

REPORT TO
PARLIAMENT | 2011



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Economic Development Agency
of Canada for the Regions of Quebec

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MESSAGE FROM THE MINISTER



As Minister of the Economic Development Agency of Canada for the Regions of Quebec, I am pleased to submit our organization's *Report to Parliament 2011*. This report briefly describes the Agency's recent achievements, its current priorities and the new initiatives that will contribute to the growth of Quebec's regions.

The economy is the Government of Canada's paramount priority, and all regions of Quebec are expected to play a key role in our country's development, notably by harnessing enterprises' crucial role as engines of economic growth. Quebec's regions and SMEs must therefore participate to their full potential in tomorrow's economy, building on their assets.

Over the past few years, the global economy has been shaken. This report describes initiatives deployed by the government, under *Advantage Canada* and *Canada's Economic Action Plan*, in order to stimulate the country's economy and limit the impact of the crisis.

The global economic context over the next few years will be just as demanding. In that perspective, the economic development model we are proposing is intended to help Quebec's regions and enterprises contend with uncertain conditions. Such uncertainty often affects single-industry communities or those whose activity is based primarily on natural resources or which are having difficulty diversifying their economic base.

The Agency therefore undertakes to continue paying special attention to communities posting slow economic growth, working closely with all key partners, including other federal departments, the Quebec government and the main regional economic agents.

It is important not to forget the importance of working together to explore innovative solutions, shape conditions conducive to development and elicit synergy among stakeholders.

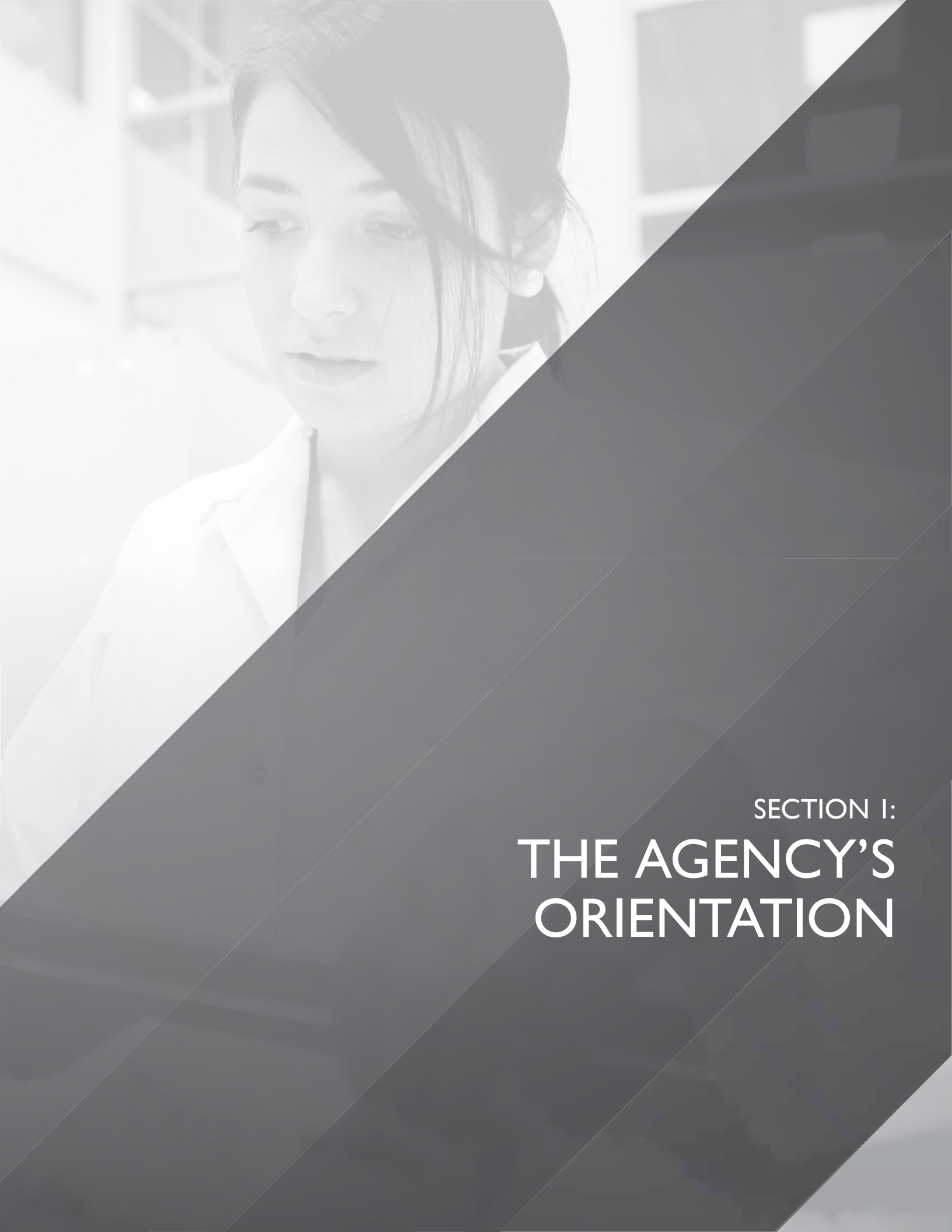
Over the past few years, I have criss-crossed every region of Quebec. I have talked with men and women who have devoted their lives to their enterprises and the creation of good jobs in their communities. I have also had discussions with regional leaders who understand that, in order to prosper in the new economy, Quebec's regions will have to intensify their diversification efforts, and that enterprises will have to increase their productivity and their ability to innovate.

While it is true that Quebec, its regions and its enterprises today face some major economic challenges, the Agency intends more than ever to be at their side in order to help them meet these challenges successfully and to embark on the path to prosperity.

Denis Lebel

Minister of Transport, Infrastructure and Communities
and Minister of the Economic Development Agency of
Canada for the Regions of Quebec





SECTION I:
**THE AGENCY'S
ORIENTATION**

A. ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC

I. Raison d'être and responsibilities

OBJECT

Under its enabling legislation,¹ which came into effect on October 5, 2005, the object of the Agency is to promote the long-term economic development of the regions of Quebec.

STRATEGIC OUTCOME

The Agency contributes to the growth of Quebec's regional economies.

VISION

Quebec regions and enterprises participate to their full potential in the economy of tomorrow, building on their respective assets.

Pursuant to its mandate, the Agency fosters the start-up and growth of enterprises. It helps them become more competitive, innovative and productive. At the same time, the Agency contributes to the dynamism of all Quebec regions by paying special attention to communities posting slow economic growth. The Agency also supports other activities aimed at increasing the prosperity of the Quebec economy.

Through its business offices and its advisors, the Agency has a presence well-rooted in all Quebec regions. It acts in relation to enterprises, primarily

small and medium-sized enterprises (SMEs), as well as non-profit organizations (NPOs). It is mainly through its financial support for the completion of projects that the Agency is able to support them in their development approach.

The Agency's approach is inspired by the best practices identified with respect to regional economic development. It is:

- **consistent** with government priorities and national strategies in line with its object and anticipated results;
- **geared** to the economic issues and challenges of enterprises and the different regions of Quebec by building on their assets and potential;
- **collaborative** with economic agents, such as local partners, other federal departments and agencies, the Quebec government and municipal organizations.

In addition to its regular programming, the Agency contributes to the design and implementation of national programs and targeted ad-hoc initiatives. During the five years covered by this report, more than 20 economic development programs were administered by the Agency.

¹ To consult the text of the *Economic Development Agency of Canada for the Regions of Quebec Act*, visit: <http://laws-lois.justice.gc.ca/eng/acts/E-1.3/index.html>.

Table I
PROGRAMS AND INITIATIVES IMPLEMENTED
BY THE AGENCY IN QUEBEC, 2006-2011

REGULAR PROGRAMS

- *Community Diversification (2007-2012)*
- *Business and Regional Growth (2007-2012)*
- *Regional Development Study (2007-2012)*
- *Regional Strategic Initiatives (1997-2007)*
- *Innovation, development of entrepreneurship and access program for SMEs (1995-2007)*

NATIONAL PROGRAMS IMPLEMENTED IN QUEBEC BY THE AGENCY

- *Community Futures Program (1995- . . .)*
- *North American Platform Program (2008-2013)*
- *Industrial Regional Benefits (1986- . . .)*
- *Canadian Apparel and Textile Industries Program – CANtex component (2004-2010)*

INFRASTRUCTURE CANADA DELIVERY PARTNER

- *Building Canada Fund - Quebec (2009-2017)*
- *Municipal Rural Infrastructure Fund (2005-2014)*
- *Canada Strategic Infrastructure Fund (2004-2014)*
- *Infrastructure Canada Program (2000-2011)*

AD-HOC INITIATIVES

- *Linguistic Duality Economic Development Initiative (2008-2013)*
- *Temporary Initiative for the Strengthening of Quebec's Forest Economies (2010-2013)*
- *Support Initiative for International Cruise Development (2008-2013)*
- *Program to finance the construction of a natural gas pipeline between Vallée-Jonction and Thetford Mines (2011-2014)*
- *Social Economy Support Initiative for Quebec (2005-2007)*

CANADA'S ECONOMIC ACTION PLAN INITIATIVES

- *Community Adjustment Fund (2009-2011)*
- *Recreational Infrastructure Canada Program (2009-2011)*
- *Contribution program to supply the Municipality of Shannon with drinking water (2009-2011)*

II. Economic context 2006-2011

Over the past five years, the global economy has undergone a major economic and financial crisis, which began in 2007 with the collapse of the real property bubble in the United States. Like all the industrialized economies, Canada and Quebec were unable to steer clear of the economic downturn, thus experiencing their worst economic upheaval in 20 years.

But Canada—and in particular Quebec—was better able to withstand the crisis than most industrialized countries, and was among those able to enjoy a quick return to growth. Since the third quarter of 2009, the Quebec economy has recovered all lost jobs, and its unemployment rate has returned to pre-crisis levels (7.4% in the third quarter of 2011).²

Nevertheless, Quebec enterprises and communities have been faced with a very difficult economic situation since 2007. Tighter credit conditions have hampered entrepreneurship, in addition to having prompted many enterprises to postpone their investment projects. That situation will inevitably have an impact on the competitiveness and productivity of Quebec enterprises in the years to come. The collapse of the U.S. property market, increased competition from emerging countries and the strength and volatility of the Canadian dollar also had a negative impact on Quebec exports, hitting the forest sector particularly hard. Indeed, many sawmills, pulp and paper mills and wood processing facilities have had to close down, thus affecting communities that depend on that sector.

Governments and central banks reacted, having no choice but to adopt unprecedented budgetary and economic stimulation measures without delay. Building on a sound financial situation and a solid banking system, Canada was able to implement its *Economic Action Plan*, an ambitious, effective plan to foster a recovery, to which the Agency was called upon to contribute.

While uncertainty still hangs over the world economy, as may be seen from the European debt and banking sector crisis, modest economic growth in Canada is nevertheless anticipated in the next few years. Quebec will have to adjust to the new global reality by making some significant structural changes. Thus, special emphasis will have to be placed on enhancing our enterprises' productivity, promoting entrepreneurship and innovation, and commercializing our products and services outside Quebec.

III. Contribution to national priorities

The Agency's strategic directions were guided by national priorities, among other considerations. By virtue of its economic vocation, the Agency is central to the government agenda and has thus actively contributed to advancing that agenda over the past few years by working in conjunction with its numerous economic development partners in Quebec.

In a context marked by global economic crisis, the Government of Canada has largely focussed on sustaining growth and employment. The Agency has played a leadership role in this regard by contributing in particular to the design and delivery of *Canada's Economic Action Plan* (CEAP) initiatives, namely, the *Recreational*

² Whereas the Quebec economy posted a loss of 62,700 jobs during the economic and financial crisis of 2008-2009, 141,300 jobs were created between the third quarter of 2009 and the same quarter of 2011.

Infrastructure Canada (RInC) program under a Canada-Quebec Agreement, and the *Community Adjustment Fund* (CAF). The goal of CEAP is to mitigate the impact of the economic and financial crisis in the short term.

In line with the latest federal budgets, the Agency has supported the adjustment of communities dependent on traditional sectors, such as forestry, that are experiencing difficulties. Thus, the Agency has introduced measures to help these communities diversify or reinforce their industrial structure, through:

- the establishment of two Canada-Quebec committees (Lebel-Bécharde Committee and Lebel-Gignac Committee) looking at the challenges of the forest industry and the conclusion of seven agreements to support projects for silviculture, reforestation and restoration of bridges and culverts;
- the *Temporary Initiative for the Strengthening of Quebec's Forest Economies*, aimed at the diversification and reinforcement of the economy of regions dependent on the forest sector;
- the *Support Initiative for International Cruise Development Along the St. Lawrence and Saguenay Rivers*, which contributes to diversifying the economy of various regions, including Côte Nord, Gaspésie – Îles-de-la-Madeleine and Saguenay – Lac-Saint-Jean, by building on their potential.
- the *Canadian Apparel and Textile Industries Program*, a national program which helped textile sector enterprises increase their productivity, develop distinctive products and exploit new sectors.

The Agency's intervention comes under the broader framework of *Advantage Canada*, the Government of Canada's long-term economic action plan. The Agency's mandate is built primarily around three of the five competitive advantages of the plan: entrepreneurial, knowledge and infrastructure advantages. The Agency has contributed by funding, for instance, the *Business Startup and Succession Fund*, technological incubators, college centres for technology transfer, the INO (national optics institute) in Quebec City and various projects to make broadband Internet more accessible in rural and remote regions. It has also delivered in Quebec the *Municipal Rural Infrastructure Fund* and the *Building Canada Fund* in order to upgrade urban and rural municipal infrastructure and enhance citizens' quality of life.

Finally, the Agency has implemented in Quebec other Government of Canada priorities, such as the *Community Futures Program* (CFP), a Canada-wide program which helps communities take charge of their economic development, or the *Roadmap for Canada's Linguistic Duality Economic Development Initiative*, which fosters the economic development of official language minority communities. The Agency has also invested effort, in conjunction with its federal partners, within the framework of the *Industrial and Regional Benefits* (IRB) Policy. In particular, it has promoted the interests of Quebec enterprises in order to maximize in Quebec regions the spinoffs generated by the federal government's major procurement projects, primarily in the defence sector.

IV. Human and financial resources

Between 2006 and 2011, the Agency's total actual expenditures amounted to some \$1.9 billion, including \$1.6 billion in grants and contributions. Of that amount, \$1.2 billion was spent by the Agency through its regular programming, while actual spending for national programs and ad-hoc initiatives stood at \$403.4 million.

Over the same period, the Agency had an average of 417 full-time equivalent employees (FTEs) distributed across its business offices, its Gatineau liaison office, and its Infrastructure office and head office, both located in Montreal. In view of its small size, the Agency counts on its employees' versatility to deliver all its programs more efficiently.

The annual variation in expenditures and the number of FTEs from 2006 to 2011 primarily represents additional resources hired by the organization to deliver the programs and initiatives for which new funding has been allocated to the Agency, such as CEAP. The table below presents the Agency's human and financial resources over the past five years.

TABLE 2
HUMAN AND FINANCIAL RESOURCES, 2006-2011

Financial resources (\$M)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	Total
<i>Regular programs</i>	283.1	266.1	221.5	219.8	216.7	1,207.2
<i>National programs and ad-hoc initiatives</i>	33.0	19.7	21.0	122.3	207.4	403.4
<i>Operations</i>	48.8	50.6	50.9	56.0	55.9	262.2
Total actual expenditures	364.9	336.4	293.4	398.1	480.0	1,872.8

Human resources (FTEs)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	Total
Total actual resources	417	401	401	426	442	N/A

Sources: *Agency Departmental Performance Reports* (FY 2006-2007 to 2010-2011).

B. RESULTS FOR CANADIANS

I. Overview of the Agency's overall performance

As a result of methodological changes made to the Agency's performance measurement in 2007, the results presented in this section are based on projects for which an expenditure was made between April 1, 2007 and March 31, 2011. The following table presents an overview of the Agency's overall performance during that period.

Table 3
PROFILE OF THE AGENCY'S OVERALL PERFORMANCE, 2007-2011

Main results observed	Performance available in 2011
Number of projects supported	2,974 projects
Agency's total actual expenditures	\$1,114.1 M
Leverage effect ³	\$2.66

Main long-term results

Agency's strategic outcome - Quebec regions have growing economies

Regions' gross domestic product

The gross domestic product of Quebec's 17 administrative regions increased for the period 2006-2011.

Survival rate⁴

Enterprises assisted by the Agency posted a higher survival rate than a control group consisting of comparable enterprises which did not receive Agency support. Thus, close to three quarters of enterprises assisted in 2002 were still in operation seven years later (2009), compared with 68% for the control group of enterprises not receiving assistance.

Sales⁴

Over the period 2002-2009, enterprises supported by the Agency performed better in terms of sales growth, increasing their total sales by 72%, whereas those not receiving Agency support saw their sales increase by an average of 47%.

³ The leverage effect excludes funding associated with infrastructure programs.

⁴ Statistics Canada conducted a study comparing enterprises assisted by the Agency with a group of comparable enterprises not receiving financial assistance from the Agency. This study looked at 1,199 enterprises which benefited from Agency support between 2002-2003 and 2007-2008 and could be matched with enterprises in Statistics Canada databases (REQ [Quebec registrar of companies], CRA and IGRF). The control group was established on the basis of the following criteria: revenues, number of employees, operating margin, total assets, debt ratio, NAICS.

Incentive nature of assistance⁵	
1. Proportion of recipients stating that they would not have carried out their project without Agency assistance	83%
2. Proportion of recipients stating that they would not have carried out their project within the same timeframe and on the same scale without Agency assistance.	95%
Customer satisfaction⁵	
1. Quality of services in general	93%

Between April 1, 2007 and March 31, 2011, the Agency invested close to \$1.6 billion on a multi-year basis in 2,974 projects submitted by promoters under regular programs, national programs or ad-hoc initiatives delivered by the Agency.⁶ Financial assistance authorized by the Agency generated \$5.7 billion in investment in the different regions of Quebec. Thus, each dollar invested by the Agency in communities and enterprises led to \$2.66 in investment from promoters and other funding sources.

The Agency acts more in relation to enterprises, although on average it grants them smaller financial contributions. Indeed, whereas 55% of the projects approved by the Agency between 2007 and 2011 were concluded with enterprises, 29% of Agency spending went to them. Consequently, non-profit organizations are the Agency's clients in 45% of approved projects, while they account for 71% of its spending, thus ensuring that it has a broader scope of intervention with respect to enterprises and communities from all regions of Quebec.

Furthermore, the Agency provides its financial assistance on an incentive basis. Thus, in a 2009 survey of promoters, 83% stated that their project would not have been carried out without the Agency's assistance. This proportion climbs to more than 95% when one includes respondents who stated that, without financial assistance from the Agency, their project would not have been carried out on the same scale or within the same timeframe.

Moreover, the summative evaluations recently conducted by the Agency point to the timeliness and performance of the *Community Diversification* and *Business and Regional Growth* programs. These, the Agency's main programs, are important tools for supporting communities' and enterprises' projects and are in line with the priorities set out by the government. In addition, the Agency's action is consistent with the federal government's roles and responsibilities with respect to regional economic development, and its actions are complementary to those taken by the other stakeholders in Quebec.⁷

Finally, the Agency aims for excellence in public management. Having held ISO certification for more than 10 years, the Agency has improved the quality of its services over the years. In 2009, it maintained a high level of satisfaction (93%) for the quality of services in general, even surpassing its goals (90%).⁸

⁵ This result is taken from the *Annual Customer Satisfaction Survey of the Economic Development Agency of Canada for the Regions of Quebec* (winter 2010).

⁶ Excluding the *Infrastructure Canada Program*

⁷ Summative evaluation of the *Community Diversification Program* and *Business and Regional Growth Program* of the Economic Development Agency of Canada for the Regions of Quebec, Montreal, 2011.

⁸ The Agency's customer satisfaction goals are based on historical data, revised on a yearly basis and approved by senior management.

II. Results with respect to support for enterprises

The Agency contributes to the renewal of the pool of enterprises in Quebec and the enhancement of existing enterprises' competitiveness through the *Community Diversification* and *Business and Regional Growth* programs. The total value of the 2,164 projects backed by the Agency to support enterprises between April 1, 2007 and March 31, 2011 stood at \$3.8 billion. A total of \$780.2 million came from the Agency on a multi-year basis, making this the organization's largest area of intervention. Thus, each dollar authorized by the Agency to support enterprises led to \$3.91 in investment from promoters and other funding sources.

Table 4
PROFILE OF AGENCY PERFORMANCE WITH RESPECT TO SUPPORT FOR ENTERPRISES, 2007-2011

Main results observed	Performance available in 2011
Number of projects approved	2,164 projects
Agency's actual expenditures	\$505.7 M
Percentage of Agency's total actual expenditures	45%
Leverage effect ⁹	\$3.91

Main short- and medium-term results (associated with projects in progress):

Final result – *The pool of enterprises in Quebec is renewed and competitive*

Number of enterprises started up or created

460 enterprises

Number of enterprises developed

821 enterprises

Survival rate

Some 75% of enterprises assisted in 2002 were still active seven years later (2009).

Sales

Enterprises supported saw their sales increase by an average of 72% over the period 2002-2009.

Enterprises, and SMEs in particular, are the engine of economic development in Quebec. They are recognized as generating in communities a significant share of economic activity and creating employment. Thus, the Agency wishes to contribute to the growth of enterprises by supporting entrepreneurship in Quebec and encouraging existing enterprises to enhance their performance.

⁹ The leverage effect solely reflects financial assistance provided to enterprises under the Agency's regular programs.

Support for entrepreneurship

Proportionally speaking, Quebec has fewer entrepreneurs than in the rest of Canada. The Agency therefore contributes to supporting the emergence of future entrepreneurs. In concrete terms, 1,014 enterprises received entrepreneurship accompaniment services between 2007 and 2011, and the Agency contributed to the start-up and creation of 460 new enterprises. The Agency also fosters the longevity of existing enterprises by supporting succession planning and financing of enterprise transfers. The Agency's action aimed at boosting entrepreneurial dynamism is consistent with the government agenda. Indeed, the entrepreneurial advantage is one of the five competitive advantages to which the Government of Canada gives priority in its long-term economic plan, *Advantage Canada*.

Spinoffs for our regions

The *Groupement des chefs d'entreprise du Québec*, a business owners group, is a network set up so its members, exclusively comprising SME owners and successors, can share their experiences. In August 2010, the Agency funded a pilot project of the *Groupement* which, using a Web-based approach, elicits and supports succession planning by business owners. The Agency's financial support has led to the design, development and production of 20 Webinars (Internet seminars) and of Web discussion tools intended to prepare and equip entrepreneurs more effectively. The two-year project terminates in September 2012 and is aimed at providing 800 entrepreneurs with accompaniment through the succession process.

Enterprises' performance

In a constantly evolving global economic context, enterprises' success depends on their ability to adjust rapidly by taking action and initiating change. The Government of Canada encourages enterprises to innovate and convert their ideas into business opportunities, enhance their productivity and penetrate new markets. Thus, since 2007, the Agency has supported the development of 821 existing enterprises in order to contribute to enhancing their performance and competitiveness. Of this number:

- 264 enterprises are new exporters, and 226 enterprises have developed their ability to commercialize their products and services;
- 224 enterprises have developed their innovation capability, and have improved or developed more than 1,000 products or processes;
- 1,001 enterprises have taken part in more than 250 technology transfer activities;
- 246 enterprises have enhanced their productivity by acquiring equipment and adopting new processes and technologies.

Comparative data on the Agency's impact

An analysis conducted by Statistics Canada showed that during the period 2002-2009, enterprises receiving financial support from the Agency generally performed better than a control group consisting of comparable enterprises that received no Agency support.

Enterprises assisted by the Agency increased their sales by an average of \$350,000 more than enterprises not receiving assistance between 2002 and 2009. Sales by Agency clients thus rose from \$3 million to \$5 million, while those of the control group rose from \$3.8 million to \$5.6 million.

On the employment front, enterprises supported by the Agency posted a 28% decline in employment levels between 2002 and 2009, compared with a 37% decline for enterprises not supported. These job losses are largely attributable to the recent global economic crisis.

Moreover, the average salary per employee of enterprises assisted by the Agency rose by 36% between 2002 and 2009, or 19 percentage points more than in comparable enterprises not receiving assistance.

Finally, the survival rate of enterprises supported by the Agency in 2002 (73%) was higher than that of comparable enterprises not receiving support (68%), after seven years of operation (2009).

III. Results with respect to support for regions

The Agency contributes to reinforcing the economic base of the different regions of Quebec through the *Community Diversification* and *Business and Regional Growth* programs. The total value of the 212 projects backed by the Agency to support the regions between April 1, 2007 and March 31, 2011 amounted to \$569.2 million. A total of \$178.7 million came from the Agency on a multi-year basis. Thus, each dollar authorized by the Agency to support the regions led to \$2.18 in investment from promoters and other funding sources.

Table 5
PROFILE OF AGENCY PERFORMANCE WITH
RESPECT TO SUPPORT FOR REGIONS, 2007-2011

Main results observed	Performance available in 2011
Number of projects supported	212 projects
Agency's actual expenditures	\$98.4 M
Percentage of Agency's total actual expenditures	9%
Leverage effect ¹⁰	\$2.18

Main short- and medium-term results (associated with projects in progress):

Final result – Quebec regions have a reinforced economic base

Number of communities supported

54 communities

Total value of initiatives

\$569.2 M

Strong, competitive regions are the very basis of economic growth. Quebec's regions present a variety of contexts, with their own issues, challenges and assets. The Agency thus wishes to contribute to building dynamic regions, and achieves this by supporting in particular the creation and development of enterprises, which are wealth generators. It also does so, by supporting local communities as they take charge of their economic development and by stimulating investment in all regions of Quebec.

¹⁰ The leverage effect solely reflects financial assistance provided to enterprises under the Agency's regular programs.

Mobilization of regions

The economies of some Quebec communities show little diversification and are based essentially on a single industrial sector—traditional or natural resource-related—or a single major corporation. These single-industry communities are more sensitive to economic fluctuations. After experiencing a downturn, these communities were hit by the slow pace of economic recovery. For them, reinforcement of the economic base while building on their assets remains the paramount issue.

The Government of Canada has in fact undertaken to foster “economic diversification and helped create opportunities in communities across Canada.”¹¹ Enhancing local communities’ accountability and responsibility for their economic development and the synergy with which stakeholders interact are conducive to the establishment of growth-generating projects.

Since 2007, the Agency has thus supported 39 communities in their efforts to take charge of their economic development by supporting the mobilization of and joint action by stakeholders, planning, the search for funding, and implementation of structuring initiatives as well as initiatives targeting recovery or diversification.

Among communities supported by the Agency

Diversification of the Shawinigan economy LaPrade economic development fund

Description:

Following the announcement of the closing of the AbitibiBowater Belgo and Rio Tinto Alcan facilities, representing the loss of hundreds of jobs, a diversification and development committee was set up.

Agency contribution:

The Agency supported the conducting of feasibility studies for the use of the facilities, and provided \$220,000 in financial support out of a total cost of \$410,000 for the hiring of a co-ordinator for the committee’s activities. It also gave non-financial support, notably by drawing up a communication protocol as well as playing a mobilization role by co-ordinating and participating in several ad-hoc initiatives from the community.

Main results:

The committee’s activities led to the development of a shared development vision by community stakeholders and the drawing up of a development plan with targeted niches, including energy and information and communications technologies (ICT). Some 30 initiatives and projects from NPOs and SMEs were supported by the Agency through this development plan.

¹¹ *Budget Plan 2009*, page 182.

Investment in the regions

The different regions of Quebec need to realize investment projects in order to attain their full development potential and thus increase Quebec's economic growth. The attraction of "new investment in Canada, including direct investment from abroad,"¹² remains a priority for the federal government, particularly under *Advantage Canada*. It is through support for implementation of community economic facilities and promotion of regional assets that the Agency elicits investment in the different regions of Quebec.

Strongly influencing economic growth, adequate community economic facilities stimulate investors.¹³ The Agency has supported 15 Quebec communities since 2007 in their efforts to acquire such facilities so that the regions benefit from the spinoffs generated by their presence. It has also contributed to the expansion or modernization of 21 facilities, including projects involving the implementation of broadband networks and infrastructure development.

Spinoffs for our regions

In conjunction with other funding providers, the Agency was a major partner in the implementation of the Northern Mining Transit Centre in Abitibi-Témiscamingue. The Centre's role is to provide service geared to the needs of mining corporations and their suppliers in the transit of goods and employees to remote mining sites for which air transportation is required. This strategic infrastructure will enhance the region's ability to serve enterprises in this sector that have activities in the Far North (e.g., in Nunavut), thus contributing to the development of local suppliers associated with mining and, consequently, to the region's dynamism.

Furthermore, the Agency fosters the promotion of regions' assets in order to increase investment carried out by foreign firms or international organizations, or generated by the presence of tourists. The regions of Quebec face growing international competition to attract and maintain foreign direct investment (FDI) owing to the significant economic spinoffs it generates.¹⁴ Since 2007, global FDI inflows to Quebec have been falling.¹⁵ The deployment of global flows to emerging countries, such as China, combined with unstable financial markets, partly explains Quebec's decline in that regard.

Spinoffs for our regions

Projects for international promotion of regions supported since 2007 have fostered the establishment of or reinvestment by 88 foreign enterprises in Quebec, as well as support for establishment or maintenance of 17 international organizations, 15 of which are still established. According to a study conducted by SECOR, the recurrent net economic spinoffs from international organizations established in Montreal are significant. In 2007, the added value generated by international organizations established in Montreal was estimated at more than \$193 million.¹⁶

¹² *Budget Plan 2010*, page 206

¹³ Desjardins Group's Economic Studies (2011), *For a better future in Quebec*, page 8, and *Budget 2011*.

¹⁴ Walid Hejazi, « Dispelling Canadian Myths about Foreign Direct Investment », *IRPP Study* No 1, Montreal, 2010.

¹⁵ Statistics Canada, *Foreign and domestic investment in Canada, 2009-2011*, Ottawa, 2011.

¹⁶ SECOR, *Les retombées économiques associées aux activités des organisations internationales* (Economic spinoffs associated with international organizations), Montreal, 2009.

IV. Results in implementation of national programs and ad-hoc initiatives

Aside from its regular programming, the Agency was called upon to design, administer and implement some 20 national programs or ad-hoc initiatives that contribute to reinforcing the economy of Quebec communities. Since 2007, the Agency has supported the completion of 598 projects reaching a total value of \$1.3 billion. A total of \$609.2 million came from the Agency on a multi-year basis, making this the organization's second largest area of intervention. Thus, each dollar authorized by the Agency generated \$1.19 in investment from promoters and other funding sources.

Table 6
PROFILE OF AGENCY PERFORMANCE, NATIONAL PROGRAMS
AND AD-HOC INITIATIVES, 2007-2011

Main results observed	Performance available in 2011
Number of national programs and ad-hoc initiatives implemented ¹⁷	19
Number of projects supported	598 projects
Agency's actual expenditures	\$510 M
Percentage of Agency's total actual expenditures	46%
Leverage effect ¹⁸	\$1.19

The Agency thus aims to reinforce the economy of Quebec communities, by supporting the economic development of rural communities and delivering certain Infrastructure Canada programs in Quebec. It also achieves this by temporarily supporting economic activity in communities undergoing an economic shock which are faced with sizeable economic development challenges or have growth-generating opportunities to be grasped.

¹⁷The national programs and ad-hoc initiatives implemented by the Agency are: *Temporary Initiative for the Strengthening of Quebec's Forest Economies, Support Initiative for International Cruise Development, Canadian Grand Prix, Roadmap for Canada's Linguistic Duality Economic Development Initiative, Recreational Infrastructure Canada Program, Community Adjustment Fund, Sept-Îles Port Authority, Quebec City Jean-Lesage International Airport, Integrated Centre for Pulp and Paper, Social Economy Support Initiative for Quebec, Program to finance the construction of a natural gas pipeline between Vallée-Jonction and Thetford Mines, Infrastructure Canada Program, Physical Education and Sport Centre (PEPS) at Laval University, Montreal Planetarium, Canadian Apparel and Textile Industries Program – CANtex component, Contribution program to supply the Municipality of Shannon with drinking water, 400th Anniversary of Quebec City, Broadband network in James Bay, and Support initiative in response to the flooding in the Côte-de-Gaspé RCM.*

¹⁸The leverage effect excludes funding associated with infrastructure programs.

Community Futures Program (CFP)

The Agency carries out the delivery in Quebec of the *Community Futures Program* (CFP), a Canada-wide program which for the past 25 years has been supporting local economic development in Canada's rural regions and was renewed in the 2010 federal budget.¹⁹ The latest evaluation of the CFP confirms its timeliness, since it targets communities whose economic performance is lower than the Quebec average.²⁰

Between 2008 and 2011, the Agency provided its financial support through the CFP to local and regional development organizations, namely, the 57 Community Futures Development Corporations (CFDCs) located in designated rural areas, the 14 Community Economic Development Corporations (CEDCs) located in underprivileged urban areas and the 10 Business Development Centres (BDCs) located in peri-urban areas. Some \$127 million was paid to those organizations over that period.

Spinoffs in our regions

The *Business Startup and Succession Fund* was developed in close co-operation between the Agency and the *Fonds commun des SADC* (CFDC common fund). It is implemented with the support of CFDCs, BDCs and venture capital corporations. The purpose of the *Fund* is to increase access to venture capital in the different regions of Quebec in order to foster the creation of new enterprises and facilitate the local transfer of ownership with a view to ensuring the maintenance of decision-making centres in the regions, and the creation and maintenance of employment. As of March 31, 2011, 44 projects have been approved (nine in start-up and 35 in the succession phase), and the value of the Agency's financial contribution has amounted to \$12 million. Three months prior to the end of the contribution period, the entire budget envelope had been invested in eligible projects.

Infrastructure Canada delivery partner

The Agency acts as Infrastructure Canada's delivery partner for the management in Quebec of their different programs. Against a backdrop of global economic crisis, the Government of Canada has embarked upon the "largest federal investment in infrastructure in over 60 years"²¹ to stimulate job creation and sustain Canada's long-term economic prosperity.

The Agency has thus contributed to the advancement of national priorities through the implementation in Quebec of the *Building Canada Fund*, which targets projects for revitalization or construction of water supply and sewer infrastructure and wastewater treatment facilities. It has also managed the agreement concerning the *Municipal Rural Infrastructure Fund*, the *Canada Strategic Infrastructure Fund* and the *Infrastructure Canada Program*, which terminated on March 31, 2011.

Since the vast majority of infrastructure projects funded under these programs are carried out by municipalities, the Agency works closely with the provincial government through Canada-Quebec Agreements. Indeed, a recent Infrastructure Canada evaluation acknowledges that federal delivery partners, the Agency among

¹⁹ In fact, "Budget 2010 renews funding for a number of programs, including [...] \$11 million per year, ongoing for the Community Futures Program," representing \$2.84 million per year for the Agency (page 119).

²⁰ <http://www.dec-ced.gc.ca/docs/F3771/rapport-evaluation-economie-sociale-fra.pdf>

²¹ *Budget Speech 2010*, page 4.

them, have fostered optimization of program delivery through their expertise and general knowledge of regional operations.²²

Performance highlights with respect to infrastructure programs may be found in Infrastructure Canada's *Departmental Performance Reports*.²³

Ad-hoc, targeted support

The Agency provides ad-hoc support for the economic activity of Quebec communities in order to stabilize or reinforce their economies. The changing context requires an ability to act in real time, geared to major local needs or responding to specific government priorities. Thus, the Agency has the ability to support Quebec communities undergoing an economic shock or a natural disaster that have to contend with major issues of economic development or opportunities affording potential for the future. Examples include:

- *Community Adjustment Fund (CAF)*. In 2009, the Agency implemented the CAF, a two-year CEAP initiative. The CAF contributed to job maintenance and creation, while responding to the adjustment challenges of the communities hardest hit by the economic crisis. In all, 231 projects were carried out, generating \$357.8 million in investment in 155 communities. In addition to projects with NPOs, 190 enterprises received financial support from the Agency. According to estimates from the Department of Finance Canada, CEAP has helped create or maintain more than 220,000 jobs across Canada.
- In 2009, the Agency was assigned a \$100-million budget envelope in order to deliver the *Temporary Initiative for the Strengthening of Quebec's Forest Economies (TISQFE)*. Terminating in 2013, this initiative is intended to diversify and reinforce the economy of regions dependent on the forest sector. The Agency has funded 83 projects from communities affected by the forestry crisis, for a total of \$22 million in contribution expenditures.
- The Agency has also been implementing since 2008 the *Support Initiative for International Cruise Development Along the St. Lawrence and Saguenay Rivers (Cruise Initiative)*. The Agency has received \$60 million to deliver this initiative, which will end in 2013, in order to contribute to diversifying the economy of various regions, including Côte Nord, Gaspésie – Îles-de-la-Madeleine and Saguenay – Lac-Saint-Jean, by building on their potential. The Agency has since funded 33 projects totalling \$16.8 million in contribution expenditures.
- Finally, the Agency received a budget envelope of \$10.2 million over five years (2008-2013) earmarked for Official Language Minority Communities in Quebec. Thus, through the *Roadmap for Canada's Linguistic Duality Economic Development Initiative (EDI)*, the Agency has supported 18 projects from English-speaking communities, totalling \$2.9 million in contribution expenditures.

²² *Infrastructure Canada Program National Evaluation* (2010) <http://www.infrastructure.gc.ca/pd-dp/eval/2010-10-26-ICP-PIC-ES-eng.html>.

²³ Refer to the Infrastructure Canada Web site at www.infc.gc.ca.

V. Results with respect to sound management practices

The Agency has successfully shown efficiency and effectiveness in the management of public funds, building partly on its business model, which has enabled it to serve enterprises and communities across Quebec and to achieve the anticipated results while remaining small. Furthermore, in 2006, the *Blue Ribbon Panel* cited the Agency as an example for its excellence with respect to customer service and its best practices in the management of grants and contributions.²⁴ The Agency's ability to act rapidly and its flexibility have also been demonstrated on many occasions. In that regard, Canada's Auditor General recently emphasized that departments—the Agency among them—have designed *Canada's Economic Action Plan* programs “to allow for timely implementation while maintaining suitable controls.”²⁵

Over the past five years, the Agency has reinforced its efficiency by enhancing the quality of the different aspects of its management. The Agency's evaluations under the *Management Accountability Framework* (MAF)²⁶ testify to this. Established by the Treasury Board Secretariat to improve the performance of the machinery of government, the MAF is intended to provide managers with updates on management within their organizations. The Agency has been an active participant in the MAF since Round 4 (2006-2007), which coincided with the implementation of results-based management in the Department. Under the MAF, the Agency particularly distinguished itself through its competency in managing change, as well as the quality and use of its evaluations at the decision-making stage.

The messages from the Government of Canada and the Clerk of the Privy Council are unequivocal: the Public Service has to review and modernize its procedures so as to be more efficient and give Canadians better service. In 2010, the Agency took the opportunity of its strategic review to embark upon the path of transformation. It has since updated its economic development vision, as well as simplifying its program activity architecture and performance measurement framework. The Agency has also reduced to one the number of transfer payment programs it will be delivering from April 1, 2012, in order to fulfil its object.

Furthermore, the Agency has initiated a review of its business processes and adopted modern practices building on technology. For instance, it has reduced its travel costs for meetings and training by acquiring a telepresence system. It has also introduced a risk-based claims processing procedure, thus contributing to alleviating the administrative burden on promoters. Finally, the Agency has participated in the establishment of more integrated, effective and economical departmental services, such as the Government Pay Centre and Shared Services Canada.

The Agency has thus constantly improved the quality of its services and the efficiency of its workplace, and intends to continue its efforts in that regard in the years to come so as to contribute to the renewal and modernization of the Public Service.

²⁴ Independent Blue Ribbon Panel on Grant and Contribution Programs, *From Red Tape to Clear Results*, Ottawa, 2006
<http://dsp-psd.pwgsc.gc.ca/Collection/BT22-109-2007E.pdf>

²⁵ *Report of the Auditor General of Canada to the House of Commons: Chapter 1, Canada's Economic Action Plan*, Ottawa, Fall 2010
http://www.oag-bvg.gc.ca/internet/docs/parl_oag_201010_01_e.pdf

²⁶ Treasury Board of Canada Secretariat, *Management Accountability Framework*,
<http://www.tbs-sct.gc.ca/maf-crg/index-eng.asp>

An aerial photograph of a rural landscape. In the foreground, there are rolling hills and a dirt road. In the middle ground, there is a cluster of farm buildings, including barns and silos. In the background, a town or city is visible, with a large body of water in the distance. The sky is overcast.

SECTION 2: OUTLOOK

Over the next five years, the Agency intends to contribute to the growth of Quebec's regional economies, through the delivery of its new program developed from the organization's *Strategic Framework 2012-2017*. As a key collaborator in economic development in Quebec, the Agency will continue through its action to stand at the core of the Government of Canada's major economic priorities and adapt to the realities and challenges specific to the enterprises and different regions of Quebec.

C. CHALLENGES FOR THE QUEBEC ECONOMY

While Quebec has historically posted levels of prosperity lower than the rest of Canada and the United States, Quebec's economy withstood the recent crisis more effectively than most other industrialized economies. Quebec enjoys many assets: it benefits from access to the North American market, a diversified manufacturing sector, growing avant-garde technological industries, a skilled labour force and abundant natural resources, among others. Well-positioned on the global playing field, the province of Quebec nevertheless faces major challenges with respect to productivity, innovation and entrepreneurship if it is to engage in sustainable growth.

Over the next 20 years, Quebec's labour force should decline substantially. So wealth creation and maintenance of the standard of living will require an increase in productivity, and will no longer be stimulated solely by job creation. Despite the progress seen in this regard over the past decade, Quebec's economy lags in terms of productivity persistently behind Canada as a whole and the majority of OECD countries. Investment in human capital, upgrading of processes or products, acquisition of equipment or technologies will reinforce enterprises' ability to stand out and retain their competitive advantages. The current context, marked by the strong Canadian dollar and low interest rates, is conducive to investment by enterprises.

Quebec's prosperity is also based on the ability of its enterprises to innovate and transfer knowledge. Quebec ranks first in Canada in terms of industrial research intensity as a percentage of GDP. But Quebec enterprises are less effective at converting the results of research into business opportunities, thus limiting the economic spinoffs from innovation for all the regions. Also, most innovation work is carried out by established enterprises using existing knowledge and technologies to enhance their products and processes in a perspective of continuous improvement.

Furthermore, Quebec's slow demographic growth places a damper on the emergence of new enterprises. Entrepreneurship contributes to renewal of the regions' industrial structure, stimulates innovation and generates employment. In 2013, the arrival of new Quebec entrepreneurs will not be sufficient to offset anticipated retirements. In that regard, the rate of enterprise creation has flagged in Quebec over the past 30 years, and the level of entrepreneurship remains below the Canadian average. Thus, 10% of the Quebec population own businesses, compared with 16% in the rest of Canada.²⁷

²⁷ Fondation de l'entrepreneurship (2011), *L'indice entrepreneurial 2011*, page 9.

D. MAJOR GOVERNMENT PRIORITIES

Growth and employment, along with the success of regions and enterprises, are central to the Government of Canada's major economic priorities:

“Jobs and growth will remain our Government's top priority.[...] In addition to guarding the interests of our nation as a whole, our Government will continue taking action to address the needs and aspirations of every region of the country.” (Speech from the Throne, 2011).

The Government of Canada intends to contribute to this by supporting innovation and technology transfer, trade and investment in particular. The Agency's action will continue to be aligned with the goals and principles of *Advantage Canada*. In line with its object, the Agency will contribute primarily to three of the five key advantages of this long-term economic action plan of the federal government, those associated with entrepreneurial, knowledge and infrastructure advantages.

Furthermore, the re-establishment of a balanced budget by 2014-2015 is one of the cornerstones of the Government of Canada's current platform. In a period of economic austerity, Canadians expect the government to be even more vigilant in its management of public funds. Thus, the Agency, like other federal departments, will be implementing its action plan to reduce the deficit in order to contribute to the government effort. In that regard, the Agency intends to become a model federal organization, more efficient than ever, making greater use of modern tools and processes.

E. FORWARD-LOOKING PLANS AND PRIORITIES

In the past, the Agency has focussed on diversification of the Quebec economy by helping enterprises create jobs. While diversification and employment will remain important in the coming years in terms of targeted results, the Agency will have to redirect its action so as to meet increasingly significant challenges in Quebec stemming from the fact that its population is aging more rapidly than elsewhere in Canada. The Agency thus intends to focus more on renewal of the pool of enterprises and enhancement of Quebec enterprises' performance and competitiveness, as well as encouraging the emergence and consolidation of dynamic, growth-generating sectors.

On the management front, the Agency will not only operationalize, along with other federal departments, its action plan for deficit reduction, but it will also continue its numerous transformation exercises in order to be even more efficient and provide better customer service.

The Agency's priorities for action and management will be the subject of the *Report on Plans and Priorities*, and will be updated yearly for consistency with government goals and to respond to the economic challenges of the different regions of Quebec.

F. CONCLUSION

The Agency's priorities and the initiatives presented in this report will be restated in its yearly reports to Parliament—the *Report on Plans and Priorities* and the *Departmental Performance Report*. Parliamentarians and Canadians as a whole will thus regularly have the opportunity to follow the Agency's results.

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, the Agency has once again to submit a comprehensive evaluation report to Parliament in 2016. This report will present the Agency's achievements over the next five years and its progress in terms of results-based management.

