women's Enterprise Centres, WD has developed into a still-growing network of over 90 points of service throughout western Canada. The heart of the WD service strategy is the development of this integrated Service Network, a partnership of business service centres in urban, rural and remote communities across the West. Building on the strengths of each of the partner organizations, this Service Network provides a full range of small business services, and enhances the accessibility in smaller western communities. WD is aggressively pursuing opportunities to integrate the delivery of federal, provincial, municipal and private sector service to business. The aim is to identify the services which are of most relevance to small business, to improve the quality and delivery of these services, and to enhance access by a broader range of clientele to this comprehensive range of services.

The Department is also responsible for the regional delivery of national economic development programs, including special initiatives to support economic adjustment in cases where communities are faced with special economic challenges. By way of examples, WD provided support for communities facing the closure or commercialization of federal facilities, including military bases, scientific and transportation facilities. As well, through the Infrastructure Works Program, WD provides assistance to western communities to build or refurbish essential facilities and to stimulate local employment.

Another critically important role of the Department is its mandate to foster partnerships between public and private sector organizations to address the economic challenges of western Canada. Of particular interest are the partnerships WD has created with private sector financial institutions to increase private sector lending in economic sectors which

have been historically under-served by commercial capital markets, and which have a significant growth potential. As reported under the Capital Services business line, eight loan fund partnerships have been established to date.

As well, the Department has initiated, or participated in, many partnerships to address economic competitiveness issues in the West, targeting sectors of critical importance. In making these investments, WD's goal is to contribute to the Government's Jobs and Growth Agenda, in concert with other agencies in the Industry Portfolio, including:

- creating a climate in which small businesses can prosper;
- encouraging the development and application of new technologies;
- enhancing economic opportunities for Canada's youth; and
- increasing the number of western businesses involved in international trade.

Within its general mandate to foster economic development, WD contributes to the Government's strategies for the development of rural, Aboriginal and minority language communities. Through innovative partnerships, WD is improving service to small business in an environment of reduced levels of government spending.

There are many challenges and much remains to be done. I am confident, however, that the general directions set out by the Government are the right ones - to reduce business subsidies; to improve and diversify the quality of government services; and to allow communities to participate directly in decisions about the services government provides. Western Economic Diversification is making progress in implementing these policies, while maintaining its original mission: to help develop and diversify the economy of western Canada.

Secretary of State
(Western Economic Diversification)

II - Departmental Plan

A. Summary of Departmental Plans

Western Economic Diversification supports economic development in western Canada through: service to small business; support for strategic initiatives and alliances; regional delivery of national economic development programs; and by representing western interests and concerns in national decision-making. This work is organized into three business lines and four primary program delivery areas, as follows:

Business Lines

Capital Services: working to assist small businesses to better access financing for growth, including WD loan funds established in partnership with private sector financial institutions, and other support required to assist entrepreneurs in obtaining alternate sources of capital.

Information Services: developing business information products and services tailored to the needs of western Canadian small businesses, and strategies to broaden access to business information in the West.

Targeted Business Services: developing business services in collaboration with other government agencies and in response to the needs of western Canadian small businesses, including assisting in the development of business plans, preparing more western small businesses to export to the international market, broadening the pool of western suppliers for public sector procurement, and fostering new initiatives in streamlining business regulation.

Primary Program Delivery Areas

Service Partnerships: developing new service partnerships to better integrate the delivery of government services to small businesses, through the development of the Service Network and other partnerships that facilitate the delivery of other government services through the Network.

Strategic Initiatives: establishing industry alliances and public-private partnerships to improve western economic competitiveness, including tripartite agreements for economic development cooperation in major urban centres, and federal-provincial economic development agreements.

National Programs: delivering national economic development programs, tailored to regional circumstances, including special community economic adjustment initiatives.

Legacy Programs: administering a large portfolio of loans made under both previous programs and new initiatives, ensuring a balance between support for economic development and maximizing the collection of outstanding government loans.

In addition, the Department continues to carry out its mandate for advocacy of western Canadian interests in national decision-making - including policy, program and procurement decisions - and as a source of first-hand information and advice to facilitate federal-provincial relations.

B. Departmental Overview

Roles and Responsibilities

The mandate of the Department is to develop and diversify the economy of western Canada; to coordinate federal economic development activities in the West; and to represent the western perspective in national decision-making (ref. Western Economic Diversification Act, 1987).

The Department is also part of the Industry Portfolio, which has the mandate to support the Government's Jobs and Growth Agenda. In contributing to the achievement of the Portfolio's objective for Jobs and Growth, WD provides support for the development of western small businesses, the expansion of trade activities, the enhancement of youth entrepreneurship and employment opportunities and the development and application of new technologies. In addition, the Department plays a central role in the delivery of integrated small business services, pursuant to the directions set out in the 1995 Federal Budget, which challenged regional agencies to provide "a single point of contact". The Department's strategy, in pursuing this goal, is to provide "one-stop" access to a full range of small business services, through service delivery partnerships with other government agencies and WD programs designed to complement such services.

Organization and Program Composition

The Department's Head Office is located in Edmonton, Alberta, co-located with the Regional Office for Alberta. There are also Regional Offices located in each of the other western province, in Winnipeg, Saskatoon and Vancouver, and a Corporate Office is located in Ottawa.

Under the direction of an Assistant Deputy Minister, supported by a dedicated secretariat, each Office has functional leadership of one or more of the business lines/program delivery areas, as follows:

Assistant Deputy Minister, Alberta	Service Partnerships Strategic Initiatives
Assistant Deputy Minister, Manitoba	Capital Services
Assistant Deputy Minister, Saskatchewan	Information Services
Assistant Deputy Minister, British Columbia	Targeted Business Services
Senior Assistant Deputy Minister (Ottawa)	National Programs Legacy Programs

In addition, Regional Assistant Deputy Ministers are responsible for the regional delivery of all WD programs and services, and for line management of all regional administrative and support services. The Senior Assistant Deputy Minister has responsibility for Policy, Planning and Industrial Regional Benefits, Communications-Marketing and Consultations, Executive Services, and Finance-Information Management-Access to Information. The Human Resources Management, Legal Services and Audit and Evaluation branches report directly to the Deputy Minister.

The Department reports to the Minister of Industry, who is assisted by the Secretary of State (Western Economic Diversification).

As noted above, the Department has extended the reach of federal government services to small business through partnerships with other federal government agencies and community-based organizations. These partnerships leverage government human resources and promote best practices in single-point-of-contact service to small business.

Figure 1 portrays the components of the Industry Portfolio, Figure 2 sets out the basic organization of Western Economic Diversification, and Figure 3 portrays the WD service delivery network in western Canada.

Figure 1 - Industry Portfolio

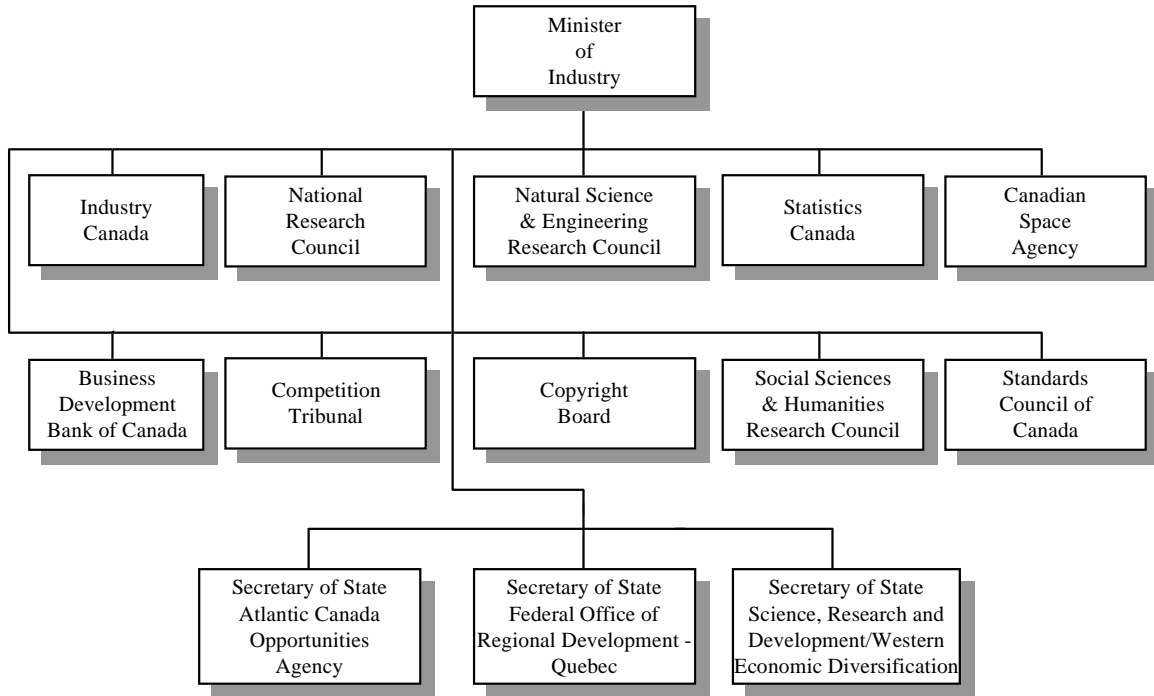


Figure 2 - Basic Organization of Western Economic Diversification

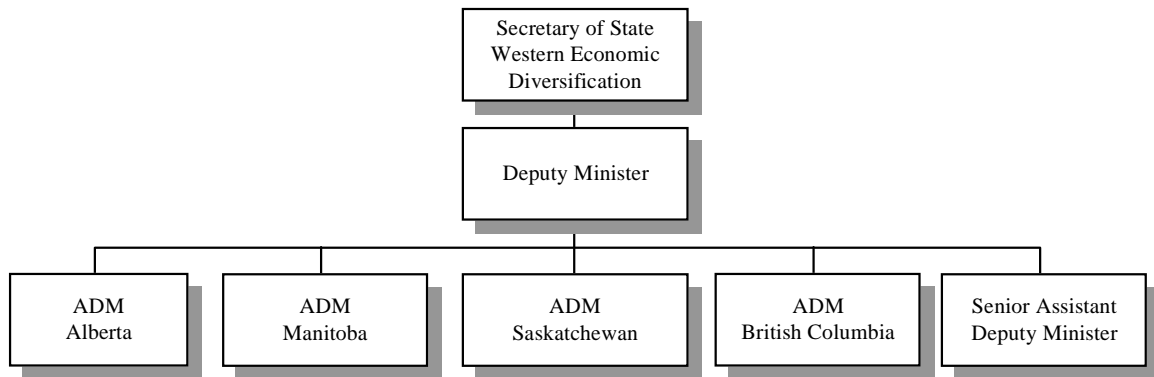
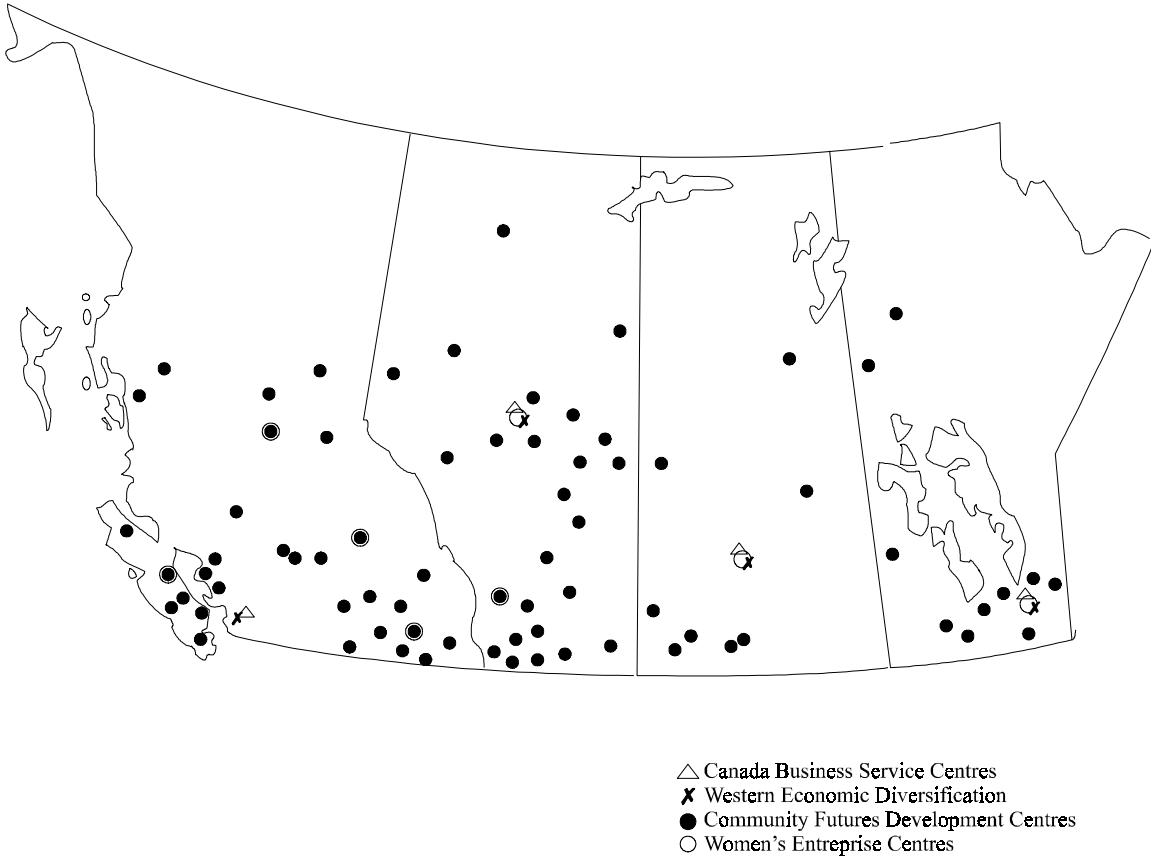


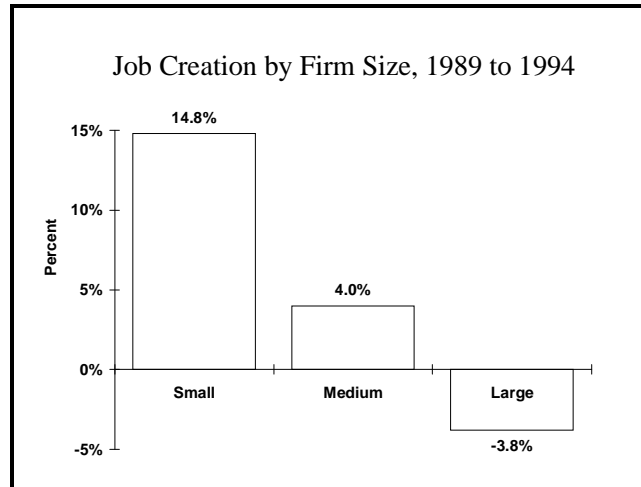
Figure 3 - The WD Service Delivery Network



Objectives and Priorities

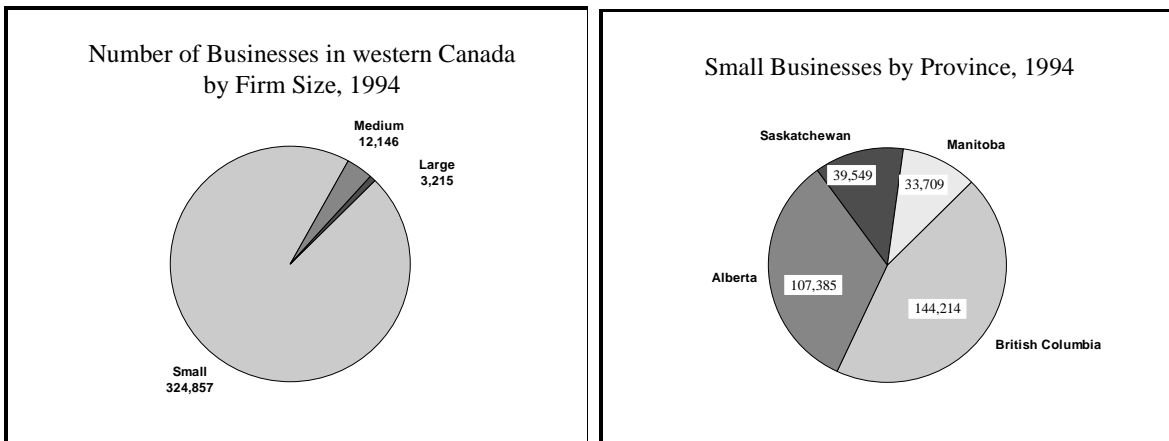
The Department's focus is on small business, an important engine of employment creation in western Canada. From 1989 to 1994, small business employment in western Canada grew by over fourteen percent, while employment in medium-sized businesses grew by only four percent and employment in large businesses declined. *Figure 4* shows the performance of small, medium and large sized firms in job creation from 1989 to 1994.

Figure 4 - Small Business Job Creation



Small businesses in the West greatly outnumber medium and large sized businesses, as can be seen in *Figure 5*. This holds true in all provinces of Canada, and demonstrates the importance of small business in the economy.

Figure 5 - Small Business Job Creation



The needs of small business have been documented through exhaustive study and consultation, including:

- Commitment to Small Business - A Discussion Paper: British Columbia Ministry of Small Business, Tourism and Culture (1993)
- Breaking Down the Barriers: Key Findings of the “Aim For A Million” Project and Recommendations for Action; Canadian Chamber of Commerce (1994)
- Breaking Through Barriers - Forging Our Future: the Report of the Small Business Working Committee - a task force of small business representatives established by the Ministers of Industry and Finance to advise on actions that should be taken to ensure continued growth of the small business sector (1994)
- Taking Care of Business: Report of the Standing Committee on Industry (1994)
- Evaluation and Regionalization Studies on the Canada/BC Business Service Centre (1995)

These studies and consultations have articulated the needs of small business, which can be summarized under six broad headings:

Access to Capital - due principally to their small size, small businesses have difficulty accessing debt and equity financing and this problem is accentuated for soft-asset, knowledge-based firms;

Access to Markets - relatively few western small businesses are familiar with and prepared to export to international markets, which offer important opportunities for new jobs and growth;

Access to Information - with their limited resources in time and money, small businesses are typically unaware of sources of business information and advice, and have difficulty accessing government services effectively;

Access to Innovation - similarly, the ability of Canadian small businesses to compete in an increasingly global marketplace depends on their ability to develop and adopt new technologies;

Access to Skills - small businesses have limited means to invest in training, and growth depends heavily on management skills and a trained work force; and

Favourable Business Climate - including the quality and accessibility of government services and the administration of government regulation.

The Department's central focus is on trying to provide a range of services to small business which address these needs, through the development of programs tailored to western Canadian circumstances and through partnerships with other government departments, other levels of government, voluntary and private sector organizations. The objective is to provide integrated services to small business.

Responding to the need for better access to capital, the Department has established innovative partnerships with commercial banks and other financial institutions to provide loans to small businesses which have traditionally had difficulty accessing private sector capital markets, due to their small size and perceived risk. The objective is to increase private sector financing for small business, in industries of strategic importance to the West, where gaps in capital markets exist.

The Service Network also provides support for community-based micro-lending to encourage local entrepreneurship and self-employment. This support is principally delivered by the Community Futures Development Corporations (CFDC) and Women's Enterprise Centres (WEC). CFDCs are independent agencies located in small communities and governed by a board of local volunteers from the business community, that provide assistance for community economic development and small business services. WECs are also independent business service organizations created and funded by WD, with a mandate to address the special obstacles of women entrepreneurs in accessing private sector financing and business information services.

The Department also helps small businesses access capital by providing information and advice on other sources of financing, counsel on the development of business plans, support for independent assessments of new technologies, and other assistance.

Responding to the need for increased access to markets, the Department works in partnership with other Industry Portfolio and Trade Team Canada partners to provide integrated trade support services. In particular, the Department's objective is to increase the number of western Canadian small businesses actively involved in trade, through export promotion and training activities. As well, the Department provides information and training on how to access public sector procurement markets, in order to expand the market for small business, and support for multi-stakeholder projects in the development of international markets for western Canadian products and services through the Strategic Initiatives Program.

Small business has more difficulty in accessing information about government services. As well, increased access to business information - on new markets, regulatory requirements, business planning data and the like - can improve the competitiveness of western businesses. In responding to this need, the Department's objective is to expand access to government information and to develop information products and services tailored to the needs of western businesses.

In support of innovation, the Department provides assistance through the Strategic Initiatives Program, for private sector consortia and alliances; public-private partnerships, including the collaboration of academic institutions; and the commercialization and dissemination of western technology. As well, the loan fund partnerships noted above are largely focused on new technology sectors which are key to job creation and economic growth, but face significant obstacles in accessing private sector capital.

The Department's response to the need for skills development in small business is limited to the development of information services, including advice on sources of training and financial support, supplier development seminars, and basic trade readiness training as noted above.

Issues relating to government regulation and improved access to government services identified through consultation with small business and reported under the broad "business climate" heading are being addressed by the Department through the development of service delivery partnerships to integrate services to small business, and interdepartmental and intergovernmental projects to streamline business regulations, including business registration.

Resource Plans

The resource plans of the Department are set out in **Figures 6, 7 and 8** below. Additional information is provided in **Figures 9 and 10** and in **Section V - Supplementary Information**.

Figure 6: Authorities for 1997-98 - Part II of the Estimates

Financial Requirements by Authority

Vote (thousands of dollars)	1997-98	1996-97
	Main Estimates	Main Estimates
Western Economic Diversification		
115 Operating expenditures	32,457	33,548
120 Grants and Contributions	203,411	308,538
(S) Liabilities under the Small Business Loans Act	16,700	17,000
(S) Contributions to employee benefit plans	3,370	2,842
Total Department	255,938	361,928

Votes – Wording and Amounts

Vote (dollars)	1997-98
	Main Estimates
Western Economic Diversification	
115 Western Economic Diversification - Operating expenditures	32,457,000
120 Western Economic Diversification - The grants listed in the Estimates and contributions	203,411,000

Figure 7: Departmental Overview

(thousands of dollars)	Main Estimates *	Main Estimates	Planned	Planned
	1996-97	1997-98	1998-99	1999-00
Western Economic Diversification				
Main Estimates	361,928	255,938	193,199	160,637
Revenue credited to the Consolidated Revenue Fund	(82,200)	(68,060)	(70,030)	(70,000)
Estimated Cost of Services by other Departments	3,023	3,019	3,019	3,019
Net Cost of the Department	282,751	190,897	126,188	93,656

* Does not reflect Supplementary Estimates. Includes Main Estimates only.

Resource levels are decreasing in response to savings from the government-wide Program Review process and decreasing requirements over the final years of the Infrastructure Works Program.

C. Details by Business Line and Primary Program Delivery Area

Business Line/Primary Program Delivery Area Objectives

Capital Services: The objective of the Capital Services business line is to increase small business access to financing, with a particular focus on key growth industries and entrepreneurship. The Department's strategy to meet this objective includes:

- the establishment of loan/investment fund partnerships with financial institutions and other capital providers;
- support for micro-lending programs administered by Network partners; and
- professional services and information to assist the development of business plans and technology assessments required to access private sector financing.

Over the next year, plans under this business line include:

- the establishment of new loan/investment fund partnerships, including partnerships to expand access to equity financing;
- the delivery of investment matchmaking seminars, in partnership with provincial governments and private sector organizations;
- the provision of expanded support for independent technology assessment and technology ownership audits, which can facilitate access to private sector financing in new technology industries; and
- the completion of an independent evaluation of established loan funds, to identify opportunities to improve the performance of the funds and to guide the development of new funds.

Information Services: The objective of the Information Services business line is to increase access to business information by western Canadian small business through:

- the development of business information products and services tailored to the needs of western Canadian small business; and
- the development of strategies to broaden access to business information in the West .

Over the next year, plans under this business line include:

- the development of 10 new information products, in collaboration with Industry Portfolio partners and other public and private sector agencies, including:
 - an interactive business plan, in collaboration with the Province of British Columbia;
 - local business databases, in collaboration with Statistics Canada and Industry Canada; and
 - an access to a financing database, in collaboration with Industry Canada;
- the development of a client tracking system and access to business databases for the Service Network partners, delivered through a new Network “extranet” service;
- the continued development of the WD Internet Homepage, based on client feedback, as well as the introduction of new linked Homepages by Network member organizations; and
- the provision of information systems training to Network member organizations.

Targeted Business Services: The objective of the Targeted Business Services business line is to develop services, in collaboration with other government agencies, tailored to the needs of western Canadian small businesses, including:

- preparing more western small businesses to export to the international market;
- broadening the pool of western suppliers for public sector procurements; and
- new initiatives to further streamline business regulations.

Over the next year, plans under this business line include:

- completion of staff training programs designed to equip Network staff to deliver Trade Team Canada services;
- distribution of a new “Export 101” information product designed to provide basic information for new exporters;
- delivery of “Courting Business” workshops to promote export readiness and to qualify the export potential of western small businesses;
- continued development and delivery of supplier development seminars designed for smaller, rural communities;

- completion of the federal-provincial pilot project for integrated (one-stop) business registration in British Columbia, and extension of the pilot project to other western provinces; and
- development of an interdepartmental study of industry development and regulatory issues faced by the aquaculture industry.

Service Partnerships: Service partnerships are central to all WD services. At the core of the service strategy is the development of the Service Network, a partnership of independent business service centres in urban and rural communities across western Canada. The objective of the Service Partnerships program delivery area is to expand access to services for small business by enhancing the Network and its services. The key functions within this program delivery area include:

- the development the Service Network, including policies in support of Canada Business Service Centres (CBSC), Women's Enterprise Centres, Community Futures Development Corporations and new Network partners; and
- the development of new partnerships for the delivery of additional government services through the Network.

Over the next year, plans under this program delivery area include:

- the completion of a Network Plan, in partnership with all member organizations, including common service standards, performance measures, and operating protocols;
- the development of an integrated service delivery strategy for Industry Portfolio services in western Canada;
- implementation of a CBSC regionalization plan, designed to expand access to CBSC information services through electronic linkages to other business service centres and service providers, as well as the establishment of satellite centres, in partnership with other governments; and
- the establishment of up to 10 new CFDCs, to achieve complete service coverage of western Canada;
- the establishment of new partnerships to expand the Network, including coverage in Aboriginal communities;
- the development of new agreements and pilot projects to deliver provincial government services through the Network and to integrate the delivery of rural business services.

Strategic Initiatives: The objective of the Strategic Initiatives Program is to foster multilateral action to address key competitiveness issues in critical growth sectors of the western economy, consistent with Industry Portfolio strategies in support of the Jobs and Growth Agenda, including:

- technology development and commercialization;
- international trade and export readiness; and
- small business development, including assistance to address the special barriers to growth that constrain youth, Aboriginal and rural entrepreneurship.

Over the next year, plans for this program delivery area include:

- implementation of recommendations of a study of western technology “clusters” that was completed in 1996 and undertaken jointly with federal science-based departments, western provincial governments and the private sector, including support for:
 - an alliance of private and voluntary sector organizations designed to develop and commercialize sub-sea technologies; and
 - 3-4 pilot projects designed to evaluate the effectiveness of strategies to assist the first sale of new western technologies.
- support for demonstration projects in new hog waste disposal technologies, to address the principal obstacle to growth in the hog production sector;
- support for urban youth entrepreneurship, through training, mentoring and micro-lending services delivered by community-based, non-governmental support organizations;
- support for Internet-based marketing pilot projects targeted to rural and remote communities; and
- support for pan-western alliances in regional tourism marketing and for community-based initiatives to extend tourism activity to smaller centres.

National Programs: The objective of this program delivery area is the effective and efficient management of national economic development and community economic adjustment programs, tailored to the needs of western communities.

Over the next year, plans under this program delivery area include:

- financial and technical support for the establishment of a local economic development authority in Pinawa, Manitoba to assist community economic adjustment in relation to the commercialization of the Whiteshell nuclear facility;

- delivery of the Canada Infrastructure Works program;
- development and delivery of federal-provincial Partnership Agreements in economic development;
- delivery of community economic adjustment programs in relation to the closure of federal military bases; and
- establishment of joint federal-provincial priorities and initiatives in support of technology development and dissemination under a Memorandum of Understanding on Science and Technology signed in 1996.

Legacy Programs: The objective of the legacy programs is the management of the Department's loan portfolio to maximize the collection of contributions under WD programs while ensuring support is maintained for the development of small business clients.

Operating Context and Key Initiatives

The most important features of the operating context are the Government's commitment to improving the quality of federal services to Canadians and to the Jobs and Growth Agenda. As a member of the Industry Portfolio, WD is called upon to make a meaningful contribution to meeting these goals in western Canada. In addition, the Department is committed to a dramatic reduction in business subsidies and to develop a "single point of contact for small business" across western Canada.

The requirements of WD's targeted small business clientele have been studied exhaustively and their expectations are that government - and indeed governments, working together - will address these needs within the limitations of their resources. Governments in other jurisdictions are operating in similar environments and, with the impetus of reduced resources, there is an increased willingness to consider new service partnerships. This provides opportunities for innovation in service delivery.

In this context, the most important initiative of the Department is the dramatically different approach it has taken to service, and the development of the Service Network partnership. Another key initiative is the radically different approach that has been taken to financing economic development - one which rests on private sector sources of capital and commercial market forces. Finally, the Department's many initiatives in support of the Jobs and Growth Agenda represent a key yardstick against which our success will be measured.

Financial Details

Figure 8: Appropriated Planned Spending

(thousands of dollars)	Main Estimates * 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-00
Western Economic Diversification **	361,928	255,938	193,199	160,637

* Does not reflect Supplementary Estimates. Includes Main Estimates only.

** The Department has a single business line entitled “Western Economic Diversification”. However, a new program framework has been adopted for internal planning purposes. Under this new planning framework, departmental activities are organized into three business lines and four primary delivery areas. This will be the base from which WD will develop a Planning, Reporting and Accountability Structure (PRAS) for Treasury Board approval. WD will subsequently report to Treasury Board and to Parliament based on the approved PRAS. A breakdown of the 1997-98 Estimates according to current departmental activities is provided in Figure 9.

Resource levels are decreasing in response to savings from the government-wide Program Review process and decreasing requirements for the final years of the Infrastructure Works Program.

Figure 9: Breakdown of 1997-98 Estimates (Excluding Statutory Items) By Business Line / Activity

(thousands of dollars)	Vote 115 Operating Expenditures	Vote 120 Grants and Contributions	Total 1997-98
Western Economic Diversification/Activities			
Capital Services	2,514	4,257	6,771
Information Services	4,135	0	4,135
Targeted Business Services	3,866	4,365	8,231
Service Partnerships	8,197	31,025	39,222
Strategic Initiatives	3,100	51,743	54,843
National Programs	780	87,999	88,779
Legacy Programs	3,283	24,022	27,305
Administration	6,582	0	6,582
Total	32,457	203,411	235,868

III - Departmental Performance

A. Summary of Departmental Performance

The Department has achieved much success in the development of the Service Network. Electronic integration with a working intranet has been implemented, joint training has been initiated, Network marketing has begun and public awareness of Network services increased dramatically, and common service standards and performance measures are being developed jointly by all Network partners. New partnerships have been established to deliver the services of other government departments and other levels of government, through the Network.

The services of individual Network partners have also met with a good measure of success. Hundreds of thousands of inquiries from western entrepreneurs and small businesses were responded to. Loan activities were increased, including the implementation of the New Western Youth Entrepreneurship Program, resulting in new jobs for western Canadians. An innovative partnership with a private sector financial institution to provide capital for developmental lending in small communities was established and, based on the success of the project, is being expanded to five additional communities.

Eight loan funds partnerships with commercial financial institutions were established by WD, committing a total of \$36.5 million over the 7 to 10 year life of the funds to lever \$281 million in high risk lending to SMEs in strategic industries such as information technology and telecommunications, biotechnology and environmental industries. To date, WD has advanced \$5.1 million to repayable loan loss reserves under these partnerships. Just \$2 million of the total is actually at risk. The results mean over \$15 million in incremental lending to approximately 70 western small businesses.

Many new initiatives were taken in the development of business information products, trade readiness training and promotion, supplier development and business regulation reform. Perhaps the strongest measure of the success of these initiatives is the participation of other partners - other government departments, other governments, private sector, academic and voluntary organizations - in almost every project listed under the business line/program delivery area summaries provided below.

Under the Canada Infrastructure Works Program, the Department is administering over 3,500 projects, committing \$518.4 million of the total allocation of \$523.8 million for the four western provinces, or roughly 99% of allocated funds. It is estimated that the Program has resulted in the creation of 28,787 short term jobs and 1,695 long term jobs. The budgeted Program expenditures for the current fiscal year totaled \$126.6 million.

The Department has also been successful in meeting its objectives for the management of its legacy programs loan portfolio. Total collections to November 30 totaled \$228.9 million, of which \$36.5 million was collected since April 1, 1996. The loan portfolio includes 1265 active projects.

B. Client Service Highlights for 1996-97

Performance measurement indicators continue to be developed as the business planning process is completed for each new business line/program delivery area sub-component. The Spring 1997 Business Plan submission will provide the first comprehensive measurement plan for all new activities. This will include common service standards and performance measurements for all Service Network partners. However, the following highlights of client service activities in 1996-97 will illustrate the potential of the Department's new service approach.

Capital Services

- Five new loan fund partnerships were established, including:
 - the \$20,000,000 WD-Royal Bank of Canada Health Industries Loan Fund;
 - the \$40,000,000 WD-Royal Bank of Canada Information Technology & Telecommunications Loan Fund;
 - the \$40,000,000 WD-Environment Canada-Toronto Dominion Bank Environmental Technology Loan Fund;
 - the \$25,000,000 WD-Business Development Bank of Canada Tourism Industry Loan Fund; and
 - the \$1,000,000 WD-CFDC-BC Working Opportunity Fund Community Investment Loan Fund.
- a total of 433 applications have been received under the Loan Funds as of December 31, 1996; of this total, 64 did not proceed due to, inter alia: the advice of WD professional staff assigned to counsel small business applicants; or client rejection of the terms of the loan;
- a total of 68 loans were accepted and approved as at December 31 (note that five funds were established during the fiscal year and these results do not represent nine months of operation for all funds); a further 222 applications were in progress and many applicants were provided intermediation assistance to help them secure financing from alternative sources - an important objective of the Loan Fund program - resulting in an additional \$8-\$10 million in loan activity;

- in the six months to September 30, CFDCs provided 1,056 loans to entrepreneurs and small businesses, creating an estimated 3,234 new jobs in small communities;
- under the Western Youth Entrepreneurship Program, the CFDCs provided 119 loans during the first six months of operation, based on loans totaling close to \$1 million, and 208 jobs were created;
- an innovative program in private sector financing for CFDC micro-lending was also established, providing \$1 million in new lending capital through a limited risk sharing agreement with WD; five additional partnerships had been approved by year end, providing a further \$5 million in private sector capital to CFDCs;
- Women's Enterprise Centres responded to roughly 26,000 inquiries and provided 72 loans totaling \$1.6 million during the seven month period to October 31;
- development of a database on sources of capital for small business was initiated in partnership with Industry Canada and will be made available by Internet and other distribution methods in 1997-98.

Information Services

- a demonstration project to explore the feasibility of establishing consortia to market products and services through the Internet was completed, providing guidance to a broader Internet marketing support program to be established in 1997-98;
- a pilot project to provide self-assessment of entrepreneurial skills was established through Internet delivery, with positive client feedback results;
- development of guides to sources of information and support for new exporters was completed for Internet distribution;
- the WD homepage was updated to provide increased linkages to other relevant homepage resources and to offer more direct services;
- an evaluation of the Canada-British Columbia and the Canada-Saskatchewan Business Service Centres was completed and a strategy for the extension of all western CBSC information services was completed, with implementation of the plan to commence in 1997-98.

Targeted Business Services

- development and delivery of small business training workshops, designed to promote exporting to companies with export potential, as well as to qualify firms for more advanced training and Trade Team Canada services;

- client service training to prepare Service Network staff to deliver Trade Team Canada services;
- creation of 118 new jobs for recent graduates of western business training programs to support new export initiatives in small business, through the International Trade Personnel Program (in the eight months to November 30);
- development of new information products to promote exporter readiness, including:
 - Export 101, an electronic library of information sources for new exporters;
 - Roadmap to Exporting and Export Financing, a publication listing trade financing sources;
 - Export Readiness Tools, a directory of key export training publications, software and Internet sites; and
 - Canadian Trade Resources on the Internet, a directory of over 100 Canadian Internet sites featuring trade and exporting information;
- delivery of a program of rural supplier development seminars, reverse trade shows and other pilot projects to promote supplier development in small communities;
- publication of a guide to procurement opportunities in the agriculture “value-added” sector;
- expansion (by 50%) of the Western Supplier Capacity Database;
- delivery of 3 prime contractor tours in relation to major procurements of Search & Rescue helicopters and Maritime helicopters;
- support to the Departments of Indian and Northern Affairs and Public Works and Government Services in the delivery of the Aboriginal set-asides program for federal procurements;
- continued development of the WD Homepage web site link for supplier development;
- completion of the second phase of development of a one-stop business registration system in British Columbia, integrating provincial and federal registration processes. This phase included the development and pilot-site testing of the computer-based registration system; and
- establishment of an interdepartmental advisory committee to review regulatory issues related to the aquaculture industry and to articulate strategies for regulatory harmonization and streamlining.

Service Partnerships

- CBSCs in the West responded to over 800,000 inquiries in the eight months to November 30;
- the Canada/British Columbia Business Service Centre earned a gold Distinction '96 award for creative and innovative websites at the Fourth Annual Salute to Excellence in the Management of Information Technology in the Federal Government;
- an electronic communications network to connect the 90 business centre members of the Service Network will be completed, allowing communication across the Network to support client services, and related training of all Service Network members was completed.

Figure 10: Departmental Appropriated Planned and Actual Spending

Vote (thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimates * 1995-96	Actuals 1995-96
Western Economic Diversification				
1 Operating expenditures	26,483	25,406	35,729	30,281
5 Grants and Contributions	141,839	220,779	430,205	321,265
(S) Minister of Western Economic Diversification - Salary and motor car allowance	17	--	--	--
(S) Liabilities under the Small Business Loans Act	2,945	3,464	9,041	9,041
(S) Contribution to employee benefit plans	2,201	2,223	2,309	2,309
(S) Spending on proceeds from the disposal of surplus Crown Assets	5	2	7	6
(S) Refunds of amounts credited to revenue in previous years	2	14	43	43
(S) Collection Agency Fees	--	--	3	3
Total Ministry - Budgetary	173,492	251,888	477,337	362,948

* Includes Supplementary Estimates, adjustments and transfers.

Actual expenditures in 1995-96 were \$114.4 million less than the total available for use.. The most significant factors in this difference are:

- A decrease of \$57 million in planned spending under Canada Infrastructure Works Program due to slower than expected uptake for the Program. These surplus funds have been reprofiled to future years; and
- A decrease in contribution payments resulting from the Program Review process.

IV - Supplementary Information

Appendix 1 - Organization

- 1.1 Organization Chart
- 1.2 WD Service Delivery Network

Appendix 2 - Personnel Requirements

- 2.1 Summary by Professional Category

Appendix 3 - Capital Requirements

- 3.1 Summary of Capital Requirements

Appendix 4 - Additional Financial Information

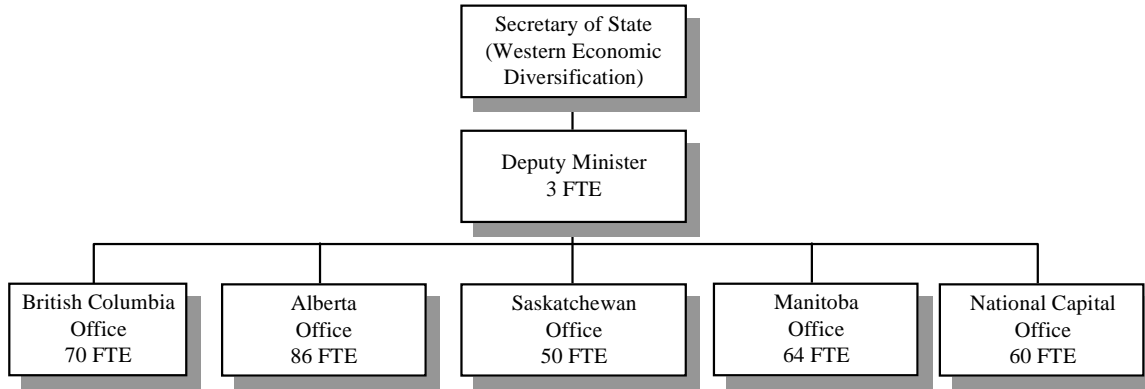
- 4.1 Details of Grants and Contributions
- 4.2 Revenue by Type
- 4.3 Presentation by Standard Object
- 4.4 Contingent Liability

Appendix 5 - WD Office Addresses

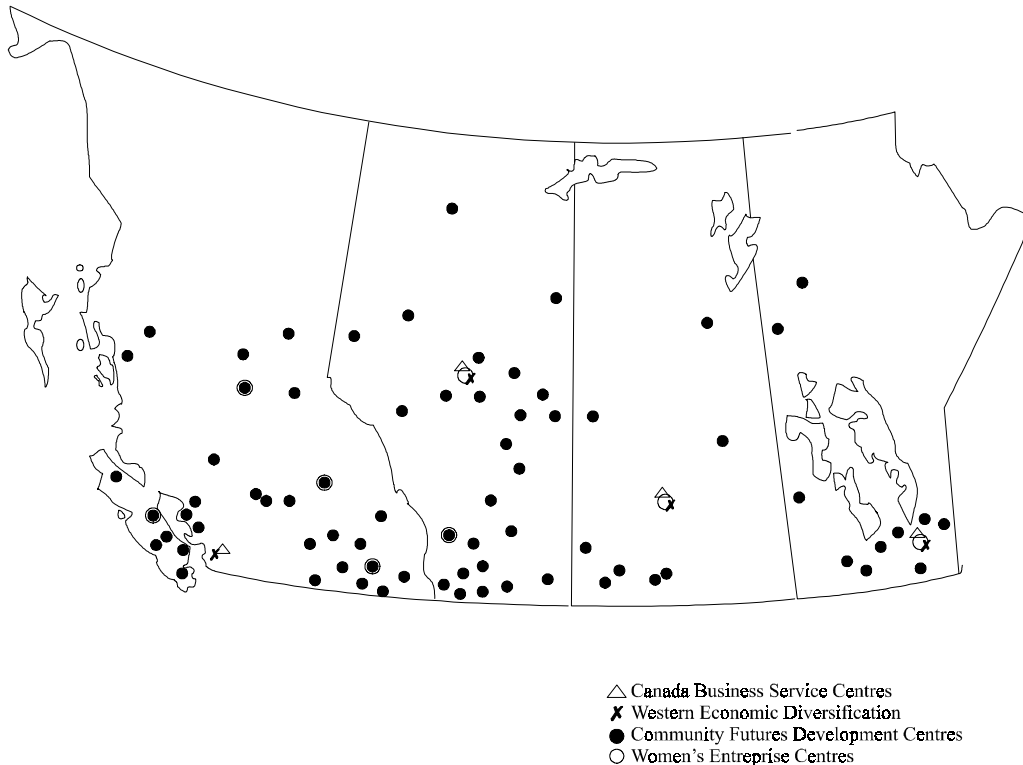
Appendix 6 - References

Appendix 1 - Organization

1.1 Organization Chart



1.2 WD Service Delivery Network



Through the Service Network partnerships, WD's human resource complement leverages non-governmental resources to provide services and information to small business and communities in western Canada. This includes approximately 900 Board Members/Volunteers and 300 staff through Community Futures Development Corporations and 59 Board Members/Volunteers and 37 staff through Women's Enterprise Centres.

Appendix 2 - Personnel Requirements

2.1 Summary by Professional Category (FTEs)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Order-in-Council						
Appointments	1	1	1	1	1	1
Executive Group	25	26	27	23	22	21
Scientific and Professional	3	3	4	5	5	4
Administrative and Foreign						
Service	174	207	235	207	204	201
Technical	3	4	4	6	5	4
Administrative Support	69	72	73	68	65	62
Summer Students	13	16	16	23	22	20
Total	288	329	360	333	324	313

Appendix 3 - Capital Requirements

3.1 Summary of Capital Requirements (\$000's)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Construction and acquisition of machinery and equipment	436	976	677	983	1,000	1,000

The nature of the equipment purchased is primarily telephone and message communications equipment, photocopiers, workstations, and other informatics related items.

Appendix 4 - Additional Financial Information

4.1 Details of Grants and Contributions (\$000's)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Grants						
Grants for the Western Diversification Program	38,200	0	5,000	5,000	5,000	5,000
	38,200	0	5,000	5,000	5,000	5,000
Contributions						
Contributions under programs or for projects that promote or enhance the economic development and diversification of western Canada, including the initiation, promotion or expansion of enterprises, the establishment of new businesses, research and development activities, the development of business infrastructure, and selective contributions to other programs affecting regional and economic development in western Canada	84,130	108,193	159,973	130,952	104,565	104,746
Contributions to the western provinces under the Canada Infrastructure Works Agreements	97,287	204,969	126,565	62,459	26,000	--
Contributions to western small and medium sized enterprises in strategic growth industries through the establishment of specialized Loan/Investment Funds, on commercial terms, in cooperation with private and public sector providers of debt/equity capital	--	5,065	16,000	5,000	5,000	5,000
Contributions under the Industrial and Regional Development Act and outstanding commitments under discontinued predecessor programs	1,041	3,038	1,000	--	--	--
Contributions under Sub-Agreements made pursuant to Economic and Regional Development/General Development Agreements	119	--	--	--	--	--
Contributions under the Western Transportation Industrial Development Program	3	--	--	--	--	--
(S) Liabilities under the Small Business Loans Act	3,464	9,041	17,000	16,700	16,600	13,100
	186,044	330,306	320,538	215,111	152,165	122,846
	224,244	330,306	325,538	220,111	157,165	127,846

4.2 Revenue by Type (\$000's)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Repayment of repayable contributions	48,888	49,428	70,000	54,000	56,000	56,000
Adjustment to prior year's Payables at Year End	5,271	177	0	0	0	0
Service Fees under the Small Business Loans Act	20,670	13,349	11,200	13,000	13,000	13,000
Other Revenue	1,425	1,243	1,000	1,060	1,030	1,000
	76,254	64,197	82,200	68,060	70,030	70,000

4.3 Presentation by Standard Object (\$000's)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Personnel						
Salaries and wages	16,492	17,453	19,598	19,821	20,017	18,441
Contributions to employee benefit plans	2,223	2,309	2,842	3,370	3,403	3,177
Sub-Total	18,715	19,762	22,440	23,191	23,420	21,618
Goods and Services						
Transportation and communications	1,820	2,336	3,500	2,498		
Information	192	564	600	770		
Professional and special services	2,818	4,339	4,000	3,906		
Rentals	242	301	400	310		
Purchased repair and upkeep	44	49	100	52		
Utilities, materials and supplies	351	1,082	900	1,136		
Other subsidies and payments	15	(156)	0	0		
Goods and Services from Internal Sources	3,011	3,390	3,773	2,981		
Minor capital	436	976	677	983		
Sub-Total	8,929	12,881	13,950	12,636	12,614	11,173
Total Operating	27,644	32,643	36,390	35,827	36,034	32,791
Transfer Payments						
Grants	38,200	0	5,000	5,000	5,000	5,000
Contributions	186,044	330,306	320,538	215,111	152,165	122,846
Total Transfer Payments	224,244	330,306	325,538	220,111	157,165	127,846
Total Expenditures	251,888	362,949	361,928	255,938	193,199	160,637

4.4 Contingent Liability

As at March 31, 1996 a contingent liability of \$1.6 million was outstanding against Western Economic Diversification. This claim relates to a dispute as to the existence of a contractual relationship between Shellmouth-Assiniboine Valley Economic Developments Inc. (S.A.V.E.D.) and the Government of Canada to build a ski hill in Assessippi Park, Manitoba.

It is not the policy of the Department to comment on the expected outcome of the case. It must however be recognized as a potential liability against the Crown and is therefore presented for information purposes only.

Appendix 5 - WD Office Addresses

Alberta

Suite 1500, Canada Place
9700 Jasper Avenue
Edmonton, Alberta T5J 4H7
(403) 495-4164
Alberta Toll-Free No.: 1-800-550-9558

British Columbia

P.O. Box 49276
Suite 1200, Bentall Tower 4
1055 Dunsmuir Street
Vancouver, B.C. V7X 1L3
(604) 666-6256
B.C. Toll-Free No.: 1-800-663-2008

Saskatchewan

P.O. Box 2025
Suite 601, S.J. Cohen Bldg.
119 - 4th Avenue South
Saskatoon, Saskatchewan S7K 3S7
(306) 975-4373
Saskatchewan Toll-Free No.: 1-800-203-9041

Manitoba

P.O. Box 777
Suite 712, The Cargill Bldg.
240 Graham Avenue
Winnipeg, Manitoba R3C 2L4
(204) 983-0697
Manitoba Toll-Free No.: 1-800-561-5394

Ottawa

P.O. Box 2128, Stn. D
8th Floor, 200 Kent Street
Ottawa, Ontario K1P 5W3
(613) 952-9378

WD's World Wide Web site:

<http://www.wd.gc.ca> - English

<http://www.deo.gc.ca> - French

Appendix 6 - References

- Five Year Report on Western Canadian Business - 1987-1992
- Survey of Job Creating Companies in Western Canada - January 1995
- An Overview of Small Business in Western Canada