



# STRATEGIC FRAMEWORK

## 2012-2017

► *A RENEWED VISION OF  
REGIONAL ECONOMIC  
DEVELOPMENT*



**Canada Economic  
Development**  
for Quebec Regions

**Développement  
économique Canada**  
pour les régions du Québec

**Canada**<sup>1+1</sup>

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# INTRODUCTION

The mandate of the Economic Development Agency of Canada for the Regions of Quebec (the Agency) is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent. In carrying out this mission, the Agency shall take such measures as will promote cooperation and complementarity with the Government of Quebec and the communities of Quebec. The Agency is present across Quebec through its network of business offices.

Growth and jobs and the success of Quebec's regions and enterprises are central to the Agency's mission and consistent with the Government of Canada's top economic priorities, as evidenced by this following excerpt from the June 2011 Speech from the Throne:

**“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. Local communities are best placed to overcome their unique challenges, but government can help create the conditions for these communities—and the industries that sustain them—to succeed.”<sup>1</sup>**

The expression of the Agency's vision, the *Strategic Framework 2012-2017* summarizes the Agency's regional economic development model and approach. It draws on regional economic development best practices and outlines the issues and challenges facing Quebec communities and entrepreneurs. The *Framework* also outlines the main areas of activity on which the Agency will focus in order to contribute to business and regional development.

# THE AGENCY'S ORIENTATION

## RAISON D'ÊTRE

The object of Canada Economic Development is “to promote the long-term economic development of the regions of Quebec.”

(Act establishing the Agency - 2005)

## STRATEGIC OUTCOME

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

## VISION STATEMENT

To be the key federal actor in the economic development of the regions of Quebec so that all Quebec regions and enterprises participate to their full potential in the economy of tomorrow, while building on their assets.

The Government of Canada is committed to promoting the prosperity of all regions by stimulating growth through new business investment, innovation and knowledge transfer, trade, infrastructure modernization, the development of clean energy, etc. In carrying out its mission, the Agency is directly engaged in achieving the government's main priorities.

The Agency promotes the creation and growth of enterprises. It also contributes to the vitality of all the regions of Quebec, with special attention to communities posting slow economic growth.

Present across Quebec through its business offices, the Agency is the key federal actor in the economic development of the regions of Quebec. It supports businesses and economic stakeholders in their development efforts and provides funding for their projects.

In addition to its regular programs, the Agency contributes to the design and implementation of national programs and targeted temporary initiatives to meet the challenges of specific situations in Quebec.







## THE AGENCY'S APPROACH

The Agency's approach is consistent with government priorities, tailored to the economic challenges facing the regions and collaborative vis-à-vis development partners and stakeholders. Regional priorities and strategies will be determined for each of the regions of Quebec based on this approach.

Furthermore, the Agency will fulfil its obligations to official language minority communities by encouraging their participation in the economic development of Quebec. The strategies and initiatives associated with these obligations will be the subject of separate documents such as action plans and other internal directives. All components of the *Strategic Framework* could be brought into play to achieve its intended results with respect to these communities.

CONSISTENT	ADAPTED	COLLABORATIVE
with government <b>priorities</b> and national strategies related to its object and the achievement of its outcomes	to the economic <b>challenges</b> facing Quebec's various regions and Quebec enterprises, building on their assets and potential	with <b>key partners</b> , including other federal departments, the Government of Quebec and the main regional stakeholders

# ECONOMIC CONTEXT

*Open and diversified, the economy of Quebec has weathered the recent economic and financial turbulence better than the Canadian average and most industrialized economies. Well-positioned on the international stage to contribute to national growth, Quebec's regions and enterprises will have to cope with a difficult context primarily related to globalization, intensifying competition, notably from the United States, and the rise of emerging countries.*

## ISSUES AND CHALLENGES FACING QUEBEC'S ECONOMY

As early as 2013<sup>2</sup>, the number of Quebecers of working age will begin to decrease. The shrinking workforce due to an aging population and Quebec's difficulties in retaining and integrating immigrants into the labour market will affect Quebec enterprises and the regions in the coming years. Businesses expect difficulty in recruiting skilled workers and some regions will be more severely affected by demographic trends.

Quebec, and its exporting manufacturers in particular, will have to deal with a strong Canadian dollar, which has been fuelled by the demand for raw materials, including oil and associated foreign investments. Exporting enterprises will also have to grapple with uncertain demand from Quebec's two main clients, Ontario and the United States, both hard hit by the last recession. They will need to diversify their export markets and seize opportunities as new markets emerge. Indeed, Canada is currently negotiating approximately a dozen free trade agreements, including such markets as the European Union and India<sup>3</sup>.

## QUEBEC'S ECONOMY

- **Population** (2011): 7.9 million inhabitants, or 23.2% of the Canadian population
- **GDP** (2009): \$303 billion/year, or 19.9% of Canada's gross domestic product (GDP)
- **Employment** (2011): 3.9 million workers, or 23% of employment in Canada
- **Exports of goods and services** (2009): \$134 billion, or 19.7% of Canadian exports
- **Research and development (R&D)** (2008): 26.4% of research and development spending in Canada, including 58% or \$4.6 billion in industrial R&D.

## IMPROVING PRODUCTIVITY

To compete globally, Quebec's labour productivity performance is a challenge which must be addressed. Productivity gains will be driven, among others, by investment in human capital, process improvements and the acquisition of strategic equipment and technologies, including information and communications technologies (ICTs). These investments will strengthen enterprises' ability to compete.

## COMMERCIALIZING INNOVATION

The competitiveness of enterprises depends on their ability to innovate and commercialize their innovations. Even though Quebec ranks first in Canada in terms of the intensity of industrial research relative to GDP<sup>4</sup>, its major challenge is maximizing spinoffs from research and innovation<sup>5</sup>. Successfully commercializing products derived from innovation is one of the biggest challenges facing Quebec small and medium-sized enterprises (SMEs). Quebec underutilizes the potential economic benefits of such commercialization, even though it is an important source of wealth creation. There is no one way to break into markets and integrate into value chains with an innovative product. SMEs have to devise their own strategy and step up their efforts to increase the yield of their innovations.

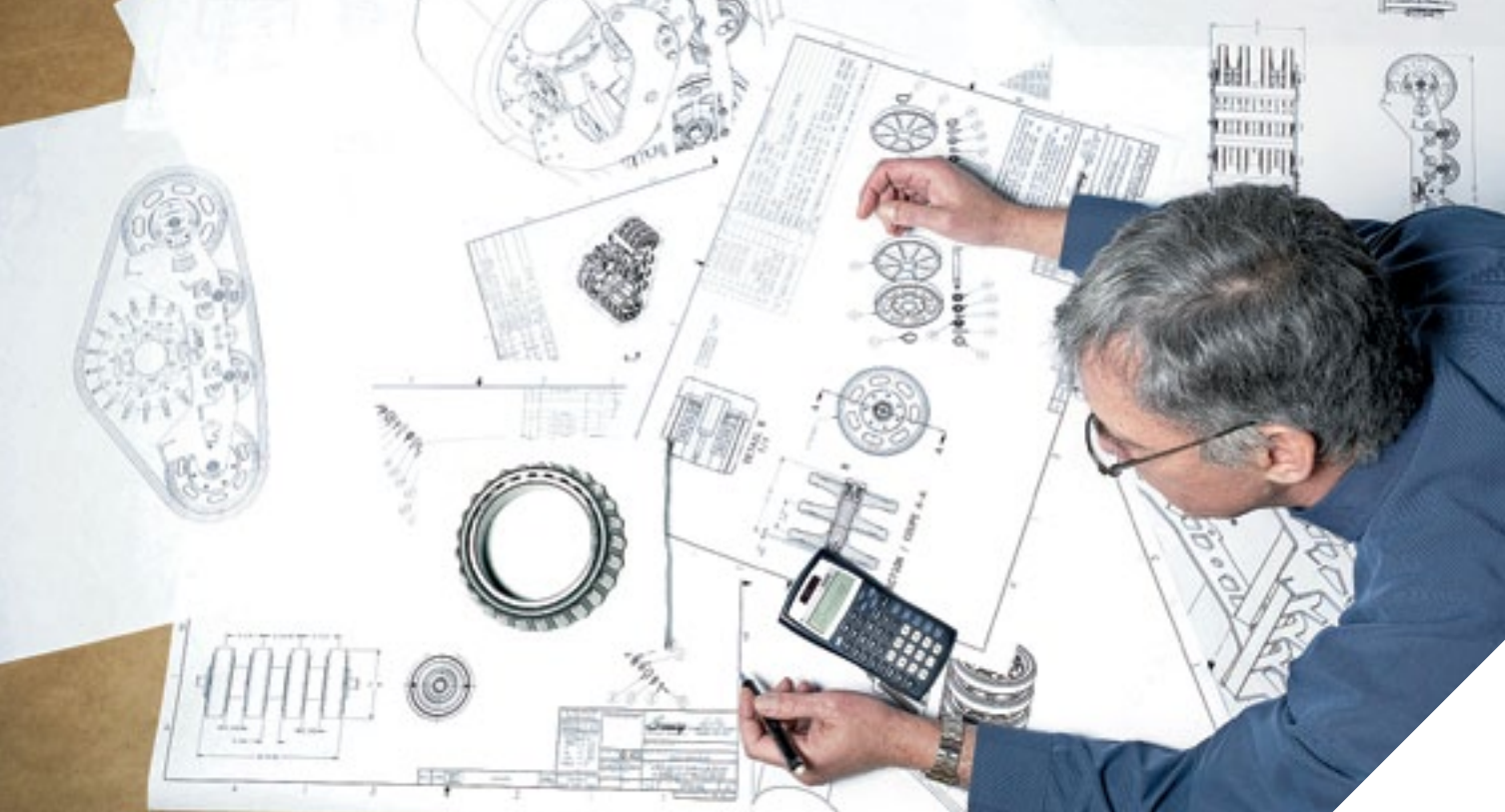
### THE CHALLENGES FACING QUEBEC

- Dealing with globalization, adverse demographics and a strong Canadian dollar
- Raising productivity and high value-added activity
- Diversifying export markets
- Commercializing innovation
- Energizing communities posting slow economic growth
- Supporting entrepreneurship and business succession
- Attracting investment



## ENTREPRENEURSHIP ISSUES AND CHALLENGES

Quebec's slow population growth is hindering the emergence of enterprises and their transfer to a new generation of entrepreneurs. In fact, in 2013, new Quebec entrepreneurs (19,100) will fall short of early retirements (24,100)<sup>6</sup>. The rate of business creation has fallen significantly in Quebec over the past 30 years and entrepreneurship rates remain below the Canadian average. As a result, only 10% of Quebecers are business owners compared to 16% in the rest of Canada<sup>7</sup>.



## OTHER BUSINESS ISSUES AND CHALLENGES

Globalization and competition from the U.S. and emerging countries impact Quebec enterprises in several ways. Globalization provides access to new markets, new prospects and new partnerships. As a result, building business relations and gaining a solid understanding of the marketplace have become more complex. Similarly, multinationals are becoming increasingly important in the global economy. Competition from low-wage countries also comes with a downward trend in the prices and profit margins of firms. This downward pressure on prices and profit margins is forcing traditional manufacturing firms to turn to higher value-added production or to outsource parts of their production in which they are not competitive. As well, many firms specialize by developing niches and focussing on services to avoid being in direct competition with firms in countries with low labour costs.

The issues arising from globalization are linked to enterprises' ability to gain and maintain market share. Growing businesses seek to develop new markets abroad or integrate the value chains of prime contractors. The complexity of business relations and markets is also forcing businesses to invest heavily in ICTs. In order to make their operations and logistics management more efficient, they often need to adopt new technological tools.

To remain competitive, enterprises face an important challenge: bringing their facilities up to standard and optimizing their production processes, which often means adopting new technologies and acquiring strategic equipment. Some will try to differentiate themselves by developing and commercializing new products and services. All enterprises dealing with foreign competition have another issue to contend with: commercializing the results of innovation. It is the only way they will succeed in gaining and maintaining market share in the long term.

## REGIONAL ISSUES AND CHALLENGES

Quebec's economy presents a variety of regional realities, with their own issues, challenges and strengths. To participate in the economy, each region has to build on its assets<sup>8</sup> and continue to transition to a knowledge-based economy and high value-added production.

Many Quebec regions are affected by their low level of economic diversification and are more vulnerable to the impacts of globalization. To remain competitive, regions whose economies are based on more traditional sectors will continue their transformation toward high value-added production. These regions must mobilize and adopt a development strategy based on their assets.

For the regions, globalization increases the importance of quality and availability of community facilities and

infrastructures (transportation, communications and other services) to attract foreign investment and boost tourist spending.

The regions are looking to develop and attract high value-added enterprises that are less vulnerable to foreign competition. Structuring initiatives and projects to develop competitive niches are avenues regional development stakeholders will continue to pursue.

In short, the issues and challenges characterizing this demanding economic context may well continue throughout the 2012-2017 period. That is why the Agency has adopted a model of economic development that will help Quebec's regions and enterprises cope with this context.

### QUEBEC'S STRENGTHS

- An enviable quality of life
- A diversified economy
- Access to the North American market
- A dynamic culture
- A leader in research
- Affordable operating costs
- Abundant resources
- Dynamic economic sectors



# ECONOMIC DEVELOPMENT MODEL

*This section presents the Agency's economic development model which provides the basis for developing the Agency's programs as well as the regional intervention strategies for each of the regions of Quebec. This model underpins a perspective of regional economic development summarized in the following table:*

## REGIONAL ECONOMIC DEVELOPMENT (RED)

DEFINITION	KEY FEATURE	FOR THE AGENCY
RED refers to a positive evolution, a change, an adjustment leading to more stability, expansion, and ultimately, to greater long-term prosperity.	RED is a flexible approach that enables intervention in varied regional contexts, depending on specific problems and opportunities.	RED aims to achieve expected government results by supporting communities, organizations and enterprises in their development projects.

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The Agency aims to contribute to the growth of the economy of the regions and enterprises of Quebec by focussing on their assets and potential. The Agency intends to accomplish this by providing financial and other support for the development projects of communities, organizations and businesses.

### The Agency regional economic model is based on two pillars:

- I - Regional economic development;
- II - Business development.



These two pillars are distinct, but complementary. Pillar I – REGIONAL ECONOMIC DEVELOPMENT focusses on results of a collective nature, that contribute to raising a region's profile and attractiveness, and that benefit a group of firms and organizations in the region. Pillar II – BUSINESS DEVELOPMENT benefits enterprises directly while indirectly generating spinoffs for the region.

# ECONOMIC DEVELOPMENT MODEL

## I- REGIONAL ECONOMIC DEVELOPMENT

### FOCUS 1

Regional engagement

## II- BUSINESS DEVELOPMENT

### FOCUS 3

Entrepreneurship support

### FOCUS 2

Regional investment

### FOCUS 4

Business performance

QUEBEC REGIONS AND ENTERPRISES PARTICIPATE TO THEIR FULL POTENTIAL IN THE ECONOMY, BUILDING ON THEIR ASSETS.

## PILLAR I

Pillar I – REGIONAL ECONOMIC DEVELOPMENT aims to promote the right conditions for developing competitive advantages and reinforcing the assets of Quebec’s regions. It is necessary to have a good understanding of the strengths and weaknesses and potential of each region in order to support initiatives that will mobilize regional resources. The importance of the socioeconomic environment, the conditions conducive to development and a favourable climate for growth are recognized regional economic development practices.<sup>9</sup>

The Government of Canada recognizes the importance of communities in regional economies. In *Advantage Canada*, its long-term economic plan, the Government of Canada commits to “freeing business to grow and succeed. Government will create the right economic conditions to encourage firms to invest and flourish.”<sup>10</sup>

In summary, this pillar aims to support the economic development of regions in order to increase the economic vitality of Quebec. Each Quebec region has its own unique set of circumstances with specific issues, challenges and strengths. The regions create wealth and their participation in the economy is crucial to Quebec’s economic growth. The Agency thus supports the strengthening of their economic base by supporting communities’ efforts to take charge of their economic development and by encouraging investment in all Quebec regions. The Agency will lend its support primarily to organizations and enterprises.

## PILLAR II

Pillar II – BUSINESS DEVELOPMENT aims to promote the creation and growth of enterprises. It is a key component in regional economic development and prosperity, and SMEs play a vital role in strengthening regional economic performance. According to the Organization for Economic Cooperation and Development (OECD), Canada is one of 47 OECD member countries to have co-signed the *Bologna Charter*<sup>11</sup>, which recognizes SMEs' key role in regional economic development. The Charter provides a framework for improving the effectiveness of policies and programs promoting SME entrepreneurship, development and competitiveness and their participation in economic activities related to globalization.

The Government of Canada recognizes the essential role of SMEs and designated 2011 Year of the Entrepreneur, thereby reconfirming SMEs' importance in creating jobs and contributing to economic prosperity.

In summary, this pillar aims to support the development of enterprises throughout their life cycle in order to make the Quebec economy stronger and more vibrant. Businesses are known to generate significant economic activity and to create jobs. The Agency therefore aims to renew Quebec's business pool by supporting the emergence of new firms and business succession. Another objective is to increase the competitiveness of existing enterprises and ensure their sustainability by improving their performance through development of production, innovation, commercialization and export capabilities. Support will primarily be lent to enterprises and business and entrepreneur support organizations.





# CONCLUSION

For the next five years (2012-2017), the economic environment will be challenging for the regions, communities, organizations and enterprises. In order to prosper, Quebec will have to continue its transition to an economy based on knowledge and high value-added production.

A key federal actor in the economic development of the regions of Quebec, the Agency intends to contribute to the vitality of regions and the growth and development of enterprises by supporting their participation in the growth of the national economy to their full potential and by building on their assets. The Agency's approach is consistent with government priorities, tailored to the economic challenges facing the regions and collaborative vis-à-vis development partners and stakeholders.

The *Strategic Framework 2012-2017*, which presents the Agency's economic development model, will guide the development of its programs and establishment of priorities and regional strategies.

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