

Economic Development Canada



Report on Plans and Priorities 2003-2004

Estimates



Allan Rock

Minister of Industry and
Minister responsible for the
Economic Development Agency of Canada
for the Regions of Quebec



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Minister's Portfolio Message

I am proud to report on the measures being taken by the Industry Portfolio to help realize the government's goal of moving Canada into the ranks of the most innovative countries in the world by the year 2010. In today's global economy, innovation is the key to success. Thanks to innovation, we are finding new ways of thinking and better ways of working.

As the Minister responsible for the Industry Portfolio, I was pleased to be part of creating *Canada's Innovation Strategy*, which was launched in February 2002. Throughout the year, Industry Canada and its partners held 34 regional innovation summits and took part in many expert round tables and sectoral meetings. In all, the views of more than 10,000 Canadians were heard. That exciting and productive process culminated at the National Summit on Innovation and Learning, which brought together more than 500 business, government and academic leaders, as well as representatives from non-governmental organizations.

The Government of Canada is listening to Canadians. During the engagement process many excellent ideas were brought forward and, at the National Summit, were ranked in order of priority. Eighteen items were identified for action over the short term. I want to emphasize, however, that the process being discussed will be fully implemented over a 10-year period and must involve not only the Government of Canada, but all of its partners. Still, we have forged a very good beginning, and I am very encouraged by the positive response of the business and academic communities to the measures taken to date.

The Industry Portfolio's 16 member organizations work in partnership to ensure that Canadians have the support they need to meet the challenges of a rapidly evolving world economy. The cornerstone of all our future activities will be innovation.

Industry Portfolio

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

*Not required to submit a Report on Plans and Priorities.

It is my great pleasure to present the *Report on Plans and Priorities* for Canada Economic Development for Quebec Regions, which describes their expected achievements and results over the next three years. The Agency's mandate is to promote the economic development of the regions of Quebec, paying special attention to those experiencing slow economic growth and inadequate employment, with a view to the enhancement of prosperity and employment in the long term.

To that end, the Agency targets three strategic outcomes: Enterprise development, Improvement of the environment for economic development of the regions, and Development and renewal of collective infrastructure. Fostering innovation is one of the Agency's core concerns, as it was last year. Economic adjustment of regions experiencing difficulty — requiring an upgrading of technological capability for many of them — is another core concern for Canada Economic Development.

We have made great strides forward in working with Canadians through the engagement process for *Canada's Innovation Strategy*. We connected with businesspeople, academics and private citizens in every region of the country. I am confident that this renewed partnership will flourish over the coming year and that the results of our efforts will mean more and better jobs, a stronger and more dynamic economy, and a better quality of life for all Canadians.

The Honourable Allan Rock

Message from the Secretary of State

In establishing its plans and priorities, Canada Economic Development takes many contextual elements into account, including the Government of Canada's economic policy, the challenges specific to the economies of Quebec's regions, and regional economic development players' expectations. The objective of our core mandate remains that of building dynamic communities where citizens can enjoy a high quality of life.

At the heart of regional economic development, innovation occupies a critical position. To maintain their competitiveness, enterprises have to show flexibility and vision to respond to changing market needs in time with ever-shorter development and commercialization cycles. In that context, isolation is a drag on prosperity: through networking and information technology, all regions, even the most remote, and all industries, even the most traditional, can harness business opportunities and reach much larger markets.

Canada Economic Development takes an active part in implementing the Government of Canada's main economic priorities throughout Quebec, with respect, for instance, to enhancement of productivity, local development and sustainable development. Our action is targeted essentially at three main strategic outcomes: Enterprise development, Improvement of the economic environment of the regions, and Renewal of community infrastructure.

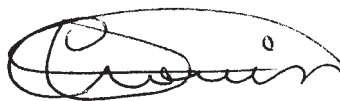
Within the framework of the Government of Canada's commitment to promoting equal opportunity for all Canadians, Canada Economic Development has introduced Regional Intervention Strategies (RISs) in each region that will work toward more closely meeting the needs of the knowledge economy and help communities meet the challenges involved in the difficulties specific to them. Through dialogue and close co-operation with local and regional organizations, the RISs also pursue the goal of working with small- and medium-sized enterprises (SMEs) to develop and apply new technology in traditional sectors or promising new niches.

The success of our approach, while based on enhancement of local expertise, is also built on the use of our financial assistance programs. Thus, we provide sustained support for SMEs and their integration into the new market through the program of assistance for the development of SMEs in Quebec (IDEA-SME). To support major projects likely to have a strategic impact on a community's or region's economy, we turn to the Regional Strategic Initiative (RSI) programs. Finally, we round out our action with various assistance measures, notably the Quebec — Chaudière-Appalaches Technoregion Fund and the Rural Enterprise Program, reflecting our concern for adjustment to the new economic realities and the increasingly varied needs of business executives and regions.

The Agency ultimately aims for a situation where enterprises in each region can successfully grow and create sustainable employment. Our interventions are carried out essentially through financial assistance in the form of grants or contributions. The first observable results are the completion of projects specifically supported, and these results usually materialize within a timeframe of 3-24 months. Enhanced competitiveness and increased sales are longer-term indicators of the appropriateness of our intervention. Over a longer, 5-8 year horizon, we hope the increase in regional economic activity, in its broadest sense, as well as in employment and income will mean Canadians have more opportunities and a better quality of life in their local environment.

While working on enterprise development and improvement of the context for economic development, we pay special attention to improving our services and are continuing to implement an integrated performance measurement strategy. In the context of modernization of management practices, evaluation of programs and our practices is an effective tool for change which also enables us to maintain a high level of client satisfaction and guide the training activities offered to Agency personnel. Moreover, through results-based management, we can measure the quality of the process by means of performance indicators associated with each stage of intervention vis-à-vis enterprises.

By fostering the best conditions for development possible, we are contributing to building a country where equal opportunity and quality of life within their local setting and in line with their own priorities are tangible realities for all Canadians.



The Honourable Claude Drouin
*Secretary of State responsible
for Canada Economic Development
for Quebec Regions*

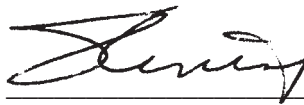
Management Representation Statement

Report on Plans and Priorities 2003-2004

I submit, for tabling in Parliament, the *2003-2004 Report on Plans and Priorities* (RPP) for the Economic Development Agency of Canada for the Regions of Quebec.

This document has been prepared based on the reporting principles and disclosure requirements contained in the *Guide to the Preparation of the 2003-2004 Report on Plans and Priorities*:

- It accurately portrays the organization's plans and priorities.
- The planned spending information in this document is consistent with the directions provided in the Minister of Finance's budget and by the Treasury Board Secretariat.
- It is comprehensive and accurate.
- It is based on sound underlying departmental information and management systems.
- The reporting structure on which this document is based has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.



for André Gladu
Deputy Minister

Date: 19/02/2003



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RATIONALE

Canada Economic Development
for Quebec Regions' mandate is to:

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

Information concerning the Agency is available at the following Web address:
www.dec-ced.gc.ca.



3

PLANNING OVERVIEW

3.1 Summary

The Agency elicits, accompanies and supports the implementation of economic development projects in Quebec where the prime contractors are the enterprises, organizations and municipalities supported. The Agency's strategic orientations are largely based on the Government of Canada's economic development priorities, and also take into account the challenges, potential and specific features of the economies of each region of Quebec. Fostering innovation and economic adjustment by regions in difficulty remains, as it was last year, one of the Agency's key concerns. To fulfill its mandate, the Agency works closely with a broad array of economic development agents, including many local and regional organizations, other federal departments and agencies, and the Quebec government.

Canada Economic Development's strategic intervention framework identifies three strategic outcomes: Enterprise development, Improvement of the economic environment of the regions, and Development and renewal of community infrastructure. To work toward the realization of the first two outcomes, the Agency recently instituted, in consultation with the local economic milieu in each region of Quebec, forward-looking regional intervention strategies (RISs) fully geared to the development issues specific to each of the regions. The third strategic outcome consists in implementation of the Infrastructure Canada Program in Quebec, a special mandate entrusted to the Agency by the Government of Canada.

3.2 Implementation of the mandate

In order to foster the implementation of promising projects, the Agency primarily uses financial assistance, that is, transfer payments mainly taking the form of contributions. It has to meet the terms and conditions specific to each of its grants and contributions programs, as approved by Treasury Board. Its financial assistance programs are briefly described in Appendix 1.

To work toward realizing the planned strategic outcomes, the Agency has a network of 14 business offices across Quebec, an office in Gatineau which handles liaison with the federal government, and a Head Office in Montreal. Section 6.4 lists contact information for the Agency's business offices. This list may also be consulted on the Web at www.dec-ced.gc.ca under "Programs".

3.3 Planning context

Canada Economic Development establishes its plans and priorities taking several contextual factors into account, notably: Government of Canada economic development policy (Section 3.3.1), development challenges in the new global economic context (Section 3.3.2), and the state of development of the economy of the regions of Quebec (Section 3.3.3).

3.3.1 National economic development policy

The Government of Canada has made a formal undertaking to promote equality of opportunity for all Canadians, in particular by fostering economic development. In fulfilling its mandate, the Agency helps the Government of Canada deliver on this commitment.

Through its plans, which are presented in Section 4, the Agency will make a significant contribution to the Government of Canada's efforts to achieve objectives set in the Speech from the Throne presented on September 30, 2002:

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

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

3.3.2 Development challenges in the global economic context

With the gradual advent of a knowledge-based globalized economy, the issue of economic development is constantly evolving.

Innovation is at the heart of this new issue. To maintain their competitiveness and thrive in this new context, enterprises have to exhibit flexibility, continuously innovate in products and services, and adopt advanced technology. Enterprises also have to know how to act quickly in a context where product development and commercialization cycles are increasingly short. For many enterprises, exporting is crucial to their growth. To innovate, export and develop their competencies in these fields, they have to be able to count on high-quality human resources.

Enterprises cannot successfully innovate in a vacuum. Their ability to innovate largely depends on a set of external resources, such as knowledge infrastructure and information networks. And the co-operation of all regional players is a critical condition for enterprises' success.

Major urban centres are the preferred sites for development of technological capabilities; the concentration of these capabilities favours synergy and the establishment of a critical mass of activities. But the new economic development outlook is not reserved for large urban centres and enterprises specializing in products and services with a high technology content. New business opportunities also arise in traditional sectors and remote regions. For instance, rapid growth is being seen in world demand for specialized products, environmental products, personalized products, design products, local farm produce, entertainment products and tourist destinations.

By creating enterprises and ensuring business growth, entrepreneurs play a central role in the realization of new development opportunities. Young graduates, for their part, open to new technology and globalization, represent a special hope for economic renewal in each region.

3.3.3 State of development of Quebec economy and regions

In many respects, the Quebec economy is currently performing well. The transition to the knowledge economy is already well under way, and should continue over the next few years. Thus, the number of enterprises actively involved in R&D is on the rise, and exports are posting sustained growth as well as being increasingly diversified. Also, 2002 will have been an outstanding year for job creation.

These results reflect the dynamism of Quebec's economic development agents and renewed vibrancy from urban and rural communities for developing promising projects. The Agency's proactive approach will in turn have helped mobilize the local economic milieu in the design of these strategic projects.

But the recent positive economic situation is not sufficient to offset the cumulative impact of several decades of delay. For instance, significant catching-up remains to be done in terms of private sector capital expenditures, which are essential for enhancing enterprises' and regions' competitiveness. Much ground also has to be made up with respect to innovation and adoption of top-performing technologies by small- and medium-sized enterprises (SMEs). Quebec enterprises are behind in terms of adoption of 14 of the 26 advanced technologies listed by Statistics Canada in 1998, three of which are essential to the knowledge economy, namely, communications networks, design and engineering, and automated handling. This situation is reflected in Quebec's productivity level, which lagged 5% behind the Canadian average during the period 1997-2001.

Some Quebec regions are having difficulty adjusting to the new global economic environment, at a time when they have to fit into an increasingly knowledge-based economy. Thus, of Canada's 69 economic regions, Quebec had 7 of the 19 regions with the highest jobless rates in 2002.

The economy of regions far from major urban centres is built primarily on natural resource development. These regions face many challenges, notably their declining population, the exodus of young people and access to a skilled labour force for enterprises.

As to the Saguenay metropolitan area and the Rimouski and Rouyn-Noranda urban areas, they are increasingly building their development on their universities and research centres, which are their gateway to the knowledge economy. These centres' specialized expertise, whether in aluminum processing, management of fish resources or mining, enables them to invest their knowledge in niches that are strategically placed for development.

The regions closest to Quebec's urban core count on a dynamic manufacturing sector, especially in the Drummondville, Victoriaville and Beauce areas, while the Sherbrooke and Trois-Rivières metropolitan areas are increasingly deriving their economic vitality from the presence of their universities and research centres.

Governments are the prime employers in the Quebec City and Gatineau metropolitan areas. For several years, development efforts have focussed on diversification of the regional economic fabric, and these regions now boast a growing pool of enterprises and institutions operating in promising knowledge-based sectors and a number of new-economy niches, such as optics-photonics, new information and communications technologies (NICT) and the biomedical industry.

Accounting for 46% of the province's population and 55% of its gross domestic product (GDP), the Greater Montreal area has successfully developed substantial competitive advantages over the past few years in several leading-edge sectors, such as aerospace, telecommunications and pharmaceutical products. With more than 2,200 establishments active in R&D and its numerous public institutions of research and higher education, Montreal is the main focus of research and development in Quebec. But with respect to a series of key indicators like the employment level, unemployment rate and income per inhabitant, Montreal still trails the other 25 major cities in Canada and the U.S.

3.4 Lessons learned from past experience

Information generated by evaluations, audits and surveys conducted over the past few years encourages the Agency to continue and consolidate its approach to intervention in economic development.

For instance, with respect to the incentive aspect of the financial assistance provided by the Agency, close to 90% of clients reached consider it would have been impossible for them to complete their project on the same scale or within the same timeframe. On the employment front, studies conducted by an outside firm show that most of the jobs created during the year in which the project was completed still exist three years later and that there is, in many cases, an increase in the number of jobs created. A further interesting result is that close to 90% of the enterprises to which the Agency provided financial assistance during fiscal 1997-1998 have since maintained or improved their sales.

Evaluations of Agency programming conducted by independent firms underscore the relevance of this programming. In fact, the evaluators note that in comparison with the regional development programs in effect in Europe, the Regional Strategic Initiatives (RSI) program belongs to that rare group of innovative programs which target the region rather than the enterprise and support the development of innovation capabilities. As to the Program of assistance for the development of Quebec SMEs (IDEA-SME), the evaluators are of the view that it was beneficial for a significant number of small and medium-sized enterprises (SMEs) and organizations in terms of identification and development of new markets in Canada and elsewhere, development and commercialization of new products, and technological innovation.

The results achieved by the Agency comply with the principles of sound management of public funds. Thus, in her November 2001 report, Canada's Auditor General expressed herself satisfied with the Agency's programming management framework, which is clear, detailed and relevant.

3.5 Agency intervention framework, resources and network

3.5.1 Strategic intervention framework

Taking into account national policy and the challenges of economic development of the regions of Quebec, the Agency clarified its orientations two years ago, and set up an intervention framework which specifies its priorities and planned results. The orientations chosen by the Agency place special emphasis in particular on the adoption of new technology by Quebec SMEs, innovation and the knowledge economy, and economic adjustment of communities and regions in difficulty, in a perspective of sustainable economic development. The Agency's intervention framework also emphasizes the challenge of infrastructure renewal.

To act on these issues, the Agency has selected 12 priorities arranged under three strategic outcomes, as follows:

- Enterprise development,
- Improvement of the environment for economic development of the regions, and
- Development and renewal of community infrastructure.

The plans and priorities corresponding to each of these strategic outcomes are reviewed in detail in Section 4.

The first strategic outcome targets enterprise development. Enterprises are the prime engine of economic development and wealth creation. The growth of enterprises which innovate and export has a particularly stimulating effect on economic development and lasting employment growth. The Agency works in particular with small- and medium-sized enterprises (SMEs) and non-profit organizations providing services to enterprises. For this strategic outcome, the Agency's main priorities concern establishment of strategic enterprises, enterprises' competitiveness and development of small enterprises.

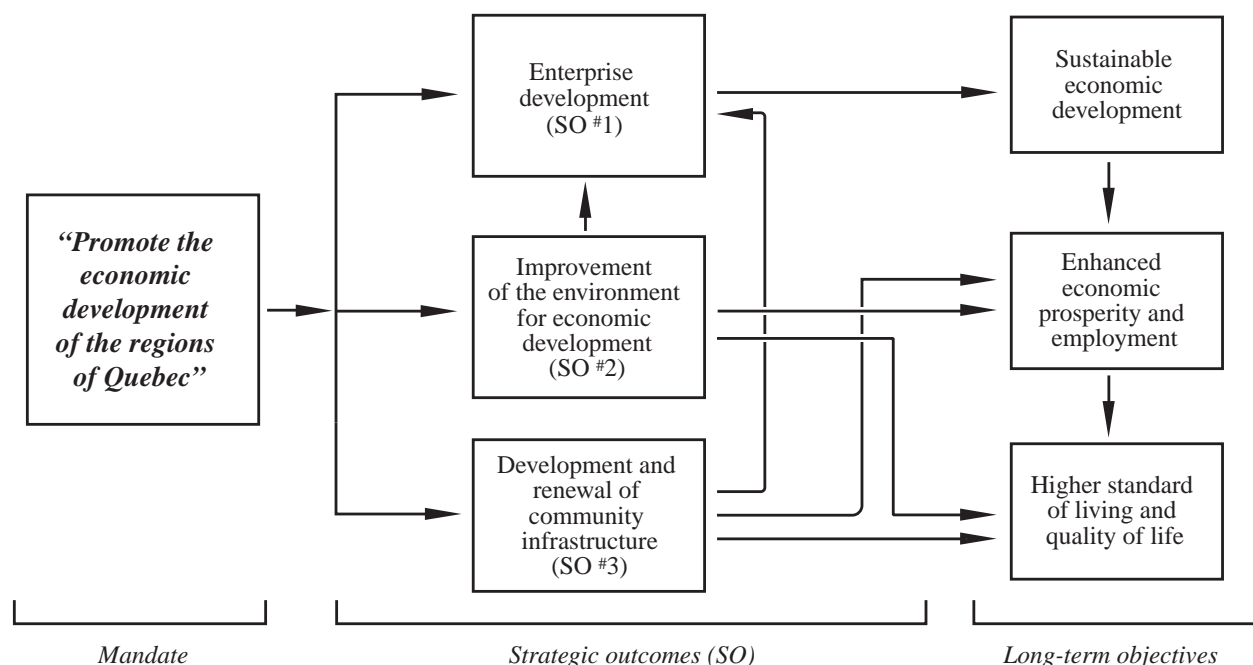
Since enterprises need an environment conducive to their development, the second strategic outcome targets improvement of the environment for economic development of the regions. In this case, the Agency interacts more particularly with the key economic players in the different regions of Quebec, such as agencies offering local joint action and mobilization services and operators of community facilities with an economic role, tourist attractions and pre-commercial research centres, for instance. With regard to this strategic outcome, the Agency's priorities concern local capability to energize development of the local economy, economic enhancement of regional development assets, and development and reinforcement of knowledge-based competitive advantages.

Since community infrastructure is essential for a region's economic vitality, enterprises' operations and citizens' quality of life, the third strategic outcome targets development and renewal of community infrastructure in the different regions of Quebec. The Agency works on this third strategic outcome in co-operation with municipalities, inter-municipal boards and the Quebec government. What is special about this latter strategic outcome is that it reflects a special mandate whose implementation the Government of Canada has entrusted to the Agency, for Quebec, namely, the Infrastructure Canada Program. The Agency's priorities for this strategic outcome correspond to the three components of the program, namely, drinking water and wastewater infrastructure, transportation infrastructure and systems, and assets with an economic, urban or regional impact.

The Agency's strategic outcomes are presented in the following diagram. The first two strategic outcomes correspond to the Agency's core mandate. This diagram shows how the pursuit of these three strategic outcomes enables Canada Economic Development to contribute to attainment of its mandate. It also illustrates how the Agency contributes to enhancing economic prosperity and job creation, two fundamental aspects of Quebecers' standard of living in the regions.

To work on enterprise development and improvement of the environment for economic development, the Agency has set up, in each region of Quebec, a forward-looking Regional Intervention Strategy (RIS) which builds significantly on innovation in a manner geared to the development context specific to each region. Made to measure so as to enhance each region's potential, these strategies build on their economic strengths, local industrial and institutional fabric, competitive advantages and niches of excellence (for instance, aluminum in Saguenay, the mining industry in Abitibi, the marine sector in Eastern Quebec, or optics-photonics in Quebec City). The regional intervention strategies were developed through a process of consultation and dialogue with, and mobilization of, regional economic agents. Through its support for the development of niches of excellence within the framework of its regional strategies, the Agency helps the regions meet the challenges of Canada's Innovation Strategy, which targets in particular the formation of industrial clusters that are competitive on an international level and the reinforcement of communities' performance in terms of innovation.

Canada Economic Development Mandate, strategic outcomes and long-term objectives



Under its core mandate, the Agency tends to place greater emphasis on innovation in its different forms. For instance, the Agency has provided financial assistance for projects targeting enhancement of research. It provides financial incentives for implementation of projects involving the pre-startup and startup of technological enterprises, adoption of advanced business practices, access by enterprises to specialized technology transfer services and development and commercialization of new products by enterprises. The Agency also supports increased pre-competitive research and development (R&D) activities which lead to the improvement and marketing of products and processes. Innovation in sustainable development technology is one of the Agency's pathways for action.

3.5.2 Resources entrusted to the Agency to fulfill its mandate

For 2003-2004 — 2005-2006, the Agency will have a contributions budget of \$1,009 million, including \$640 million for its core mandate, and \$369 million for implementation of the Infrastructure Canada Program. The Agency expects, in 2003-2004, to be able to count on the services of the equivalent of 370 full-time employees (FTEs).

3.5.3 Agency network for implementing horizontal initiatives

To implement its intervention framework, Canada Economic Development teams up with a broad network of development agents throughout the regions of Quebec. The Agency elicits, accompanies and supports the completion of economic development projects in Quebec, whose implementation proper lies with the enterprises, organizations and municipalities supported. Thus, all projects receiving Agency assistance are “horizontal initiatives”. Often the Agency’s action on development is carried out through intermediary groups that the Agency helps to finance. The Agency’s network in the regions of Quebec helps it not only to implement its intervention framework, but also to stay well-informed as to the evolving challenges of Quebec SMEs and regional issues.

The Agency works with more than 100 local organizations, many of which have the mandate to provide specialized services to regional enterprises. Many organizations are volunteer-based and reflect citizens’ desire to play a major role in economic development. For instance, the Community Futures Development Corporations (CFDCs), Business Development Centres (BDCs) and Community Economic Development Centres (CEDCs) can count on the involvement of more than 1,400 volunteers who devoted 40,000 hours to their communities’ development in 2001-2002.

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

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

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

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

3.6 Initiatives to which special attention will be paid

In view of evolving national priorities and the emergence of new development challenges in the regions of Quebec, the Agency intends to pay special attention over the coming fiscal years to the initiatives presented below. These have been selected in a spirit of continuity and consolidation, in the wake of the previous *Report on Plans and Priorities*. Fostering innovation remains, as it was last year, one of the Agency's key concerns. The Agency is also concerned with the economic adjustment of regions in difficulty; in many of these regions, their adjustment largely depends on increasing their technological capability.

| INITIATIVES TO WHICH THE AGENCY WILL PAY SPECIAL ATTENTION | |
|--|---|
| Canada Economic Development's key concerns | <ul style="list-style-type: none"> ■ Fostering innovation remains, as it was last year, one of the Agency's key concerns, along with the economic adjustment of regions in difficulty. |
| Prior initiatives which the Agency continues to promote | <ul style="list-style-type: none"> ■ Continuation until late March 2005 of special initiatives in support of innovation, include assistance for productivity enhancement and assistance for funding of testing and experimentation. ■ Maintenance of attention paid to regions experiencing the most difficulty adjusting to the new economic context; continuation of special support for the economy of the Gaspésie — Îles-de-la-Madeleine region. ■ Continuation of active participation by Agency personnel in the mobilization of economic development agents of the regions of Quebec, notably by helping regional development agents in the design and implementation of strategic projects. |
| New initiatives | <ul style="list-style-type: none"> ■ Implementation in Quebec of the Canadian Apparel and Textile Industries Program (CATIP), a special three-year national initiative. ■ Implementation in Quebec of the measures announced by the Government of Canada to assist communities affected by the lumber issue, namely: (i) the contribution program for the Softwood Industry and Community Economic Adjustment Initiative, a special initiative overseen by Industry Canada; (ii) support for creation of the <i>Centre intégré en pâtes et papiers</i> in Trois-Rivières; and (iii) support for the Research Consortium on the Commercial Boreal Forest in Saguenay. |
| Key government management initiatives | <ul style="list-style-type: none"> ■ Under the Service Improvement Initiative: maintenance of Agency clientele's high satisfaction levels with regard to its services; continuation of its service improvement approach; transition to the new ISO 9001: 2000 standard. ■ In the perspective of results-based management: continuation of the development and implementation of an integrated performance measurement strategy. ■ Under the Modern Comptrollership initiative: implementation of an action plan to improve management practices. ■ Under the initiative to improve service delivery methods: continuation of electronic service delivery in the context of the Government On-Line (GOL) initiative. |

3.7 Factors likely to influence Agency performance over the next few years

Economic development depends on local and regional enterprises and those who design and carry out the projects backed by the Agency. The result is great interdependence among, on the one hand, the dynamism of all those involved and, on the other hand, the Agency's level of activities and its results, over which it consequently does not have absolute control. In fact, while the Agency pursues a proactive approach and works to mobilize development agents, it is they who ultimately decide which projects they put forward, end up carrying out and the timetable to follow, and those they will drop.

In this context, the prevailing economic situation in 2003 and the following years will influence local players' decisions as to whether or not to go ahead with the implementation of their development projects. For the next few years, the economic situation should be conducive to fulfilment of the Agency's mandate. But this forecast contains some uncertainties associated with the performance of the U.S. economy, since the USA is the main destination for Quebec exports, and with developments in industries of crucial importance for the Quebec economy and the Montreal area, such as telecommunications and aerospace. The situation specific to the regions whose economies are based primarily on resource development will depend on how the prices of their products evolve on international markets, and that is hard to predict. The situation of certain regions where forestry is one of the main activities depends on developments in the lumber dispute with the United States.

The Agency has also introduced a strategy to manage its business risk so as to minimize its potential impact on Agency performance.

3.8 Agency performance review and measurement strategy

The Agency's integrated review strategy includes evaluations, audits and surveys. Over the next few years, the Agency's five-year review plan provides for the audit and evaluation of its programs, including the Canadian Support Program for the Gaspésie — Îles-de-la-Madeleine Economy and the Community Futures Program (CFP). The results of these reviews will enable the Agency to derive lessons and incorporate appropriate adjustments into its management and intervention methods in the regions of Quebec. Canada Economic Development's *Performance Report* for the period ending March 31, 2002 may be consulted at the following address: <http://www.dec-ced.gc.ca/Complements/Publications/PublicationAgence-EN/rmr2002an.pdf>

In a results-based management perspective, the Agency is continuing to develop and implement an integrated performance measurement strategy. The efforts invested are aimed in particular at improving continuous performance measurement with respect to each of the determining stages in the process, namely, establishment of objectives and performance indicators for each of the projects receiving an Agency contribution until reporting to the Parliament of Canada and Canadians.

Information on results derived from reviews and ongoing monitoring of project performance contributes to that found in the Treasury Board Secretariat of Canada paper entitled *Canada's Performance* under the heading "Economic Opportunities and Innovation in Canada". Nonetheless, to the extent that the Agency works with many development agents in the regions of Quebec, including different levels of government, the results achieved by the Agency constitute only one of the many factors contributing to the economic development of the regions of Quebec and to the variation in the major indicators identified in *Canada's Performance*, such as employment, gross domestic product (GDP), research and development expenditures and exports.



4

PLANS AND PRIORITIES BY STRATEGIC OUTCOME

4.1 Summary

The Agency targets three strategic outcomes to contribute to the economic development of the regions of Quebec: (1) Enterprise development; (2) Improvement of the environment for economic development of the regions; and (3) Development and renewal of community infrastructure. The first two strategic outcomes comprise the Agency's core mandate. Of the two, "Enterprise development" remains the most significant in terms of allocation of financial resources. The Agency expects spending on "Enterprise development" and "Improvement of the environment for economic development of the regions" will be split approximately 60/40 over the next three fiscal years taken as a whole.

An overview of priorities for each strategic outcome is presented in the following table:

STRATEGIC OUTCOME #1: ENTERPRISE DEVELOPMENT

Resources: \$385 million in grants and contributions expenditures over three years ^{1, 2}

Priorities:

- 1.1 General information and awareness
- 1.2 Establishment of strategic enterprises
 - 1.3.1 Competitiveness — New business practices
 - 1.3.2 Competitiveness — Innovation in processes, equipment and products
 - 1.3.3 Competitiveness — Commercialization
- 1.4 Development of small enterprises

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

Resources: \$255 million in grants and contributions expenditures over three years ^{1, 2}

Priorities:

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

¹ This figure should be seen as an approximation, and may be subject to adjustment.

² The Agency cannot produce an estimate expressed in terms of full-time equivalents for the number of its employees whose work is attributable to "Enterprise development" or "Improvement of the environment for economic development of the regions", because a large number of employees work inextricably toward both outcomes: 354 full-time equivalents (FTEs) will be devoted in 2003-2004 to achievement of these two outcomes, which form Canada Economic Development's core mandate, including general support for Agency operations.

STRATEGIC OUTCOME #3: DEVELOPMENT AND RENEWAL OF COMMUNITY INFRASTRUCTURE ¹

Resources: \$369 million in grants and contributions expenditures over three years

Priorities:

- 3.1 Drinking water and wastewater infrastructure
- 3.2 Local transportation infrastructure
- 3.3 Assets with an economic, urban or regional impact

³ This third strategic outcome constitutes a special mandate whose implementation the Government of Canada has entrusted to the Agency; this involves the Infrastructure Canada Program, which has a dedicated budget; 16 full-time equivalents (FTEs) are devoted exclusively to implementation of the program.

4.2 Details

4.2.1 Strategic outcome #1: Enterprise development

Rationale

Enterprises are at the heart of the economic development of Quebec's regions. Indeed, it is through enterprises that a region's economic development takes place. For Canada Economic Development, developing enterprises should translate into more dynamic, more competitive enterprises, capable of generating greater prosperity and more jobs in their home regions. In 2002, some 90% of new jobs created in Quebec appeared in enterprises with no more than 100 employees.

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

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

Priorities

In view of this context, the Agency has selected six priorities for fostering enterprise development. These priorities are listed in the box entitled “Strategic outcome #1: Enterprise development” and are presented in detail in the following pages.

| STRATEGIC OUTCOME #1: ENTERPRISE DEVELOPMENT | |
|--|---|
| Facilitate the growth of enterprises' business | |
| Agency priorities | Goals |
| 1.1 General information and awareness | ■ Improve enterprises' access to information likely to inform their business decisions. |
| 1.2 Establishment of strategic enterprises | ■ Support the establishment and early expansion phases of enterprises in economic activities deemed strategic for a region's development. |
| 1.3.1 Competitiveness — New business practices | ■ Increase the use of new business practices in enterprises so as to maintain and reinforce their competitiveness. |
| 1.3.2 Competitiveness — Innovation in processes, equipment and products | ■ Increase enterprises' ability to adapt and test a new or improved product, service or production process so as to maintain and reinforce their competitiveness. |
| 1.3.3 Competitiveness — Commercialization | ■ On a priority basis, increase innovating enterprises' ability to commercialize their products on international markets so as to maintain and reinforce their competitiveness. |
| 1.4 Development of small enterprises | ■ Foster the growth of small local and regional enterprises. |

Outputs and anticipated results chain

Canada Economic Development contributes to the development of enterprises by helping them carry out projects that match the priorities presented above. To do so, the Agency primarily uses financial assistance, as an incentive, when it has sound reasons for believing that these projects will not be carried out without such assistance or will not be carried out on the same scale or within the same timeframe. The Agency also contributes to the financing of organizations which provide enterprises with specialized services that fit in with its priorities. The Agency's financial assistance programs are described in greater detail in Section 6.1.

Enterprise development is the first strategic outcome targeted by the Agency to contribute to the economic development of the regions of Quebec. The Agency's ultimate goal is for the enterprises in each region to successfully grow and create sustainable jobs. To foster enterprise development, the Agency primarily uses competitiveness reinforcement strategies, with innovation prominent among them. In the context of market globalization, the Agency considers that export growth contributes particularly strongly to increasing the prosperity of a region's residents and their employment income; in terms of results, the Agency is consequently specially interested in increases in enterprises' sales on outside markets.

The Agency's outputs are the financial assistance received by its clientele, consisting of enterprises and organizations offering services to enterprises. In chronological order of appearance, the first observable results of Agency assistance will be completion of the projects supported, and this generally occurs within 3-24 months, depending on their nature and complexity. Completion of these projects should enable the enterprises assisted to maintain or enhance their competitiveness, and that should subsequently translate, over the years, into an increase in sales and in their number of employees and, for some of them, growth in their sales abroad.

Through ripple effects, in the long term, local enterprises which supply the enterprises assisted could also see their own sales increase, so that ultimately, at the end of a long chain of consequences, the Agency would have contributed to an increase in regional economic activity, employment and earned income. These linkages are the most significant type of results sought by the Agency, although they generally arise over a 5-8 year horizon, or even longer, and are harder to measure. The short- and medium-term results associated with the Agency's priorities for enterprise development are presented in greater detail in the following pages.

Resources

The contribution expenditures the Agency expects to make in support of enterprise development will reach some \$385 million for 2003-2004 — 2005-2006. This figure illustrates the relative importance ascribed to this strategic outcome, and should be seen as an approximation.

PRIORITY 1.1: General information and awareness

A first way for the Agency to contribute to the development of enterprises is to improve their executives' access to general information of an economic nature likely to inform their business decisions. In that area, the Agency's plan concerns: (1) enterprises' access to general information; and (2) business executives' awareness of the main issues influencing development.

To implement this plan, the Agency contributes from its operating budget to management and implementation in Quebec of the "Canada Business Service Centres" national initiative. The Agency funds Info entrepreneurs centres and Ressources Entreprises, which provide entrepreneurs, without charge, with integrated information on government programs and services. These centres also deliver business information research services to business people.

Moreover, the Agency provides financial assistance for organizations so they can disseminate documents to raise awareness, or organize conferences, seminars or short workshops on general issues in order to awaken business people's interest in those questions and elicit reflection leading to action, where necessary.

| PRIORITY 1.1: GENERAL INFORMATION AND AWARENESS | |
|---|---|
| <i>Main objective</i> Improve enterprises' access to general information likely to inform their business decisions | <i>Plan</i> <ul style="list-style-type: none">■ Improve enterprises' access to general information on government programs and services.■ Enable business executives to develop an overall appreciation of the main issues affecting business development in the new global economic environment. |
| Agency outputs | ▲ Financial and non-financial support for business service organizations. <u>Output indicators</u> : number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. |
| Short-term results | ▲ Accessibility and relevance of general information. <u>Performance indicators</u> : number of information requests processed, client satisfaction with accessibility and services provided by business service organizations, helpfulness and relevance of information received by enterprises. ▲ Raising of entrepreneurs' and business executives' awareness of issues affecting business development in the new global economic environment. <u>Performance indicators</u> : number and type of awareness activities held, number and type of participants in activities and helpfulness and relevance of information received. |
| Medium-term results | ▲ Integration of information obtained by entrepreneurs and business executives in drawing up their projects, plans and strategies. Productive, more informed decision-making owing to information received (business opportunities seized, development of strategies, plans and projects, identification of new business development opportunities, etc.). |

PRIORITY 1.2: Establishment of strategic enterprises

Another way for the Agency to contribute to enterprise development is to support the establishment of enterprises in economic activities deemed strategic for a region's development. In this area, the Agency's plan concerns: (1) pre-startup, startup and early expansion phases of strategic enterprises; and (2) construction, expansion or modernization of means of production (plants, workshops, etc.) by strategic enterprises.

Establishment of strategic enterprises targets development and consolidation of a critical mass of economic activities in the niches of excellence specific to each region. Reinforcement of regional niches of excellence is indeed one of the foundations of the regional intervention strategies (RSIs). In seeking to set up such critical mass, the Agency aims to develop sufficient business volume in the regions to generate ripple effects in an area of economic activity that is particularly promising for the future and for which the region possesses competitive advantages. In each region, the niches of excellence on which the Agency intends to build have been identified with care by the respective community; the Agency pays special attention to development of enterprises in these sectors.

| PRIORITY 1.2: ESTABLISHMENT OF STRATEGIC ENTERPRISES | |
|--|--|
| Main objective Foster the establishment of enterprises in economic activities deemed strategic for a region's development | Plan <ul style="list-style-type: none"> ■ Foster pre-startup, startup and early expansion phases of enterprises deemed strategic for a region's economic development. ■ Foster construction, expansion or modernization of means of production (plants, workshops, etc.) by enterprises deemed strategic for a region's economic development. |
| Agency outputs Short-term results Medium-term results | <ul style="list-style-type: none"> ▲ Financial and non-financial support for enterprises and business service organizations. <u>Output indicators</u>: number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. ▲ Guidance and incubation of strategic enterprises. <u>Performance indicators</u>: number and type of guidance services offered in a context of physical or virtual incubation (information, development of business capabilities and networks, advice, technical and administrative support, etc.) ▲ Startup of small enterprises in activities deemed strategic. <u>Performance indicators</u>: number of small enterprise startups; number of jobs created, etc. ▲ Acquisition of equipment or establishment (plant construction or expansion). <u>Performance indicators</u>: number of enterprises having acquired new equipment or new technology, number of new plants, etc. ▲ Survival or expansion of enterprises deemed strategic. <u>Results indicators</u>: number of strategic enterprise startups which have subsequently expanded, sales (variation), volume of additional sales abroad, number of jobs created in expansion phases, longevity of startup enterprises, jobs maintained, etc. |

PRIORITY 1.3.1: Competitiveness — New business practices

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

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

The Agency's plan to foster adoption of new business practices is presented here below:

| PRIORITY 1.3.1: COMPETITIVENESS — NEW BUSINESS PRACTICES (NBP) | |
|--|--|
| Main objective Increase the use of new business practices (NBP) in enterprises so as to maintain and reinforce their competitiveness. | Plan <ul style="list-style-type: none">■ Improve enterprises' access to specialized information on advanced business practices and enable their executives to develop a better appreciation of the underlying issues.■ Foster development of enterprises' competencies with respect to the use of advanced business practices.■ Foster implementation of advanced business practices in enterprises to reinforce their competitiveness. |
| Agency outputs Short-term results | <ul style="list-style-type: none">▲ Financial and non-financial support for enterprises and business service organizations. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc.▲ Accessibility and relevance of specialized information provided to SMEs. <u>Performance indicators:</u> number and type of documents disseminated, client satisfaction with accessibility and quality of services provided, helpfulness and relevance of information conveyed by business service organizations.▲ Raising of business executives' awareness and development of their competencies with regard to advanced business practices. <u>Performance indicators:</u> number and type of awareness and competency development activities held (seminars, workshops, conferences), number and type of participants in the activities, helpfulness and relevance of specialized information conveyed by business service organizations, acquisition of competencies and knowhow (measurement of perception), etc.▲ Implementation and use of new business practices (NBP) in enterprises. <u>Performance indicators:</u> number of enterprises having adopted new business practices, sales (variation), etc. |
| Medium-term results | <ul style="list-style-type: none">▲ Increased competitiveness. <u>Results indicators:</u> additional sales volume abroad, sales (variation), etc. |

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

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

| PRIORITY 1.3.2 - COMPETITIVENESS — INNOVATION IN PROCESSES, EQUIPMENT AND PRODUCTS | |
|--|---|
| Main objective Increase enterprises' ability to adapt and test a new or improved product, service or production process | Plan <ul style="list-style-type: none"> ■ Improve enterprises' access to specialized information on innovation, technology and design, and enable business executives to develop a better grasp of the issues innovation represents for their enterprises' development. ■ Foster development of enterprises' competencies with respect to management of innovation and knowhow, and to technology and design. ■ Foster development of new or improved products, services or processes. ■ Foster enhanced productivity in enterprises. |
| Agency outputs Short-term results Medium-term results | <ul style="list-style-type: none"> ▲ Financial and non-financial support for enterprises and business service organizations. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. ▲ Accessibility and relevance of specialized information received by SMEs. <u>Performance indicators:</u> number and type of documents disseminated, client satisfaction with accessibility and quality of services provided, helpfulness and relevance of information received. ▲ Raising of awareness and development of competencies of entrepreneurs and business executives with respect to innovation issues. <u>Performance indicators:</u> number and type of awareness and competency development activities held, number of participants in activities, helpfulness and relevance of information conveyed, acquisition of competencies and knowhow (measurement of perception). ▲ Development of new processes, equipment or products. <u>Performance indicators:</u> number of innovation plans developed, number of enterprises having developed or improved a product or process, number of enterprises having made additional investment in research and development. ▲ Introduction of more productive, innovative processes and equipment. <u>Performance indicators:</u> number of enterprises having acquired equipment or new technology, total value of projects carried out. ▲ Increased competitiveness and productivity. <u>Results indicators:</u> R&D investment, additional sales volume abroad, sales (variation), production costs (variation), etc. |

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

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

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

PRIORITY 1.3.3: Competitiveness — Commercialization

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

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

Implementation of this plan is carried out primarily through Agency-specific programming. The Agency also ensures delivery of the Program for Export Market Development (PEMD) under an agreement with the Department of Foreign Affairs and International Trade, which is responsible for the PEMD budget.

PRIORITY 1.3.3: COMPETITIVENESS — COMMERCIALIZATION

| | |
|----------------------------|---|
| Main objective | <p>Plan</p> <ul style="list-style-type: none"> ■ Improve enterprises' access to specialized information on market trends and opportunities, and enable their executives to develop a better grasp of the issues underlying new business trends. ■ Foster development of enterprises' competencies with respect to export development, penetration of public and parapublic markets, electronic marketing and sales, etc. ■ Foster marketing of new or improved products and services. |
| Agency outputs | <ul style="list-style-type: none"> ▲ Financial and non-financial support for enterprises and business service organizations. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. |
| Short-term results | <ul style="list-style-type: none"> ▲ Accessibility and relevance of specialized information received by SMEs. <u>Performance indicators:</u> number and type of documents disseminated, client satisfaction with accessibility and quality of services provided and helpfulness and relevance of information conveyed by business service organizations. ▲ Raising of entrepreneurs' awareness and development of their competencies with respect to commercialization. <u>Performance indicators:</u> number and type of awareness and competency development activities held (seminars, workshops, conferences), number and type of participants in activities and helpfulness and relevance of specialized information conveyed by business service organizations, acquisition of competencies and knowhow (measurement of perception). ▲ Commercialization of a new or improved product. <u>Performance indicators:</u> number of enterprises having commercialized a new or improved product, value of sales made, etc. ▲ Development of new markets. <u>Performance indicators:</u> number of enterprises having developed new markets, number of trade missions held, number of participants in those missions, number of alliances, agreements, letters of intent, trade agreements, etc. |
| Medium-term results | <ul style="list-style-type: none"> ▲ Increased competitiveness, export development and market diversification. <u>Results indicators:</u> number of new exporters, number of enterprises having developed or made sales on new markets, volume of sales abroad (variation), number of jobs created/maintained and sales (variation). |

PRIORITY 1.4: Development of small enterprises

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

Owing to their size, however, it is harder for small enterprises to raise the funds they need for startup and expansion; this may be attributable in particular to the special type of risk they represent for lending institutions. Statistics in fact show that many new enterprises do not last more than five years, notably owing to the difficulty for the same person to combine both the role and talents of an entrepreneur with management duties. Moreover, the value of real property assets offered as security by small enterprises is relatively less appreciated by lenders in remote regions and in some less highly populated communities. In addition, new entrepreneurs have often not yet had the chance, precisely because of the newness of their enterprises, to gain the complete trust of the lenders they apply to. This challenge arises particularly for groups which, in the past, took relatively little part in the business world, such as young people, women and Aboriginals. The case of young entrepreneurs is of special interest, since they represent the potential succession for their region's economic development.

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

Three types of organizations will continue to receive special attention from the Agency with regard to development of small enterprises. These are, first, the Community Futures Development Corporations (CFDCs), of which there are 57; there are CFDCs in all of Quebec's remote regions and rural communities, and they also play a role in facilitation of their local economic development, a topic covered later in this report when the "Development of local capability to energize local development" priority is presented. The Agency also supports Business Development Centres (BDCs), of which there are nine, whose role focusses solely on assistance to enterprises. In urban areas, the Agency also supports, in association with the provincial government and the municipalities concerned, 14 Community Economic Development Corporations (CEDCs) to enable them to stimulate the pre-startup and startup of small enterprises and provide information and supervision services as well as technical services to business.

The Agency helps these organizations cover their operating costs; this assistance is provided under the Community Futures Program (CFP), described in Section 6.1. For instance, the Agency helped the CFDCs set up a special investment fund for funding young entrepreneurs' projects. The CFDCs, BDCs and CEDCs extend the scope of the Agency's economic development action beyond what could be accomplished if the Agency intervened on its own vis-à-vis the thousands of small enterprises across Quebec.

The Agency also provides financial assistance directly to small enterprises of local and regional scope, more specifically in regions posting slow growth and inadequate employment or struggling with economic problems of a situational and structural nature, notably including the Gaspé Peninsula and the Magdalen Islands (Gaspésie — Îles-de-la-Madeleine).

PRIORITY 1.4: DEVELOPMENT OF SMALL ENTERPRISES

| | |
|--|--|
| <p>Main objective</p> <p>Foster the growth of small local and regional enterprises</p> | <p>Plan</p> <ul style="list-style-type: none"> ■ Foster improvement in the success rate and durability of small enterprises with local and regional reach through guidance and follow-up activities. ■ Foster implementation of startup and expansion projects by small enterprises of local and regional reach, by reducing financing difficulties on conventional financial markets. |
| <p>Agency outputs</p> <p>Short-term results</p> | <ul style="list-style-type: none"> ▲ Financial and non-financial support for enterprises and business service organizations. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. ▲ Guidance and financing of small enterprises of local and regional reach. <u>Performance indicators:</u> number and type of services offered (information, development of business capabilities and networks, advice, guidance, technical and administrative support); number and type of projects financed by business service organizations (CFDCs, BDCs, CEDCs), total amount invested by those organizations in small enterprises, etc. ▲ Startup, expansion and consolidation of small enterprises of local and regional reach. <u>Performance indicators:</u> number of small enterprise startups, number of jobs created or maintained, etc. |
| <p>Medium-term results</p> | <ul style="list-style-type: none"> ▲ Survival and expansion of small enterprises of local and regional reach. <u>Results indicators:</u> number of startup or expanding enterprises, sales (variation), number of jobs created or maintained, durability of enterprises, etc. |

4.2.2 Strategic outcome #2:

Improvement of the environment for economic development of the regions

Rationale

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

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

Priorities

The box entitled "Strategic outcome #2: Improvement of the environment for economic development of the regions" presents the three areas in which the Agency intervenes so that the regional economic environment can become stronger with respect to development. These priorities are presented in greater detail in the following pages.

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

Contribute to creating economic conditions more conducive to development of all enterprises in a community, region or economic sector

| <i>Agency priorities</i> | <i>Goals</i> |
|--|--|
| 2.1 Local capability to energize development of the local economy | ■ Increase local and regional economic agents' ability to elicit the emergence of projects to create or reinforce a region's distinctive competitive advantages. |
| 2.2 Economic enhancement of regional development assets | ■ Support implementation of projects to create or reinforce assets likely to generate a strategic impact on a region's economy. |
| 2.3. Development and reinforcement of knowledge-based competitive advantages | ■ Support implementation of knowledge-related infrastructure projects and dissemination and networking activities. |

Outputs and anticipated results chain

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

The Agency also supports regional development agents to enable them to carry out projects with a strategic impact for their region. These projects consist for operators in enhancing community facilities with an economic role and tourist attractions, or enhancing pre-competitive research and development capabilities in their regions, to give just a few examples.

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

To generate these results, the Agency's "outputs" take the form of financial assistance to local service organizations and operators of tourist attractions, community facilities with an economic role or research establishments, for instance. Among the first observable results from Agency support, in chronological order of appearance, the organizations assisted will have the resources and expertise necessary to energize their region's development. Projects with strategic impact will be planned. In the medium term, operators will carry out some of these projects; these results will be visible within 6-24 months and sometimes longer, in line with the scope and the challenges specific to the projects supported. It should subsequently be possible to see that the organizations assisted gradually improve their ability to enable local joint action and mobilization, and that operators move on to running the projects implemented.

Gradually, enterprises should be able to take advantage of these projects with strategic impact, and this will then translate into an increase in their sales and their number of employees. Through a long chain of consequences, a number of enterprises in the region which supply those which will have benefited directly from completion of projects with strategic impact should themselves also see an increase in their sales and personnel, so that the region will ultimately benefit from an improvement in its level of prosperity and employment. The region's economic development should gradually progress toward this final result, which will eventually reach its peak and full deployment after eight, 10 or even 15 years in some cases, with the development process attaining full maturity only in the long term.

Resources

The contribution expenditures the Agency plans to make in support of improving the environment will reach some \$255 million over the period 2003-2004 — 2005-2006. This figure illustrates the priority given to this strategic outcome, and should be seen as an approximation.

PRIORITY 2.1 : Local capability to energize the development of the local economy

Co-operation and convergence of the efforts of all the economic agents are essential conditions for improving the environment for economic development. A region's economic development cannot succeed without the local economic milieu taking its development in hand; this is a lesson learnt from decades of efforts by North American and European governments in regional economic development. To bring together local players and achieve consensus on strategies and priorities that are promising for economic development, the regions have to be able to count on the dynamism of local service organizations and economic agents familiar with new development trends.

One way for the Agency to contribute to improving the environment for economic development of the regions is to encourage development of local capability to energize development of the local economy. The Agency's plan to reinforce local capability involves many elements, of which the main ones concern local joint action and mobilization, international promotion, greater appreciation of entrepreneurship, and consideration of regional issues. To implement this plan, the Agency supports in particular organizations which work on local joint action and mobilization concerning local or regional strategies and priorities. The Community Futures Development Corporations (CFDCs) mentioned earlier are among the organizations supported by the Agency for their contribution to mobilizing their local milieu.

| PRIORITY 2.1: LOCAL CAPABILITY TO ENERGIZE DEVELOPMENT OF THE LOCAL ECONOMY | |
|--|---|
| <i>Main objective</i> Increase local and regional economic agents' ability to elicit the emergence of projects to create or reinforce a region's distinctive competitive advantages | <i>Plan</i> <ul style="list-style-type: none">■ Enhance local and regional economic agents' access to information on development opportunities and help them grasp more clearly the new development issues associated with globalization and the new economy.■ Foster development of local and regional economic agents' competencies to develop strategies, business plans, action plans and strategic projects, and foster development of networks of economic agents.■ Foster mobilization of local, regional and/or sectoral economic agents to develop and implement strategies, plans and projects that are the subject of local consensus.■ Foster international promotion of a community, region or overall economic sector vis-à-vis foreign enterprises, in particular those likely to invest in Quebec.■ Foster greater appreciation of entrepreneurship among citizens, communities and regions, among young people in particular, to encourage them to consider careers in business and thus form the next generation with respect to development and foster emulation among business executives so as to encourage them to continue developing their enterprises.■ Facilitate appreciation and consideration of regional economic development issues within the Government of Canada. |

(Following on page 34)

PRIORITY 2.1: LOCAL CAPABILITY TO ENERGIZE DEVELOPMENT OF THE LOCAL ECONOMY

(Suite of page 33)

| | |
|----------------------------|---|
| Agency outputs | <ul style="list-style-type: none"> ▲ Financial and non-financial support for local service organizations and economic agents. <u>Output indicators</u>: number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. |
| Short-term results | <ul style="list-style-type: none"> ▲ Accessibility and relevance of information received by the local economic milieu. <u>Performance indicators</u>: number and type of documents disseminated, client satisfaction with accessibility and services provided, and helpfulness and relevance of information received. ▲ Raising of awareness of emerging regional development issues, development of competencies with respect to regional development. <u>Performance indicators</u>: number and type of awareness and competency development activities held, number of participants in activities, helpfulness and relevance of information received, number and variety of regional development tools perfected, number and scope of networks developed, acquisition of competencies and knowhow. ▲ Consultation and mobilization of economic agents to develop strategies, agree on regional priorities and design strategic projects. <u>Performance indicators</u>: number of strategies, plans, strategic projects developed and agreed on by the milieu. ▲ International promotion of regions or sectors of activity. <u>Performance indicators</u>: number and type of promotional articles published, number of promotional flyers developed and disseminated, number of promotional trips or representations made, etc. ▲ Greater appreciation of entrepreneurship and excellence in business. <u>Performance indicators</u>: number and type of enhancement activities held (galas, bursary presentations, competitions), number and type of awareness activities to encourage young people to undertake careers in business (clubs, forums, seminars, workshops), number of participants in these activities, number of guidance services provided to young people considering business careers. |
| Medium-term results | <ul style="list-style-type: none"> ▲ Development and implementation of projects with strategic impact in the regions of Quebec. <u>Results indicators</u>: number and type of strategic projects implemented, economic spinoffs, number of jobs created and maintained, etc. ▲ Attraction of foreign tourists to the different regions of Quebec. <u>Results indicators</u>: number of tourists attracted, duration of their stay, average amount of their spending, economic spinoffs, number of jobs created, maintained ▲ Establishment of foreign enterprises and international agencies in different regions of Quebec. <u>Results indicators</u>: number of foreign enterprises or international organizations newly established, number of jobs created, economic spinoffs. |

PRIORITY 2.2: Economic enhancement of regional development assets

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

| PRIORITY 2.2: ECONOMIC ENHANCEMENT OF REGIONAL ASSETS | |
|---|---|
| Main objective Support implementation of projects to create or reinforce assets likely to generate a strategic impact on a region's economy and have substantial ripple effects on economic activity in a community, region or economic sector | Plan <ul style="list-style-type: none">■ Foster development and improvement of a regional asset (community facilities, attractions or major events, etc.) likely to have substantial ripple effects.■ Foster international marketing of community facilities, an attraction or an event likely to have substantial ripple effects. |
| Agency outputs Short-term results Medium-term results | <ul style="list-style-type: none">▲ Financial and non-financial support for economic agents. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc.▲ International marketing of a regional asset (community facilities, tourist attraction or major event). <u>Performance indicators:</u> number and type of promotional articles published, number of promotional flyers developed and disseminated, number of promotional trips or representations carried out, etc.▲ Establishment, upgrading or renewal of community facilities or attractions. <u>Performance indicators:</u> number and type of strategic projects carried out, total value of projects carried out, direct, indirect or induced economic spinoffs, etc.▲ Attraction of foreign tourists to the different regions of Quebec. <u>Results indicators:</u> number of tourists attracted, duration of their stay, average amount of their spending, economic spinoffs, number of jobs created or maintained, etc.▲ Establishment of international agencies in different regions of Quebec. <u>Results indicators:</u> number of international organizations newly established, number of jobs created or maintained by these facilities, economic spinoffs, etc.▲ Increased use of community facilities for economic purposes, increased international attendance at attractions and major events. <u>Results indicators:</u> operating income (variation), number of jobs created and maintained, economic spinoffs, etc. |

Enhancement of a region's main tourist attractions reinforces its distinctive positioning on the international market. The Agency thus aims to develop a competitive tourism offering in terms of quality and differentiation, so as to increase the number of visitors, extend their stay, increase the economic spinoffs from their visit, and ensure that on their return to their home country they recommend a visit to the regions of Quebec to other travellers. It is not enough for this tourism offering to exist, it is also important that it be known and well-reputed; so the operators of these tourist attractions and major events have to design and implement international marketing plans for their products. Their marketing abroad will help attract international tourists and thus bring greater economic prosperity to the regions.

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

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

PRIORITY 2.3 : Development and reinforcement of knowledge-based competitive advantages

To meet the competitiveness challenge, enterprises have to innovate unceasingly, and they therefore need an economic environment that performs well in terms of command and dissemination of knowledge. In fact, knowledge is increasingly becoming one of the determining foundations of economic development. A number of projects aimed at improving access to knowledge and its development are likely to generate, in the medium and long term, substantial ripple effects on the economic activities of a community, region or economic sector and can thus reinforce their competitive advantages, and even develop new ones. Knowledge is largely "public property", and the modern state plays a significant role in the advancement of scientific and technical knowledge, before that knowledge has reached the stage involving the development and perfection of commercial applications.

All Quebec regions have enterprises active in industrial R&D. Specialized technological axes comprising several research centres are established notably in the Montreal, Quebec City, Sherbrooke, Trois-Rivières, Gatineau and Saguenay metropolitan areas, as well as in Bas-Saint-Laurent and Abitibi-Témiscamingue. To contribute fully to their region's economic development, these research institutions stand to gain by integrating more closely with the regional economic fabric, deepening their expertise, and expanding as necessary. To do so, it is important for them to position themselves so as to make the most of the national assistance programs for knowledge institutions.

Feasibility studies often have to be conducted before research centres are established or existing research infrastructure is upgraded. Depending on the results of these studies, some of these projects may subsequently materialize in the shape of capital assets (fitting out of facilities or acquisition of specialized equipment). The existence of these facilities is, however, merely a premise; research projects have to be completed, events for dissemination and sharing of the results of research work have to be organized, and scientific networks have to be set up and maintained in order to have access to scientific and technological knowledge developed elsewhere in the world.

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

| PRIORITY 2.3: DEVELOPMENT AND REINFORCEMENT OF KNOWLEDGE-BASED COMPETITIVE ADVANTAGES | |
|---|--|
| <p><i>Main objective</i></p> <p>Support implementation of knowledge-based infrastructure projects and dissemination and networking activities likely to have substantial ripple effects on economic activity in a community, region or economic sector</p> | <p><i>Plan</i></p> <ul style="list-style-type: none"> ■ Foster construction and upgrading of knowledge infrastructure (eg., research centres and institutes) and laboratory facilities. ■ Foster development of scientific and technical knowledge, implementation of pre-commercial research projects, dissemination of research results and development of scientific networks in fields generating economic development in a region or sector. ■ Foster development of nominations for knowledge institutions aimed at benefiting from national initiatives in support of innovation (Canada Foundation for Innovation, Networks of Centres of Excellence, University Chairs, etc.). |
| <p>Agency outputs</p> <p>Short-term results</p> <p>Medium-term results</p> | <ul style="list-style-type: none"> ▲ Financial and non-financial support for operators of research centres and organizations working on the economic enhancement of the products of research. <u>Output indicators:</u> number and type of projects supported, expenditures made, total amount of financial assistance approved, etc. ▲ Establishment, upgrading or expansion of knowledge infrastructure. <u>Performance indicators:</u> number and type of projects carried out, total value of projects carried out, direct, indirect and induced economic spinoffs, number of jobs created and maintained in these institutions, etc. ▲ Development, consolidation and dissemination of scientific knowledge from knowledge institutions. <u>Performance indicators:</u> number and type of research projects carried out, number and type of research or scientific papers disseminated, number of networks of researchers consolidated, number of jobs created and maintained in research institutions, etc. ▲ Nominations of knowledge institutions. <u>Performance indicators:</u> number of nominations developed and submitted, number of jobs created and maintained in research institutions, etc. ▲ Development of commercial applications (products, equipment or processes) and business opportunities grasped on the basis of scientific knowledge or research results. <u>Results indicators:</u> number and type of new products, equipment or processes developed, number of enterprises created in knowledge-related fields, number of jobs created, sales volume achieved, economic spinoffs, etc. |

4.2.3 Strategic outcome #3: Development and renewal of community infrastructure (Infrastructure Canada Program)

Rationale

The condition of community infrastructure is closely linked to its users' quality of life. Quality infrastructure allows communities to attract and retain individuals and organizations that will guarantee their economic and social future.

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

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

STRATEGIC OUTCOME #3: DEVELOPMENT AND RENEWAL OF COMMUNITY INFRASTRUCTURE Special mandate: Infrastructure Canada Program

Upgrade municipal, urban and rural infrastructure in Quebec and Quebecers' quality of life

| <i>Agency priorities</i> | <i>Goals</i> |
|---|---|
| 3.1 Drinking water and wastewater infrastructure | ■ Foster renovation and construction of drinking water and wastewater infrastructure, and experimentation of new technology. |
| 3.2 Local transportation infrastructure | ■ Foster establishment, upgrading or renovation of local transportation infrastructure. |
| 3.3 Assets with an economic, urban or regional impact | ■ Foster rehabilitation and construction in particular of cultural and recreational facilities, tourism infrastructure, telecommunications infrastructure in rural and remote regions, and other regional assets with an economic impact. |

The first priority is the implementation of renovation, replacement, expansion, rehabilitation or construction work on drinking water and wastewater infrastructure. The program also aims to permit experimentation of new technologies for management, maintenance, renovation or construction of infrastructure, including solid waste management infrastructure, or diagnosis of its condition.

The second priority concerns the establishment, upgrading or renovation of highway infrastructure and public transit systems in order to foster in particular increased traffic flow by individuals and merchandise and an improvement in air quality.

The third priority is to enable municipalities and public, parapublic and private sector organizations, including not-for-profit agencies, to implement projects to enhance, renovate or construct infrastructure, facilities or buildings with an economic, urban or regional impact: cultural and recreational facilities, tourism infrastructure, telecommunications in rural and remote regions, high-speed Internet access in conjunction with the Broadband pilot program for local public institutions, and affordable housing.

Outputs and anticipated results chain

To fulfill this special mandate, the Agency provides financial assistance for municipalities, inter-municipal boards and other economic agents under the Infrastructure Canada Program. Projects supported by the Agency also receive financial support from the Quebec government and the municipalities concerned.

As well as contributing to setting up or upgrading the prerequisite foundation for long-term economic development, investing in upgrading community infrastructure sustains short-term economic growth by directly creating jobs. Much of this investment has positive impact with respect to users' safety and environmental quality.

Results measurement strategy

The agreement between the two levels of government provides for the different program evaluation exercises. The first "mid-term" evaluation will be conducted during fiscal 2003-2004, while the final program evaluation will be carried out during the 2005-2006 fiscal year.

In order to be sure to obtain objective, timely information on the program and to meet the requirements of the federal-provincial agreement and its managers, the Program Evaluation Committee, consisting of representatives of the Governments of Canada and Quebec, are currently working on planning the evaluation exercises. In fact, three stages will have to be completed in order to obtain all the relevant information on the efficiency and effectiveness of the program.

The first stage, the review of files on applications for financial assistance, consists in consolidating the information on projects from the different departments of the two levels of government party to the agreement. This exercise will, among other things, enable the Agency to acquire an overview of the projects funded under the three components of the agreement and to consolidate information on their performance. The second stage involves the mid-term evaluation of infrastructure work and its potential impact. This evaluation will answer the following questions in particular: the extent to which the projects supported will have improved the quality of the environment, sustained economic growth or upgraded community infrastructure. The last stage corresponds to the final evaluation of the impact of infrastructure work. The information generated in the context of this evaluation will shed light for managers on the efficiency and effectiveness of the program.

Resources

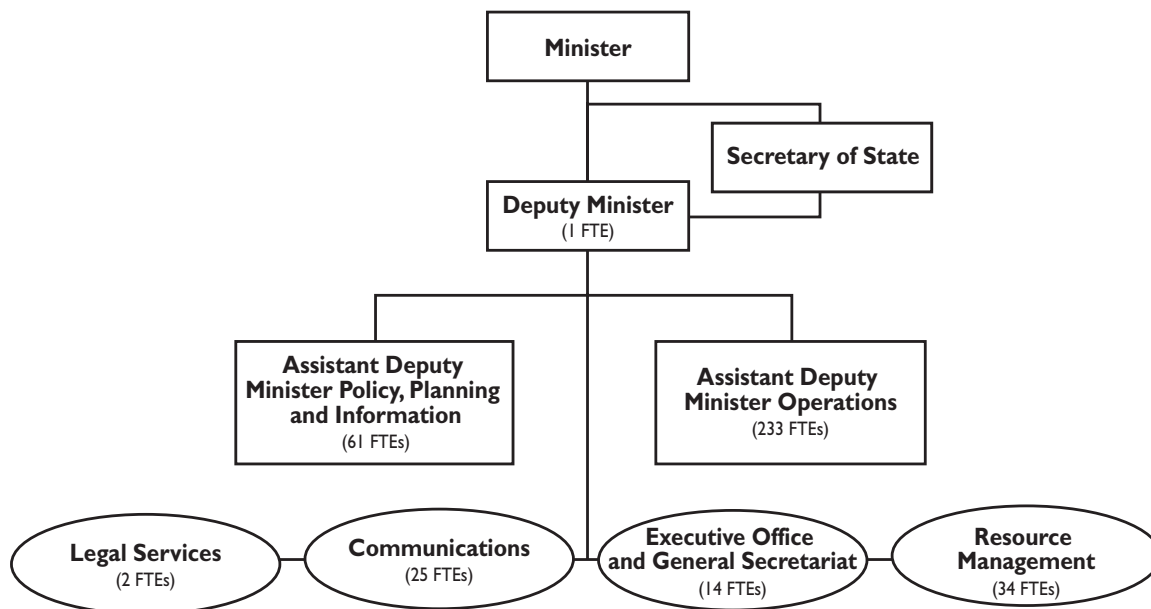
The contribution expenditures the Agency plans to make in support of the development of community infrastructure will reach approximately \$369 million over the period 2003-2004 — 2005-2006. This figure illustrates the priority given to this strategic outcome, and should be seen as an approximation.



The Agency's planning structure rests on a single business line: promotion of the economic development of the regions of Quebec. In that context, the Agency's sole business line generates three specific strategic outcomes, namely:

- Enterprise development;
- Improvement of the environment for economic development of the regions; and
- Under a special mandate, Development and renewal of community infrastructure.

The Honourable Allan Rock is Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec, and the Honourable Claude Drouin is Secretary of State responsible for the Agency. The Deputy Minister of Canada Economic Development reports to the Minister and the Secretary of State. The Deputy Minister is responsible for promotion of the economic development of the regions of Quebec. The powers, duties and functions of the Minister responsible for the Agency are defined in Part II of the *Department of Industry Act*, the text of which may be consulted at the following Web address: <http://laws.justice.gc.ca/en/I-9.2/text.html>.



As the table below shows, the Agency's grants and contributions budget totals \$1,009 million for 2003-2004 — 2005-2006. The number of employees stands at 370 full-time equivalents (FTEs) for the 2003-2004 fiscal year.

Planned grants and contributions expenditures by strategic outcome for the planning period

| Planned grants and contributions expenditures | Strategic outcomes (\$ millions) | | |
|---|-------------------------------------|--|---|
| | Enterprise development | Improvement of the environment for economic development of the regions | Development and renewal of community infrastructure |
| Business line | | | |
| Promotion of the economic development of the regions of Quebec | 385.0 | 255.0 | 369.0 |

N.B.: The figures above show only grants and contributions expenditures, and do not include statutory expenditures under the *Small Business Loans Act* (SBLA) and the *Canada Small Business Financing Act* (CSBFA).
The printed version of this table contains a mistake; the electronic versions have been corrected.

Planned spending

| Planned spending (\$ thousands) | Forecast spending 2002-2003 | Planned spending 2003-2004 | Planned spending 2004-2005 | Planned spending 2005-2006 |
|--|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Budgetary <i>Main Estimates</i> (gross) ¹ | 504,394 | 447,311 | 370,953 | 312,596 |
| Non-Budgetary <i>Main Estimates</i> (gross) | — | — | — | — |
| Less: Respendable revenue | — | — | — | — |
| Total Main Estimates | 504,394 | 447,311 | 370,953 | 312,596 |
| Adjustments ² | (26,861) | 79,157 | 5,057 | 9,822 |
| Net planned spending ³ | 477,533 | 526,468 | 376,010 | 322,418 |
| Less: Non-respendable revenue ⁴ | (43,800) | (43,300) | (36,500) | (35,500) |
| Plus: Services received without charge | 4,356 | 4,880 | 4,837 | 4,523 |
| Net program cost | 438,089 | 488,048 | 344,347 | 291,441 |
| Full-time equivalents (FTEs) | 373 | 370 | 363 | 299 |

¹ The smaller budget in 2003-2004 — 2004-2005 is attributable to a reduction in funds carried forward from previous years. The decrease in 2005-2006 is attributable to the termination of credits voted to the Agency under the Canada Jobs Fund (CJF).

² Adjustments include additional funds to finance new initiatives, among others, the Canadian Apparel and Textile Industries Program (CATIP), support for the creation of the *Centre intégré en pâtes et papiers* and planned statutory expenditure increases in 2004-2005 — 2005-2006.

³ This figure reflects the best forecast of total net planned spending to the end of the current fiscal year.

⁴ Non-respendable revenue consists mainly of loan guarantee services charges and refunds of previous years' expenditures. Details of non-respendable revenue are presented in Section 6.2.3.



6

APPENDICES

6.1 Financial and non-financial assistance

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

6.1.1 Financial assistance programs (grants and contributions)

Overview

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

- Programming relative to the Agency's core mandate
 - Program of assistance for development of SMEs in Quebec (IDEA-SME)
 - Regional Strategic Initiatives (RSIs)
 - Community Futures Program (CFP)
 - Canadian Support Program for the Gaspésie — Îles-de-la-Madeleine Economy
- Programming relative to the special mandate from by the Government of Canada
 - Infrastructure Canada Program

Details

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

Program of assistance for development of SMEs in Quebec (IDEA-SME)

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

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

Regional Strategic Initiatives (RSI) Program

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

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

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

Community Futures Program (CFP)

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

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

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

Infrastructure Canada Program

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

Other programs with which the Agency is associated

Canada Small Business Financing Act (CSBFA)

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

Softwood Industry and Community Economic Adjustment Initiative contribution program

The Softwood Industry and Community Economic Adjustment Initiative contribution program is a special initiative under the responsibility of Industry Canada whose implementation falls to the regional development agencies. Its goal is to generate long-term economic spinoffs in the regions and communities affected by the lumber trade dispute, primarily by supporting projects to reinforce community capabilities, diversify local economies and enhance productivity. The main planned results from the initiative are an increase in the number of projects enabling rural regions to adjust to the new world economic context, increased use of new technology, diversification of the economies of communities dependent on softwood lumber, enhanced viability and autonomy for the communities and development of community action plans as well as development of local leadership with regard to development.

Canadian Apparel and Textile Industries Program (CATIP)

Through the IDEA-SME program, the Agency will implement part of the new Canadian Apparel and Textile Industries Program (CATIP) established by Industry Canada to help those industries adjust to the potential effects of the "Access to markets granted to least developed countries" initiative. Apparel and textile enterprises in Quebec will thus be able to benefit from contributions to carry out projects aimed at making them more innovative and better placed to establish themselves on new markets.

Program for Export Market Development (PEMD)

The PEMD is a national program which helps small enterprises exporting for the first time, or wishing to penetrate a new market, to find and exploit outlets for their products and services as well as opportunities for tendering for capital projects abroad. The Department of Foreign Affairs and International Trade (DFAIT) is responsible for PEMD budgets and spending. But, in agreement with DFAIT and in direct association with its economic development mandate, the Agency delivers the program to enterprises in the regions of Quebec.

6.1.2 Non-financial assistance

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

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

6.2 Financial tables

6.2.1 Summary of transfer payments

| Transfer payments (\$ thousands) | Forecast spending 2002-2003 | Planned spending 2003--2004 | Planned spending 2004-2005 | Planned spending 2005-2006 |
|---|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| <i>Promotion of the economic development of the regions of Quebec</i> | | | | |
| Grants | 3,580 | 300 | 300 | 300 |
| Contributions ¹ | 425,559 | 479,536 | 331,890 | 286,108 |
| Total grants and contributions | 429,139 | 479,836 | 332,190 | 286,408 |

¹ The decrease in 2005-2006 is attributable to the termination of credits voted under the Canada Jobs Fund (CJF).

6.2.2 DETAILS ON THE TRANSFER PAYMENTS PROGRAM

Promotion of the economic development of the regions of Quebec

Objective: Contribute to enhancing and realizing the economic development potential of the regions of Quebec

Main planned results, for each of the priorities:

- Improved access by enterprises to information likely to inform their business decisions
 - Establishment and expansion of enterprises deemed strategic for a region's development
 - Competitiveness of small- and medium-sized enterprises (SMEs) maintained and enhanced, through:
 - increased use of new business practices in SMEs
 - SMEs' greater ability to adapt and test a new or improved product, service or production process
 - SMEs' greater ability to market their products internationally
 - Growth of small local and regional enterprises
 - Greater ability of local and regional economic agents to elicit the emergence of projects to create or reinforce a region's distinctive competitive advantages
 - Regional assets enhanced so as to generate a strategic impact on a region's economy
 - Development of knowledge infrastructure and increased dissemination of knowledge in the regions
 - Renovation, replacement, expansion, rehabilitation and construction of drinking water and wastewater infrastructure
 - Establishment, upgrading and renovation of highway infrastructure and public transit systems
 - Enhancement, renovation and construction of infrastructure, equipment and buildings having an economic, urban or regional impact
-

Milestones:

Agency outputs and short- and medium-term results are shown in detail in Section 4 under each Agency priority. Other major milestones are listed here below:

- Further implementation of continuous performance measurement so as to reinforce results-based management
 - Five-year evaluation plan updated annually
 - Training of Agency advisors and managers on performance measurement and evaluation
 - Perfection of analytical and reporting tools for reporting on results obtained
 - Maintenance of ISO certification
 - Action plan aimed at improving management practices
 - New Sustainable Development Strategy.
-

6.2.3 Source of non-respensible revenue

| Non-respensible revenue (\$ thousands) | Forecast revenue 2002-2003 | Planned revenue 2003-2004 | Planned revenue 2004-2005 | Planned revenue 2005-2006 |
|--|---|--|--|--|
| <i>Promotion of the economic development of the regions of Quebec</i> | | | | |
| Service charges - loan guarantees ¹ | 23,300 | 22,800 | 16,000 | 15,000 |
| Recovery of expenditures from previous fiscal years ² | 20,500 | 20,500 | 20,500 | 20,500 |
| Total non-respensible revenue | 43,800 | 43,300 | 36,500 | 35,500 |

¹ This item represents charges paid by approved lenders under the *Small Business Loans Act* and the *Canada Small Business Financing Act*.

² This item refers primarily to the reimbursement of repayable contributions made by the Agency.

6.2.4 Net cost of program for year covered by Estimates

| Net cost of program for 2003-2004 (\$ thousands) | Promotion of the economic development of the regions of Quebec |
|--|--|
| Net planned spending | 526,468 |
| <i>Plus: Services received without charge</i> | |
| Accommodation provided by Public Works and Government Services Canada (PWGSC) | 2,848 |
| Contributions to employees' insurance plans and expenditures paid by the Treasury Board Secretariat (TBS) | 1,863 |
| Salaries and associated expenditures for legal services provided by Justice Canada | 169 |
| | 4,880 |
| <i>Less: Respendable revenue</i> | --- |
| <i>Less: Non-respendable revenue</i> | (43,300) |
| Net cost of program for 2003-2004 (total planned spending) | 488,048 |

6.3 Sustainable development strategy (SDS)

BACKGROUND

The issue of sustainable development is multi-faceted: it affects many levels of human activity, be they local, regional or global. It requires the integration of economic, environmental and social aspects in decision-making; and it is the responsibility of the government as a whole, of communities and of all Canadians.

In that context, SMEs have to grasp new business opportunities to respond to the need for clean, less energy-intensive products and processes. Indeed, the world population is growing fast, while certain natural resources are not being renewed, and all countries, rich or poor, will need such products. It therefore becomes increasingly important for SMEs to be concerned with environmental management and follow the new “rules of the game” so as to improve their competitiveness and their access to certain markets, both local and international.

Also, since Canada has recently ratified the Kyoto Protocol, which commits it to bringing greenhouse gases down below their 1990 levels, we will have to move toward a more energy-efficient, lower-emission society.

The Agency’s role is to raise enterprises’ awareness and help them and local economic agents meet the challenges of sustainable development, building on local strengths and organizations to create synergy and avoid needless duplication.

It is important to note that the SDS commitments lie in a different timeframe from the *Report on Plans and Priorities*. In fact, the commitments below have to be carried out by December 2003, at which time the Agency is to table its 2003-2006 strategy. This strategy will continue where the previous one left off, building on achievements while emphasizing the Government’s new priorities (climate change), and will specify new objectives for the next three calendar years.

PLAN 2000-2003

- In line with the Agency’s strategic outcome #1, Enterprise development:
 - development of innovative products and services associated with the environment and sustainable development:
 - support for completion of 20 technological and marketing feasibility studies
 - financial support for two technology demonstration platforms and 10 development projects for eco-efficient products or processes
 - tests and experimentation for sustainable development of natural resources:
 - support for implementation of 25 projects for tests and experimentation on products, technologies, processes and methodologies associated with development and sustainable harvesting of natural resources
 - support for marketing of environment industry products and services:
 - support for 20 development and marketing projects
 - contribution to staging of two environmental trade shows
 - enhancement of SMEs’ environmental performance:
 - contribution to startup of five Enviroclubs with the participation of 60 manufacturing SMEs in all for implementation of pollution prevention and eco-efficiency projects.

- For ecologically efficient management of the Agency:
 - Continuation of in-house greening efforts:
 - Extend multi-product recycling program to the Agency's business offices: at least 31% of business offices served
 - Fit 22% of Agency vehicles with hybrid engines
 - In-house awareness and development of consensus-building and co-operation activities with Agency partners:
 - Sensitize all personnel to sustainable development and the principles of pollution prevention and eco-efficiency
 - Pursue and develop mechanisms for partnership and joint action with Government of Canada departments and agencies (National Research Council Canada, Environment Canada, Agriculture and Agri-Food Canada, Natural Resources Canada, Industry Canada, etc.) and regional and local organizations operating in the environment and sustainable development sectors.

6.4 List of Canada Economic Development offices

Abitibi-Témiscamingue

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

Bas-Saint-Laurent

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

Centre-du-Québec

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

Côte-Nord

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

Estrie

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

Gaspésie – Îles-de-la-Madeleine

Place Jacques-Cartier
167-11 de la Reine Street, 2nd Floor
Gaspé (Quebec) G4X 2W6
Tel.: (418) 368-5870 • 1 866 368-0044
Fax: (418) 368-6256

Île-de-Montréal

Tour de la Bourse
800 Victoria Square
Suite 3800, P.O. Box 247
Montréal (Quebec) H4Z 1E8
Tel.: (514) 283-2500
Fax: (514) 496-8310

Laval – Laurentides – Lanaudière

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

Mauricie

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

Montréal

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

Nord-du-Québec

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

Outaouais

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

Québec – Chaudière-Appalaches

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

Saguenay – Lac-Saint-Jean

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

CORPORATE SERVICES

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

Place du Portage, phase II

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

www.dec-ced.gc.ca

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