

Evaluation of the Community Futures Program in Atlantic Canada

Final Report

**Atlantic Canada Opportunities Agency
Finance and Corporate Services
Evaluation Unit**

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LIST OF ACRONYMS

ACCBIF	Atlantic Canada Community Business Investment Fund
AC	Aboriginal Communities
ACOA	Atlantic Canada Opportunities Agency
AGM	Annual General Meeting
BDC	Business Development Bank of Canada
BDP	Business Development Program
CBDC	Community Business Development Corporation
CB	Cape Breton
CED	Community Economic Development
CED-Q	Canada Economic Development for Quebec Regions
CF	Community Futures
CFO	Community Futures Organization
CF	Community Futures
FedNor	Federal Economic Development Initiative for Northern Ontario
FTE	Full-Time Equivalent
G&C	Grants and Contributions
GCS	Government Consulting Services
IC	Industry Canada
MOU	Memorandum of Understanding
NL	Newfoundland and Labrador
NB	New Brunswick
NS	Nova Scotia
O&M	Operations and Maintenance
OLMC	Official Language Minority Community
PAA	Program Activity Architecture
PEI	Prince Edward Island
RDA	Regional Development Agency
REDO	Regional Economic Development Organization
RMAF	Results-based Management and Accountability Framework
SMEs	Small and Medium-sized Enterprises
WD	Western Economic Diversification Canada
WG	Working Group

EXECUTIVE SUMMARY

This report presents the findings, conclusions and recommendations of an evaluation of the Community Futures (CF) Program in Atlantic Canada, which is required by the Transfer Payments Policy and was a commitment made to the Treasury Board of Canada. The evaluation focused on four main areas: program relevance, design and delivery, success, cost-effectiveness and alternatives.

Description of the Program

The CF Program aim is to support rural communities and small and medium-sized enterprises (SMEs) in meeting their economic needs, and to provide resources to local Community Futures Organizations (CFOs) to build community capacity to adapt to and manage change. In Atlantic Canada, the CF Program is delivered through a network of 41 CFOs, which are referred to as Community Business Development Corporations (CBDCs).

Relevance

This evaluation found that there is a continuing need for the CF Program. The Atlantic Provinces generally have lower participation rates, higher unemployment rates, and lower worker earnings than Canadian averages, which suggest a need for economic development programs such as the CF Program. SMEs are important to the development of local economies and the CF Program is supporting businesses that would otherwise not have been able to start, survive or expand.

Federal government involvement is needed, and appropriate, since the CF Program addresses a national need and ensures consistency and national coordination of the program. There are other programs and/or organizations that deliver some services that are offered by the CF Program; however, no other programs offer the whole range of services provided by the CF Program. The level and type of collaboration with these organizations varies from one CBDC to the next.

Local CBDC objectives align well with those of the national CF Program; however, it should be noted that in Atlantic Canada, the CBDCs are not mandated to carry out strategic community planning activities, which are part of the national program.

The objectives of the CF Program (i.e. fostering economic stability, growth and job creation; helping to create diversified and competitive local rural economies; and, helping to build sustainable communities) are likewise consistent with ACOA objectives and clearly support the program activities to achieve the strategic outcomes identified in the Agency's Program Activity Architecture (PAA).

Design and Delivery

Program stakeholders identified factors-at the national, regional and community levels-that both impede and facilitate the achievement of program results. Stakeholders indicated there was a particular need for additional funding for operations to address challenges in attracting and retaining qualified staff. The networks and the Atlantic Canada Community Business Investment

Fund (ACCBIF) were both noted as factors positively influencing the achievement of program results, as was the fact that decision making is done at the local level.

In Atlantic Canada, community strategic planning is not part of the CBDCs' mandate; however, the CBDCs have been involved in providing input in the development of community strategic plans. Activities carried out by the CBDCs are linked to these community strategic plans.

Generally, investment funds are well-managed, as shown by the level of loan activity and growth in investment funds. However, there are some large variations among regions, particularly with respect to the percentage of investment funds in active loans.

While the overall level of active loans in Atlantic Canada is on average 77.83%, there are a number of CBDCs that could be described as under-performing on this measure over the five-year period. Over the last five years, 11 CBDCs averaged less than 70% of their funds invested in active loans; six averaged less than 60%; and two averaged less than 50%.

Recommendation #1: ACOA work in consultation with CBDCs to establish appropriate targets for the percentage of investment funds in active loans. Analysis of e-Reports data suggests that a minimum of 70% of funds in active loans is a reasonable target.

CBDCs gather, monitor and regularly report on performance data, including most data elements needed for evaluation purposes. One exception is job creation statistics which, while reported by CBDCs, are estimates only.

Information pertaining to loans losses is an important factor in measuring the extent to which investment funds are well-managed. However, there is some question as to the appropriate measure for examining loan losses of CBDCs (i.e. loan loss rates, allowance for doubtful accounts, or something else altogether), and currently there is not a consistent approach across CBDCs for measuring or reporting on loan losses.

Recommendation #2: ACOA work with CBDCs to establish a systematic method for following up with clients to obtain actual job creation and maintenance figures, provide support to CBDCs to develop an accepted performance measure related to loan losses, and ensure that CBDCs regularly gather and report on these figures.

ACOA does not separate Operations and Maintenance expenditures for the operation of the CF Program from other programs it delivers, which makes it difficult to monitor spending for the program and to measure ACOA's cost-effectiveness in the administration of the program.

Recommendation #3: ACOA take steps to put in place the capability to separately capture and report on Operations and Maintenance expenditures associated with the CF Program.

CBDCs have implemented policies and practices for selecting and renewing board members. As well, they have established processes to ensure that accountability requirements are communicated to board of director members.

CBDCs report publicly on their activities, although much of their communications is marketing-related, as opposed to directly communicating their achievement of results. The methods and regularity of external communications are diverse and vary from one CBDC to another, and annual reports are not readily available on many CBDC websites.

Recommendation #4: ACOA work with CBDCs to establish a more standardized method for communicating results to communities. ACOA and the Atlantic Association of CBDCs encourage the development of a consistent format for annual reports, for use by all CBDCs in Atlantic Canada. The Atlantic Association of CBDCs continues its work to provide a visible location on all CBDC websites for annual reports, and all CBDCs are encouraged to place their annual reports on their websites.

Service delivery standards have been developed and implemented to different degrees across CBDCs. Some standards identified in a previous evaluation have not been implemented at some CBDCs, such as standards for minimal counselling time and for minimal number of meetings with clients.

Recommendation #5: ACOA follow up with CBDCs and encourage them to develop the service standards identified in the previous evaluation.

Program Impacts

The CF Program has been successful in achieving its outcomes. Over the five-year period covered by the evaluation, almost 40,000 clients received counselling services from CBDCs. Services most often accessed by clients (not including loans) are business counselling and business information, training courses and seminars, and referral services. Clients have a high level of satisfaction with these services.

There are 11 CBDCs located in Official Language Minority Communities (OLMCs) in Atlantic Canada. These CBDCs are meeting the needs of OLMCs by providing advice, support and services in both official languages, where required.

The Ulnooweg Development Group Inc., which was originally provided investment funds through the CF Program, is serving the business needs of Aboriginals in Atlantic Canada. However, there is currently opportunity for more partnership or collaboration between the Ulnooweg Development Group and CBDCs.

Recommendation #6: ACOA encourage the Atlantic and provincial associations to collaborate with the Ulnooweg Development Group to identify opportunities for greater cooperation and collaboration between Ulnooweg and the CBDCs.

Community development is supported in Atlantic Canada primarily through the loans and counselling activities of CBDCs, by creating and expanding businesses, and building skills and knowledge in the businesses supported. As well, stakeholders agree that the CF Program has helped communities diversify their economies. Supporting data indicates that CBDCs are investing in SMEs across almost all sectors.

Stakeholders also indicated that the CBDCs have been successful at strengthening the capacity of communities by improving the business skills and knowledge of clients, and through the establishment of partnerships that have formed for clients as a result of their involvement with the CBDCs.

The extent to which the CF Program has achieved its long-term goals is more difficult to measure given that the program has a limited degree of influence on indicators measuring achievement of long-term goals. However, an economic impact analysis demonstrates that the CF Program has contributed to economic growth in Atlantic Provinces. Survey respondents and interviewees also believe the CF Program is contributing to its long-term goals.

Cost-Effectiveness and Alternatives

It is not possible to determine whether or not ACOA is cost-effective in its administration of the CF Program, since ACOA operating costs for the program are not tracked separately from other ACOA programs. It has been noted that specific targets have yet to be implemented, and no other programs were identified for comparative purposes.

An average of \$14,253 in investment funds is required to create or maintain one job, although investment per job created or maintained varied significantly across the provinces. It should be noted that this investment is paid back to the CBDC by the client and, therefore, appears to be a worthwhile investment.

The evaluation also looked at funds leveraged from other sources, as an indicator of cost-effectiveness. Between April 2003 and March 2008, a total of \$191.6 million was leveraged, amounting to \$0.84 per dollar invested. The leveraged funds per dollar invested also varied significantly across the provinces.

Recommendation #7: ACOA undertake a study to identify the reasons for the variances across regions in investment dollars per job created or maintained, and in funds leveraged per dollar disbursed. This will allow ACOA to determine whether there are best practices or strategies in place in some regions that could be transferred to other locations to allow CBDCs to improve on these measures.

The current delivery model in place for the CF Program is viewed as the most efficient model. There is no evidence that ACOA administering the program directly would result in lower costs and no more efficient models were identified.

1. INTRODUCTION

This report presents the findings, conclusions and recommendations of the evaluation of the Community Futures (CF) Program in Atlantic Canada. The evaluation was undertaken in response to the CF Program Results-based Management and Accountability Framework (RMAF), and in accordance with the Transfer Payments Policy and Treasury Board requirements. The Atlantic Canada Opportunities Agency (ACOA) engaged Government Consulting Services (GCS) to undertake the evaluation.

The objective of the study was to evaluate the CF Program in terms of relevance, design and delivery, program impacts, and cost-effectiveness/alternatives, covering the period from April 2003 to March 2008. The research for this evaluation was conducted between February and September 2008.

The evaluation was overseen by a Working Group (WG) comprised of representatives from the ACOA CF Program team (Head Office and the regions), the Evaluation Unit at ACOA, and selected Community Business Development Corporations. The results of this evaluation study will be incorporated into a pan-Canadian report, which will summarize the findings, conclusions and recommendations from four CF evaluations being conducted concurrently by the four Regional Development Agencies across Canada.

The evaluation report is organized as follows:

- Section 1 presents a description of the CF Program;
- Section 2 presents the methodology used for the evaluation;
- Section 3 presents findings by evaluation issue and question; and
- Section 4 presents the conclusions and recommendations.

1.1 Background

The Community Futures (CF) Program was authorized in 1985 as part of the Canadian Jobs Strategy and the first community selection was announced in February 1986. The program introduced a structure for the creation of, and support for, community-based development and/or adjustment initiatives in non-metropolitan areas of significant economic stress across Canada.

The CF Program is currently administered by four Regional Development Agencies (RDAs): the Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Quebec Regions (CED-Q), Western Economic Diversification Canada (WD), and the Federal Economic Development Initiative for Northern Ontario (FedNor) under Industry Canada (IC).

The program's aim is to support local rural communities and small and medium-sized enterprises (SMEs) in meeting their economic needs, to help rural communities to develop and implement long-term community strategic plans leading to the sustainable development of their local economies, and to provide local Community Futures Organizations (CFOs) with resources to build community capacity to adapt to and manage change. In Atlantic Canada, the CF Program is delivered through a network of 41 CFOs, which are referred to as Community Business Development Corporations (CBDCs): 15 in Newfoundland and Labrador, 10 in New Brunswick, 3 in Prince Edward Island, 10 in mainland Nova Scotia and 3 in Cape Breton. Overall, there are

currently 283 CBDC employees contributing to the day-to-day management of CBDCs in Atlantic Canada, and 415 volunteer board members who represent the interests of those communities. Each Atlantic province has a provincial CBDC association that, in turn, is represented on the Atlantic Association of CBDCs and on the Pan-Canadian Community Futures Network.

All 41 CBDCs are able to participate in the Atlantic Canada Community Business Investment Fund (ACCBIF) that pools available funds from CBDCs. The ACCBIF allows CBDCs with available funds to invest in ACCBIF, and those with excess requests can borrow to meet loan demands. ACOA has also invested in the ACCBIF to ensure that adequate loan capital is available for the Atlantic region, CBDCs and their clients.

The main focus of the CBDCs is business development through access to capital (i.e. loans) and counselling assistance to SMEs. Community economic development strategic planning, which is provided by CF organizations in the rest of Canada, is coordinated by 52 non-profit Regional Economic Development Organizations (REDOs) under the ACOA Business Development Program (BDP).

1.2 Budget

According to available budget information over the five-year study period, a total of almost \$65.5 million in grants and/or contributions was provided by ACOA to the CBDCs; representing \$8.5 million in investment capital, and \$57 million in operating funds. With respect to ACOA's operating costs, ACOA does not separately track CF Program expenses from overall Agency spending, therefore, ACOA Operations and Maintenance (O&M) figures presented in the table below are based on allocations, as opposed to actual expenses.

Table 1. CF Program Budget

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	5-year Total
G and C TO CBDCs/ASSOCIATIONS:						
Investment Fund ¹	\$ 8,500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,500,000
Operating Fund	\$ 7,797,540	\$ 8,647,903	\$ 10,387,117	\$ 13,282,759	\$ 12,647,039	\$ 52,762,359
Other (Atlantic Association of CBDCs)	\$ 291,296	\$ 733,110	\$ 1,027,317	\$ 1,107,094	\$ 1,057,201	\$ 4,216,017
TOTAL Gs and Cs:	\$ 16,588,836	\$ 9,381,013	\$ 11,414,434	\$ 14,389,853	\$ 13,704,240	\$ 65,478,376
ACOA						
ACOA O and M Allocations	\$ 910,000	\$ 910,000	\$ 1,008,000	\$ 1,000,000	\$ 1,004,000	\$ 4,832,000
GRAND TOTAL :	\$ 17,498,836	\$ 10,291,013	\$ 12,422,434	\$ 15,389,853	\$ 14,708,240	\$ 70,310,376

¹ Investment funds were provided to the CBDCs in the first year (2003-2004) only. In subsequent years, only operating funds were provided.

2. EVALUATION METHODOLOGY

2.1 Evaluation Issues and Questions

A pan-Canadian evaluation question framework outlined a set of common questions and indicators used by all RDAs as the basis for the individual evaluations. Similar approaches and methodologies were implemented by all RDAs. Supplementary questions and methodologies were added to the ACOA evaluation question framework to satisfy region-specific information needs. Table 2 provides a summary of the evaluation issues and questions for this evaluation; those shown in *italics* are specific to the ACOA evaluation, while all other questions are common to all RDA evaluations. The results of all four evaluations will be rolled up to provide evidence for a common pan-Canadian evaluation of the CF Program.

Table 2. Summary of Evaluation Issues and Questions

Evaluation Issue	Evaluation Question
Relevance	<ul style="list-style-type: none"> • Is there a continued need for the Community Futures Program? • Does the CF Program complement, duplicate or overlap other government programs? Other private sector services? • Are local CBDC objectives and activities consistent with national CF Program? Are CF Program objectives consistent with departmental objectives? • <i>Are CBDC objectives and activities responsive to the needs of SMEs in rural Atlantic Canada?</i>
Design and Delivery	<ul style="list-style-type: none"> • Are the CBDC networks (national, provincial, regional, and sub-regional) working effectively? • What factors impact or facilitate the achievement of program results? • Have community stakeholders been involved in developing strategic plans? To what extent are CBDC activities linked to those community plans? • Are the CBDC investment funds well managed? Are the number, level and loss rates of the loans meeting the needs? • <i>Have the CBDCs adopted standardized practices for selecting and renewing board members?</i> • <i>Do the CBDCs have processes in place to ensure accountability requirements communicated to board of director members?</i> • <i>As organizations that are accountable to the public, do the CBDCs report publicly (to their communities) on their activities on a regular basis?</i> • <i>Has there been an improvement in the use of performance indicators to track and monitor performance?</i> • <i>Has there been an improvement in the development and use of service delivery standards since the formative evaluation?</i>
Program Impact	<p><i>Short-Term Impact</i></p> <ul style="list-style-type: none"> • To what extent has the CF Program provided appropriate information, referrals and counselling to clients? • To what extent has the CF Program improved business knowledge and skills of clients? • To what extent has the CF Program created new business start-ups or strengthened existing businesses? • To what extent is the CF Program serving the needs of Official Languages Minority Communities (OLMCs)? • <i>To what extent is the CF Program serving the needs of Aboriginal Communities (AC), an ACOA target group?</i>

Evaluation Issue	Evaluation Question
	<p><i>Intermediate Impact</i></p> <ul style="list-style-type: none"> • To what extent has the CF Program supported community economic development; assisted communities to develop and diversify their economies; and strengthened community capacity? <p><i>Long-Term Impact</i></p> <ul style="list-style-type: none"> • To what extent has the CF Program contributed to long-term goals, (i.e. economic growth and stability, diversification and development of local rural communities, sustainable communities, and survival of business assisted by the CBDCs)? • Has the CF Program produced unintended positive and/or negative outcomes?
Cost-effectiveness and Alternatives	<ul style="list-style-type: none"> • To what extent is the CF Program cost-effective? • Are there other more cost-effective/efficient approaches or alternatives to be considered that would achieve CF Program objectives?

Note: A pan-Canadian evaluation question framework was established to ensure that a consistent methodological approach is used across all four Regional Development Agencies. Questions that appear in italic in this table are specific to ACOA.

2.2 Methodology

The ACOA evaluation integrated the use of multiple lines of evidence and complementary research methods to enhance the reliability and validity of the data collected and thereby provide a sound basis for the conclusions and recommendations. The following research methods were used to gather qualitative and quantitative data for the evaluation:

- Document and literature reviews;
- Stakeholder interviews;
- Surveys of CBDCs, clients and REDOs;
- Review of administrative data; and
- Review of Statistics Canada labour market data.

Each of these methods is described in detail below.

2.2.1 Document and Literature Reviews

A review of relevant documentation and literature was completed, primarily to assess program relevance (e.g. need for the program, linkages with program and departmental objectives) design and delivery. The following types of documents were reviewed:

- *Background and authority documents*-including foundation documents for the CF Program and related policies.
- *Corporate/operational documents*-including documents related to the delivery and management of the program, such as the RMAF, operational guidelines, manuals, handbooks and administrative reports.

- *Audits, reviews, assessments and evaluations*-including previous evaluations, audits, annual reports, surveys and research studies.
- *Literature*-relating to the continued need for the CF Program, as identified and available on the Internet.

The document review was conducted using a customized template that extracted relevant information from the documents and organized it according to indicators and evaluation questions.

2.2.2 Stakeholder Interviews

Interviews served as an important source of information by providing qualitative input on relevance, design and delivery, program success and cost-effectiveness/alternatives of the CF Program in Atlantic Canada. A total of 41 interviews were completed, involving ACOA senior managers, ACOA CF Program officers, CBDC managers as well as chairs of boards of directors, and external representatives with community economic development knowledge or experience (Table 3). The interviewees were selected in collaboration with ACOA and WG representatives. Note that the CBDC interviewees were selected to ensure a range in terms of location (less or more rural), portfolio size, and official languages. Representatives from all provincial associations and the Atlantic Association were also included. External representatives were selected to include individuals with various backgrounds (i.e. academic, non-profit, or community representatives). External representatives were also selected to ensure they had some familiarity with CBDCs or with the CF Program.

Table 3. List of Interview Groups

Interview Group	Number of Interviews Conducted
ACOA senior managers	
• Head Office representatives	2
• Regional representatives	5
CF Program managers/officers	
• Head Office representatives	2
• Regional representatives	9
CBDCs (Executive directors, board chairpersons, associations)	20 ²
External stakeholders	3
Total	41

Interviews were conducted either in-person or via telephone. All interviewees were contacted to schedule an appropriate time and all received an interview guide in advance of the interview. Note that a set of interview questions had already been developed to gather information as outlined in the pan-Canadian evaluation question framework. This set of questions was modified to gather information as per the ACOA-specific evaluation question framework. The results of

² Executive directors and board chairpersons were selected from the same CBDCs. Representatives from all provincial associations and from the Atlantic associations were also included.

the interviews were summarized in an interview notes template and were then coded and analyzed to determine key themes.

2.2.3 Surveys

Community Business Development Corporations

The CBDC survey developed for the pan-Canadian CF evaluation was used as a basis for the ACOA CBDC survey and some questions were modified to address ACOA-specific issues. The survey was pre-tested with CBDC representatives on the Working Group who verified the English version, while the French version was validated by volunteer CBDC representatives. The executive directors and board chairpersons of all 41 CBDCs were invited to participate in the survey, which was administered on the Internet. To maximize the response rates, both the consultant and ACOA sent reminders to the CBDCs.

The response rates for the survey were fairly high, with an overall response rate of 74.7 % (95 % confidence interval, +/- 6.5%). When the two groups are considered separately, the executive directors' responses are more representative (95 % confidence interval, +/- 6.5%) than those of the chairs (95 % confidence interval, +/- 12.5%) (see Table 4). It should be noted that, although they were invited and reminded several times to complete the survey, some CBDC representatives may not have responded to the survey because they were also interviewed for the evaluation and they may have felt that they had already provided their input.

Table 4. Response Rates for the CBDC Survey

CFDC Group	Population Size	Number of Responses	Response Rate	Confidence Interval
Executive directors	41	35	85.4%	95% (+/- 6.5%)
Chairs of the boards	41	25	61.0%	95% (+/- 12.5%)
Overall	82	61 ³	74.4%	95% (+/- 6.5%)

From a regional perspective, survey responses were proportionate to the number of CBDCs per province.

The responses to the CBDC survey were analyzed by respondent type (CBDC staff members or board chairperson). Noteworthy differences between the two groups will be identified within this report.

Clients of Community Business Development Corporations

As with the CBDC survey, the client survey developed for the pan-Canadian CF evaluation was used as a basis for the ACOA client survey and some questions were modified to address ACOA-specific issues.

³ One CBDC survey respondent did not identify his role (Executive Director or Chair of the board).

The client survey was to be administered using the Internet; however, e-mail addresses were not available for a large percentage of CBDC clients (75% did not have e-mail addresses on file). As a result, the client web survey was supplemented by a telephone survey.

Given that the total number of CBDC clients is unknown (this information is not available), a conservative figure of 400 survey responses was sought to ensure representativeness.⁴ A total of 200 online and 300 telephone responses were completed; representing approximate response rates of 18.6% for the online survey and 50.6% for the telephone survey.⁵ In order to avoid any unknown bias associated with those who have e-mail addresses versus those who do not, survey responses were weighted to ensure that the percentage of survey responses from online surveys equalled the proportion of clients with e-mail addresses (i.e. 25%). In other words, since clients with e-mail addresses represented 25% of the CF clients, online survey responses were given a weighting of .50 so that they made up 25% of the total survey respondent population.

Regional Economic Development Organizations

One of the evaluation questions included in the pan-Canadian evaluation question framework, and correspondingly the ACOA-specific evaluation question framework (question 2.3), looks at the involvement of community stakeholders in developing community strategic plans. In Atlantic Canada, community strategic planning is outside the mandate of the CBDCs, being managed instead by the 52 separate REDOs. In order to obtain information about the involvement of the CBDCs in community strategic planning activities, an online survey was developed and administered to REDO directors. All 52 directors were invited to respond to the survey, from whom 19 responses were received. This represents a low response rate of 36.5% given the several reminders to complete the survey (resulting in a 95 % confidence interval, +/- 18.1%).

2.2.4 Administrative Data

E-Reports

Administrative data for the CF Program was obtained from E-reports. At the end of each quarter, the CBDCs input the required information into the E-reports system. The system includes output information (e.g. number and size of loans, number of clients counselled) and some outcome information (e.g. estimated jobs created or maintained). As well, this system includes information about investment funds (e.g. net value of the fund, percentage of the fund that is outstanding, gross return on investment). E-reports information was provided at the CBDC level and then rolled-up to provincial and Atlantic levels. Data for the five-year period of 2003-2004 to 2007-2008 was reviewed and output, outcome and investment fund information was analyzed to examine trends at the Atlantic and provincial levels.

⁴ Four hundred responses provides a confidence interval of 95% (+/- 5%) for a population of 500,000 – which is certainly larger than the total client population of the CBDCs. (Since inception, CBDCs have disbursed 20,571 loans.)

⁵ Exact response rates are unknown since there appears to have been some duplication in the e-mail and telephone client lists. Some online clients refused to complete the survey, indicating they had already completed the survey by telephone.

Cost Information

ACOA's CF Program staff provided information needed to examine the issue of cost-effectiveness. This information included detailed information about funds provided to the CBDCs (for investments and for operations), by province and by CBDC for the five-year period of the evaluation. In addition, allocations made available to CF at ACOA were provided by fiscal year for this period. Actual expenditures could not be provided since ACOA does not track expenditures separately for the CF Program; these expenditures are included in the overall spending of the Agency.

Ulnooweg Administrative Data

Although the Ulnooweg Development Group (Ulnooweg) received funding through the CF Program, it is not technically considered a CBDC; therefore, CF Program administrative data (i.e. E-reports) does not include information about outputs and outcomes of Ulnooweg. (For more detailed discussion on Ulnooweg, see section 3.3.5 Serving the Needs of Aboriginal Communities.)

2.2.5 Statistics Canada Labour Market Data

Labour market data was obtained from Statistics Canada, which, working alongside ACOA, developed customized data profiles for each of the CBDC service areas. This data, compiled from the 1996, 2001 and 2006 federal censuses, provided information required for the evaluation, including: labour force participation rates, unemployment rates, average household income and employment by industrial sector. This information was used to assess the level of need for the CF Program as well as the impact of the CF Program.

2.3 Limitations of Methodology

As with any evaluation, there are limitations to the evaluation methodologies. These are summarized below. Generally, the use of multiple lines of evidence helps to minimize the limitations of an evaluation.

2.3.1 Representativeness of Data Collected

Since it was not feasible to carry out an exhaustive set of interviews, the representativeness of the data collected is necessarily dependent on the characteristics (i.e. location, language, portfolio size) of those who agreed to participate. Understanding this limitation, as outlined in section 2.2.2, every effort was made to select CBDC interviewees to ensure representation in all four provinces, while taking into account project size as well as languages. In addition, while it is not possible to make over-arching generalizations about the program based solely on interview data, the conclusions and recommendations of this report are based on multiple lines of evidence.

While higher response rates for the CBDC survey were expected, the response received was sufficient to generate a fairly high level of confidence (95% confidence interval, +/- 6.5%). However, the same cannot be said of the survey of REDOs. Given the low response rate for this

survey, generalizations cannot be made from this information obtained. Where appropriate, the evaluation used the REDO survey data to provide insight or support other lines of evidence.

The CBDCs and ACOA have acknowledged that their client lists are not complete, in that they do not typically capture information on non-loan clients.⁶ This was evident from survey findings, since very few survey respondents indicated they had used only non-loan services of a CBDC (e.g. counselling). CBDC lists also do not include community partners, such as organizations with which the CBDCs may have engaged during their participation in the development of community strategic plans. The lists provided did not include all loan clients in Atlantic Canada. In addition, some clients invited to respond to the online survey indicated they had already responded by telephone, suggesting some overlap in the client lists (online versus telephone).

Due to the fact that the loan client lists were incomplete, there is a risk that certain segments of the client population were not included in the survey. However, an examination of the survey response demographics shows a distribution of responses by province consistent with the number of CBDCs in those provinces and distribution of survey responses across all industry sectors. The majority of survey respondents owned “micro-enterprises” (i.e. five employees or less), which is consistent with the make up of SMEs in Atlantic Canada,⁷ and of CBDC clients. Therefore, it appears that the survey results are fairly representative of the client population. Based on the number of CBDCs per region, Prince Edward Island and Newfoundland and Labrador received a slightly higher proportion of responses than did the other provinces.

2.3.2 Administrative Data

E-reports

E-reports data is quite comprehensive in that the system contains most of the information necessary to measure performance of the program. However, information from E-reports is populated by the CBDCs, and little, if any, verification of these numbers is done by ACOA. The data in E-reports is reportedly quite accurate, although the reliability of some elements of data (particularly provisions for loss) is questionable. As well, some outcome information in E-reports is based on estimates made by potential clients at the time of loan application (i.e. number of jobs created and maintained). No follow-up is conducted to verify or correct the figures, after the loan is provided.

Cost information

Actual ACOA expenditures for Operating and Maintenance (O&M) were not available, since ACOA does not track expenditures for the CF Program separately. These expenditures are included in the overall spending of the Agency.; therefore, O&M allocations for the CF Program were provided by ACOA for the evaluation.

⁶ One explanation for the lack of non-loan client information is that the CBDCs provide some services over the telephone. In such cases, since these clients do not apply for a service and the CBDCs do not consider them to be clients per se; therefore, they do not assign these callers client numbers.

⁷ Industry Canada, *Key Small Business Statistics*, Small Business Policy Branch, (July 2008).

2.3.3 Non-Clients

In the initial planning for the pan-Canadian evaluation, the RDAs included a non-client survey. The evaluation budget would not allow for telephone surveys of both the client and non-client groups, and ACOA decided to use the funds allocated for a non-client survey to undertake the telephone survey of clients who did not have an e-mail address. Without talking to non-clients, it is uncertain whether there are any differences between SMEs who accessed CBDC funds and those who did not. For example, do SMEs that receive support from a CBDC have better results or success than those who did not?

3. EVALUATION FINDINGS

This section of the report presents a summary of the evaluation findings, which are organized into the issue areas of relevance, design and delivery, success, and cost-effectiveness and alternatives.

3.1 Program Relevance

The CF Program evaluation findings on the issue of program relevance are presented in this section of the report. The evaluation questions considered in addressing the issue of relevance were as follows:

- Is there a continued need for the CF Program?
- Does the CF Program complement, duplicate or overlap other government programs? Other private sector services?
- Are local CBDCs objectives and activities consistent with the national CF Program? Are CF Program objectives consistent with departmental objectives?
- *Are objectives and activities of CBDCs responsive to the needs of SMEs in rural Atlantic Canada?*

3.1.1 Continued Need for the Community Futures Program

Findings:

Findings in this section are primarily based on a review of literature, survey results and the analysis of interview findings.

Continued Need for the CF Program

Information from Statistics Canada shows that the regions served by the CBDCs generally have lower economic performance than does Atlantic Canada overall. The size of the labour force in Atlantic Canada grew 5.6 % between 1996 and 2006.⁸ The labour force participation rate (percentage of individuals 15 years of age and older who are either employed or unemployed) of the Atlantic Provinces increased slightly from 60.7 % in 1996 to 62.6 % in 2006. Table 5, provides the labour force participation rates over the three census periods (1996, 2001 and 2006) in the four Atlantic Provinces overall and in CBDC served regions.

⁸ All statistics from Statistics Canada 1996, 2001 and 2006 censuses.

Table 5. Labour Force Participation Rates in CBDC Regions, Atlantic Provinces and Canada

	1996	2001	2006
Canada	65.5%	66.4%	66.8%
Atlantic Canada	60.7%	61.6%	62.6%
Newfoundland and Labrador	56.3%	57.6%	58.9%
NL CBDC regions	54.4%	55.8%	57.0%
Prince Edward Island	68.3%	69.0%	68.2%
PEI CBDC regions	68.6%	69.5%	68.7%
Nova Scotia	61.0%	61.6%	62.9%
NS CBDC regions	59.3%	60.0%	61.3%
New Brunswick	62.2%	63.1%	63.7%
NB CBDC regions	61.3%	61.9%	62.4%

As illustrated by Table 5, the labour market participation rate for Atlantic Canada as a whole was between 4.2 % and 4.8 % below the Canadian average. However, when looking at the provinces individually, three of the four provinces had participation rates lower than the Canadian average, but Prince Edward Island had participation rates above national averages. In addition, the regions served by CBDCs in Prince Edward Island had higher participation rates than did the province as a whole. CBDC-served regions in all other Atlantic Provinces had participation rates lower than the provincial averages. Only Newfoundland and Labrador had participation rates below the Atlantic averages.

In the past, the Atlantic Provinces have had consistently higher unemployment rates than did Canada overall. There is, however, some variation by province. Newfoundland and Labrador has much higher unemployment rates than the Canadian and Atlantic Canadian rates. As well, as illustrated by Table 6 in 2006, according to census data, the unemployment rates for CBDC-served areas was lower than for the associated provinces.⁹ While CBDC-served areas have experienced out-migration that could potentially explain the reduction in unemployment, they also experienced a net growth of 3.2% in the labour force over the 10 year-period. This would indicate that these areas have achieved some success in the area of unemployment; however, it must be noted that the unemployment rates for both the Atlantic Provinces as a whole and the CBDC-served areas remain higher than they are in the rest of Canada. Taken on their own, unemployment rates are an incomplete measure of the need for the CF program.

⁹ Unemployment rates are being used because Statistics Canada did not report employment rates in 1996.

Table 6. Unemployment Rates in CBDC Regions, Atlantic Provinces and Canada

	1996	2001	2006
Canada	10.1%	7.4%	6.6%
Atlantic Canada	16.6%	13.9%	11.5%
Newfoundland and Labrador	25.1%	21.8%	21.8%
NL CBDC regions	27.3%	24.2%	20.9%
Prince Edward Island	13.8%	13.9%	13.2%
PEI CBDC regions	14.4%	14.5%	12.1%
Nova Scotia	13.3%	10.9%	10.9%
NS CBDC regions	14.9%	12.2%	10.1%
New Brunswick	15.5%	12.5%	12.5%
NB CBDC regions	17.4%	14.4%	11.5%

The average earnings in the Atlantic Provinces were below the overall Canadian average (Table 7). As well, within each of the Atlantic Provinces, the average earnings in CBDC-served regions were lower than the provincial averages.

Table 7. Average Earnings in CBDC Regions, Atlantic Provinces and Canada

	1996		2001		2006	
	Male	Female	Male	Female	Male	Female
Canada	31,117	19,208	36,865	22,885	43,684	27,654
Atlantic Canada	26,074	15,469	30,021	18,635	35,146	23,075
Newfoundland and Labrador	24,602	14,529	28,144	17,181	34,067	21,513
NL CBDC regions	22,287	12,957	25,325	15,281	32,425	20,553
Prince Edward Island	25,170	15,985	27,970	19,682	31,875	23,956
PEI CBDC regions	24,426	15,346	26,639	18,682	30,464	23,312
Nova Scotia	27,009	16,100	31,608	19,318	36,904	23,956
NS CBDC regions	25,585	14,957	29,648	17,693	35,060	22,405
New Brunswick	26,179	15,252	29,767	18,586	34,321	22,875
NB CBDC regions	25,124	14,239	28,585	17,430	33,220	21,391

By taking an integrated view of the labour force statistics, the fact that the Atlantic Provinces generally have lower participation rates, higher unemployment rates, and lower average earnings than occurs in Canada as a whole suggests a need for economic development programs such as the CF Program. Within Atlantic Canada, Newfoundland and Labrador seems to have the highest need (based on these indicators of economic performance), although in almost all cases, CBDC-served regions have poorer economic performance than do the provincial averages. The only exceptions to this occur when looking at 2006 unemployment rates, and at participation rates in Prince Edward Island.

All interviewees (39 of 39) agreed that there is a continued need for the CF Program, primarily because financial institutions continue to exit the more rural and/or remote communities, which limits opportunities for financing. Several individuals further indicated that a need for the CF Program is more pronounced now than in the past, due to the current instability of the global economy.

Results of the client survey confirmed these findings. Prior to seeking funding through a CBDC, 46% of clients surveyed tried to access funding through other sources. Of this number, only

36.8% of client respondents (a total of 43 people) were able to obtain funding from another source. A total of 21.3% of client respondents indicated that the business start-up loans they obtained through the CBDCs enabled them to obtain other/additional funding to start their businesses. Only one non-funded client indicated having been able to start a business without CF funding.

Document review findings supported the views of interviewees and survey respondents. The June 2008 Senate Report, *Beyond Freefall: Halting Rural Poverty* clearly indicates a continued need for the program by stating: “The challenges of accessing credit in rural Canada have long been recognized at the federal level. Arguably the most successful program to help address this concern has been the Community Futures Program.” Furthermore, the committee recommended that, “the federal government reaffirms its long-term commitment to the Community Futures Program”.¹⁰ As well, existing research supports the notion that there are challenges for SMEs in accessing financing from financial institutions. In addition to the Senate report referenced above, a November 2007 survey by the Canadian Federation of Independent Businesses noted SME difficulties in accessing financing. Sixty-one percent of SMEs surveyed identified “securing term financing or loan from a bank” as the biggest financial barrier to establishing a business.¹¹

A 2007 federal government study suggested that small firms are less able to obtain financing than are large firms, and that small firms are more likely to turn to informal sources of capital, including personal finances.¹² Also, according to the *Survey of Suppliers of Business Financing*, in 2001 only 12 % of overall lending by chartered banks was for small authorizations (i.e. less than \$1 million).¹³ This is also supported by data from Industry Canada’s SME financing data initiative, which found that there was a link between loan refusal rates and firm size, with smallest firms having the highest refusal rates of all firms.¹⁴ The evidence suggests that small SMEs are more likely to require non-traditional sources of financing than are large and medium-sized SMEs.

Continued Need for all CF Program Services

Interviewees noted that there is a continued need for all program services (i.e. access to capital, and business services), although the most frequently noted need was for business financing. Over 80% of clients and a majority of CBDCs concur that there is a continued need for all program services offered by the CBDCs in Atlantic Canada.

¹⁰ The Senate of Canada, *Beyond Freefall: Halting Rural Poverty*, Final Report of the Standing Senate Committee on Agriculture and Forestry, (June 2008), page 297.

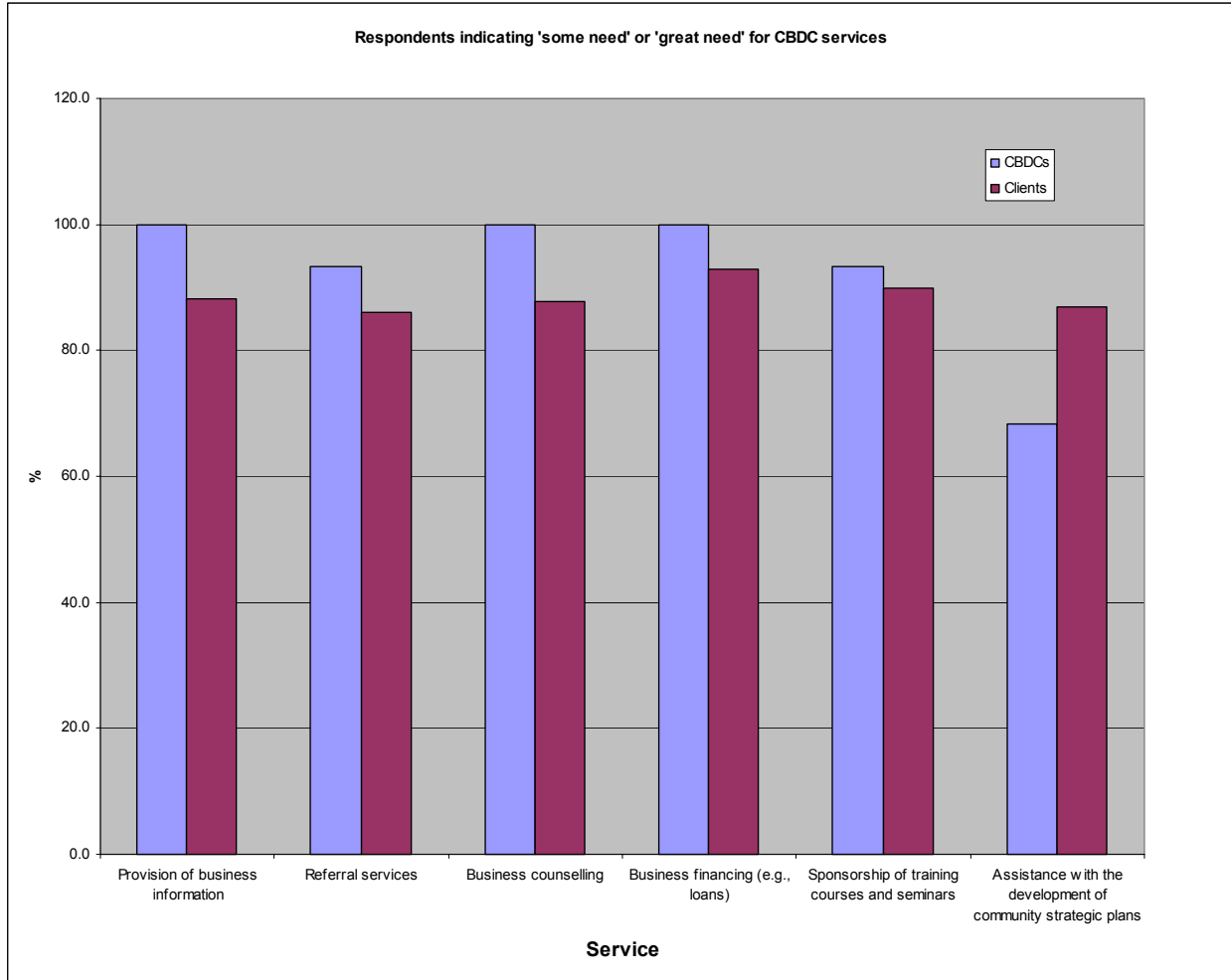
¹¹ Canadian Federation of Independent Businesses, *Banking Matters: Survey of Small Business Owners on Banking Issues*, (November 2007), page 2.

¹² Government of Canada, *Small and Medium Sized Enterprises in Ontario*, Small Business Financing Profiles, (September 2007).

¹³ Industry Canada, Small Business Policy Branch, *Key Small Business Statistics* (August 2005).

¹⁴ Industry Canada, *Financing Small and Medium-Sized Enterprises: Satisfaction, Access, Knowledge and Needs*, (February 2002).

Figure 1: Respondents Indicating ‘Some’ or ‘Great’ Need for CBDC Services



In addition, according to the CBDCs and clients, there is a continuing need for other services offered by the CF Program at the national level, but not included within the mandate of the Atlantic Canadian CBDCs. These services include:

- the development of infrastructure to support economic development (75.4% of CBDC respondents, 85.2% of client respondents);
- the promotion of the community for tourism or investment (87.5% of CBDC respondents, 82.6% of client respondents);
- the organization of other partners to address telecommunication issues and promote use of the information highway (66.7% of CBDC respondents, 85.8% of client respondents); and
- the development of awareness and action on sustainable development (85.7% of CBDC respondents, and 86.4% of client respondents).

Continued Need for Federal Government Involvement

Interviews revealed that not only is there a continued need for the program, there remains a need for the federal government's involvement in the delivery of the CF Program. Almost all interviewees who commented on this subject (20 of 21 interviewees) indicated that there is a role for the federal government in the CF Program. The two most common reasons provided to reinforce this statement were as follows.

- There is a need for continued financial support from the federal government. Without this support, the CBDCs could not continue to operate without dipping into their investment funds, which would result in less money available to SMEs, and increased risk aversion on the part of CBDCs (9 of 21 interviewees).
- The program addresses a national need and there should be consistency and national coordination of the program (6 of 21 interviewees).

The continued need for federal government involvement is further strengthened through document review. In the 2008 Senate of Canada report entitled *Beyond Freefall: Halting rural Poverty*, the Community Futures Program is identified as “one of the few visible signs of the federal government in rural Canada.”¹⁵ Furthermore, the 2007 Speech from the Throne noted the role of the federal government in “ensuring economic security for all Canadians.”¹⁶

Potential for Realignment with the Provinces

A total of 16 interviewees discussed the potential for program realignment during their interviews. The majority (12 of 16) indicated that the program should not be realigned with the provinces. The reason most often cited (identified by four interviewees) was that the level and quality of services provided by the CF Program could be impeded through program realignment. Four interviewees indicated there was some potential for realigning the CF Program, although they commonly agreed that, although feasible, program realignment could negatively impact the services offered by the CF Program (e.g. decrease in program funding, decrease in the extent/nature of services offered).

Conclusion: SMEs are important to the development of local economies and the CF Program is supporting businesses that would otherwise not have been able to start, survive or expand. Based upon independent research, and echoed in other findings in this evaluation, there is a *continuing* need for the CF Program as there are limited sources of funding for small businesses in rural communities. Interviewees noted that there is a continued need for all CF Program services, although the most frequently noted need was for business financing. Recognizing that the CF Program is offered nationally, it is apparent that there is a continued need for federal government involvement. No evidence currently supports a realignment of the Community Futures Program with provincial government programs in the Atlantic Provinces.

¹⁵ The Senate of Canada, *Beyond Freefall: Halting Rural Poverty*, Final Report of the Standing Senate Committee on Agriculture and Forestry, (June, 2008), page 301.

¹⁶ Government of Canada, 2007 Speech from the Throne: *Strong Leadership, A Better Canada*, (October 16, 2007).

3.1.2 Degree of Complementary/Duplication with Other Organizations

Findings:

Findings in this section are primarily based on an analysis of interviews, survey results and a review of hard-copy and Web-based documentation.

There is general agreement among interviewees that, although no other organization fully mirrors all CF Program services, a wide range of other programs offer similar services. Interviewees generally felt that these organizations complement, rather than duplicate, the CF Program (37 of 40 interviewees). Some interviewees (10 of 40) indicated that coordinated efforts between CBDCs and other departments/organizations are being made. The level of collaboration varies from minimal interactions to cross-referrals to formalized agreements. Numerous complementary organizations were identified during interviews. The following are the most commonly known organizations providing complementary services.

Business Development Bank of Canada (BDC)

The BDC¹⁷ offers services to help SMEs grow. These include financial and consulting services, subordinate financing and venture capital. This organization has a particular focus on the emerging and exporting sectors of the economy. BDC products and services are designed to meet the needs of entrepreneurs at various stages of business development. The BDC also has programs specially designed to meet the needs of high-technology or knowledge-based businesses, exporters, women, Aboriginal enterprises and young entrepreneurs. Although the BDC is servicing the same client base as are the CBDCs, and offering the same types of services—the CBDCs specifically tailor their services to SMEs located in rural and/or remote locations. Formal memorandums of understanding (MOUs) between CBDCs and local BDC branches have been established.

Document review also confirmed that there are formalized partnerships between CBDCs and local BDC branches. The objectives of these partnerships are to¹⁸:

- optimize support to SMEs by offering them the synergy of complementary services from CBDCs and the local BDC branches;
- give SMEs continuous access to financing through the BDC, subsequently going beyond the financing limit the CBDCs are able to provide;
- share the risk between the CBDCs and the BDC;
- enable the CBDCs to assist more SMEs by apportioning their loan-funding budget with financing shared with the BDC; and
- enable the BDC, via the CBDCs, to better fulfil its role in rural communities where there are no BDC branches located.

¹⁷ BDC Overview: <http://www.bdc.ca/en/about/overview1.htm>.

¹⁸ Financial Partnership between Pan-Canadian Community Futures Group and the BDC, (June 2004).

Other documents provided for the evaluation indicated that, as of March 31, 2008, the BDC had made 162 referrals to CBDCs in Atlantic Canada, and the CBDCs in Atlantic Canada had made 194 referrals to the BDC.¹⁹ This suggests that the BDC and CBDCs are working together to meet the needs of their similar client bases. The relationship between the two organizations suggests the delivery of complementary, rather than duplicative services.

Other ACOA Programs

Also referenced by interviewees was ACOA's own Business Development Program (BDP). This program provides access to capital in the form of interest-free, unsecured, repayable contributions to SMEs or to non-profit organizations providing support to the business community. The BDP does not provide support to businesses in the sectors of retail/wholesale, real estate, government services, or services of a personal or social nature.

Other specific ACOA projects were cited by 12 of 40 interviewees. One such project, funded through the BDP, is the Seed Capital Program.²⁰ The Seed Capital Program is a community-based initiative made available by the CBDCs and other community-led organizations in Atlantic Canada. This project provides access to a maximum of \$20,000 per applicant in the form of a repayable, unsecured personal loan, with flexible interest and repayment terms, as well as a maximum of \$2,000 per applicant for specialized training and business counselling. Applicants must be at least 18 years of age and live in Atlantic Canada. Applicants under 35 years of age may obtain investment funds for a start-up business or to expand a business. Those aged 35 years and older must use the loan to start a business.

Provincial Programs

Various provincial programs were cited by 11 of 40 interviewees. There were numerous examples of programs offered by provincial governments that offer some services that are similar to those offered by the CF Program in Atlantic Canada. The following tables list these programs and show where these programs are similar to the services offered (business services, community economic development, and access to capital) by the CF Program. As illustrated by the table, there were six provincial programs offering access to capital, most aimed specifically at SMEs and loan amounts varied. Several other organizations were identified that offer business services, such as training and counselling services, and two organizations were identified that provide advice regarding economic development.

¹⁹ Pan-Canadian Community Futures Group / BDC Partnership Results deck, (June 2008).

²⁰ Government of Canada, Canada Business - New Brunswick (Seed Capital Program):

http://www.canadabusiness.ca/servlet/ContentServer?pagename=CBSC_NB/display&c=Finance&cid=1081944209127&lang=en.

Table 8. Provincial Programs Offering Similar Services to those of CF Program in Atlantic Canada

	Access to Capital									
	Non-Repayable Contribution	Repayable Loan	Loans for Small and Medium-sized Enterprises	Targets Loans to New Markets/New Business Ideas	Loans/Contributions > \$50,000	Loans/Contributions \$50,001 - \$100,000	No Specified Maximum Loan Value	Financial Assistance for Business Start-ups	Financial Assistance for Bus. Expansions/Improvements	Financial Assistance with Loan Guaranty/Fee
New Brunswick										
New Brunswick Entrepreneur Program		X	X		X			X		X
New Brunswick Growth Program	X		X			X		X	X	
Nova Scotia										
Nova Scotia Business Inc.		X					X		X	
Prince Edward Island										
PEI Lending Agency		X	X				X	X	X	X
Newfoundland and Labrador										
Small and Medium-sized Enterprise Fund		X	X							
Business and Market Development Program	X		X	X	X			X	X	

	Business Services			Community Economic Development			
	Assistance with Business Case/Plan Development	Facilitate Management Training	Counselling/Advisory Services	Assistance with the Development of Strategic Plans	Provides advice Regarding Economic Development	Provides Capacity Building Opportunities	Assists in Partnership Building Initiatives (e.g. municipalities, partnering organizations)
New Brunswick							
Community Economic Development Agency	X	X	X				
Nova Scotia							
Nova Scotia Business Inc.			X				
Nova Scotia Economic Development					X		
Prince Edward Island							
PEI Business Development	X	X	X				
Community Development Program					X		
Newfoundland and Labrador							
Small Business Counselling	X		X				

Banks and Credit Unions

Some interviewees (9 of 40) cited financial institutions when asked to identify other organizations that may overlap or duplicate services offered by the CBDCs; however, as discussed in section 3.1.1, interviewees noted that financial institutions continue to exit the more

rural and/or remote communities. Credit unions²¹ provide financial products and services to customer-owners. Through the Small Business Financing Program, most for-profit small and medium-sized businesses in Canada, with gross revenues or projected revenues of less than \$5 million, are eligible to apply for asset acquisition or asset improvement loans at credit unions. The maximum loan amount a small business can access under this program is \$250,000. Credit unions also provide a range of business services (e.g. counselling, guidance) for business start-ups, business expansions and non-profit organizations; however this is typically restricted to areas where there is already significant commercial activity.

Regional Economic Development Organizations²²

ACOA funds 52 Regional Economic Development Organizations (REDOs) located throughout Atlantic Canada. The role of REDOs is to develop and drive economic development at the local level, in partnership with other federal, provincial and municipal governments, economic development organizations and various stakeholders.

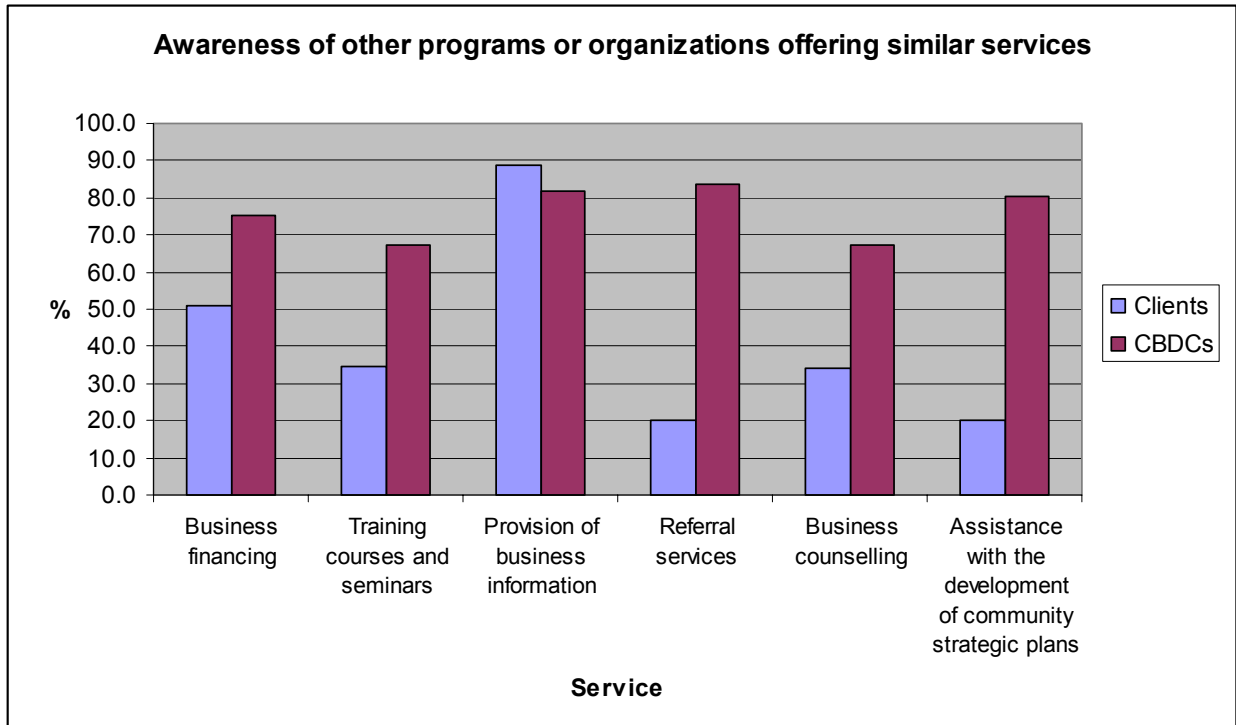
Awareness of Other Programs

An assessment of the client and CBDC surveys provided an indication of the level of awareness of survey respondents to similar services offered by other organizations. The services presented in Figure 2 (below) are those services offered by the CBDCs in Atlantic Canada, as part of the CF Program.

²¹ Credit Union Atlantic: <https://www.cua.com/Home>

²² ACOA, Regional Economic Development Organizations: <http://www.acoa-apeca.gc.ca/English/IWantTo/StrengthenMyCommunity/Pages/REDOs.aspx>.

Figure 2: Percent of Survey Respondents Aware of Programs Offering Similar Services



Conclusion: No organizations (i.e. provincial or federal government programs or private sector organizations) fully mirror or overlap the CF Program; however, numerous complementary services are provided by various organizations. The level and type of collaboration with these organizations varies from one CBDC to the next.

3.1.3 Consistency with the National CF Program and ACOA Objectives

Findings:

The findings in this section are primarily based on documentation review, interview findings and CBDC survey results.

Consistency with the National CF Program

According to the CF Program Terms and Conditions²³, the objectives of the national CF Program are to assist communities to successfully pursue:

- a. economic stability, growth and job creation;
- b. diversified and competitive local rural economies; and
- c. sustainable communities.

²³ Industry Canada, Terms and Conditions, The Government of Canada’s Community Futures Program, (October 2005).

In order to achieve program objectives, CF organizations help communities to develop and diversify through the following activities.

- Strategic community planning - working with communities to assess local problems; establish objectives; plan and implement strategies to develop human, institutional and physical infrastructures; and support entrepreneurialism, employment and the economy.
- Business services - delivering a range of business counselling and information services to small and medium-sized enterprises.
- Access to capital - providing capital to assist existing businesses or to help entrepreneurs create new businesses.

Interviewees who responded to this evaluation question (i.e. 29 individuals) have a common understanding that the three core services provided by the national CF Program are: Community Economic Development (CED), Business Services and Access to Capital. There is consensus amongst interviewees that community strategic planning and community-based CED projects are not part of the CF mandate in Atlantic Canada. Currently, community strategic planning is part of the REDO/REDA mandate, although the CBDCs are frequently invited to participate in REDO-led activities in this area, and in other CED-related initiatives.

CBDC survey results corroborate the direct alignment of CBDC activities to the objectives of the national CF Program. When asked to identify which CF Program objectives are considered as objectives of their CBDCs, the following results were obtained:

- 93.4% of CBDCs identified, Fostering economic growth and stability;
- 95.1% of CBDCs identified, Fostering the creation and maintenance of jobs; and
- 83.6% of CBDCs identified, Helping create diversified and competitive local rural communities.

Consistency of CF Program Objectives with ACOA Objectives

According to ACOA's website, "ACOA has a broad mandate for economic development in Atlantic Canada, to increase the number of jobs and the earned income of Atlantic Canadians. Because new employment is the direct result of business growth, particularly among small and medium-sized enterprises (SMEs), ACOA seeks to provide people with encouragement, advice and information, and the capital and technology they need to start and expand their own businesses. While ACOA has changed since its inception in June of 1987, its mandate has remained constant. Modifications have been made to its financial support programs for SMEs, but essentially, its vision for Atlantic Canada in terms of increased self-sufficiency and increased earned incomes is still at the heart of Agency operations."

A review of the department's Report on Plans and Priorities for fiscal year 2008-2009 determined the three following strategic outcomes for ACOA²⁴:

²⁴ Treasury Board Secretariat of Canada, *ACOA Report on Plans and Priorities 2008-2009*: http://www.tbs-sct.gc.ca/rpp/2008-2009/inst/aco/aco02-eng.asp#_Toc189451682.

1. Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size.
2. Dynamic and sustainable communities for Atlantic Canada.
3. Policies and programs that strengthen the Atlantic economy.

The specifics are further elaborated in Table 9 below.

Table 9. Overview of ACOA’s Strategic Outcomes

2008-2009 Strategic Outcomes and Related Program Activities	
<i>Strategic Outcome 1: Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size</i>	
Program Activity	Fostering the development of institutions and enterprises, with emphasis on those of small and medium size
<i>Strategic Outcome 2: Dynamic and sustainable communities for Atlantic Canada</i>	
Program Activity	Fostering the economic development of Atlantic communities
	Special Adjustment Measures
	Infrastructure Programming
<i>Strategic Outcome 3: Policies and programs that strengthen the Atlantic economy</i>	
Program Activity	Policy
	Advocacy
	Coordination

The objectives of the CF Program (i.e. fostering economic stability, growth and job creation; helping to create diversified and competitive local rural economies; and helping to build sustainable communities) are consistent with ACOA objectives, since they clearly support the program activities identified for the Agency’s strategic outcomes. The objective of ‘growth and job creation’ aligns to the first strategic outcome, Competitive and sustainable Atlantic enterprises, with emphasis of those of small and medium size, since the CF Program supports SME growth and job creation. The other CF objectives (i.e. fostering economic stability, helping to create diversified and competitive local rural economies, and helping to build sustainable communities) all align with ACOA’s second strategic outcome of Dynamic and sustainable communities for Atlantic Canada, since these objectives all relate to developing sustainable communities for Atlantic Canada.

Conclusion: *Local CBDC objectives align well with the national CF Program. The two main activities carried out by CBDCs (i.e. business services and access to capital) are directly aligned to the objectives of the national CF Program; however, CBDCs in Atlantic Canada are not mandated to implement strategic community planning activities, both of which are part of the national program. The CF Program objectives are consistent with ACOA objectives.*

3.1.4 Degree of Responsiveness to the Needs of SMEs in Rural Atlantic Canada

Findings:

The findings in this section are based on interview findings and survey results.

A large majority of persons interviewed (31 of 35 of interviewees) agreed that the CBDCs are responsive to the needs of SMEs in rural Atlantic Canada; only two interviewees did not believe this to be true.

The most frequent comments provided by interviewees to support their contention that objectives and activities of the CBDCs are responsive to the needs of SMEs included:

- the CBDCs are located within the communities and provide increased opportunities to quickly adapt to community needs; and
- business knowledge and skills development are needed by SMEs and these services are offered by the CBDCs.

Results of the CBDC survey support interview findings. Overall, 83.3% of respondents think that the CBDCs’ objectives are “very responsive” to the needs of SMEs in local rural Canada, whereas the remaining 16.7% respondents think that the CBDCs are “somewhat responsive.”

Survey respondents were asked about particular service offerings of the CBDCs in Atlantic Canada, and whether these were responsive to the needs of SMEs. The following chart illustrates survey responses by service line.

Figure 3: Responsiveness of CBDC Services to Needs of SMEs

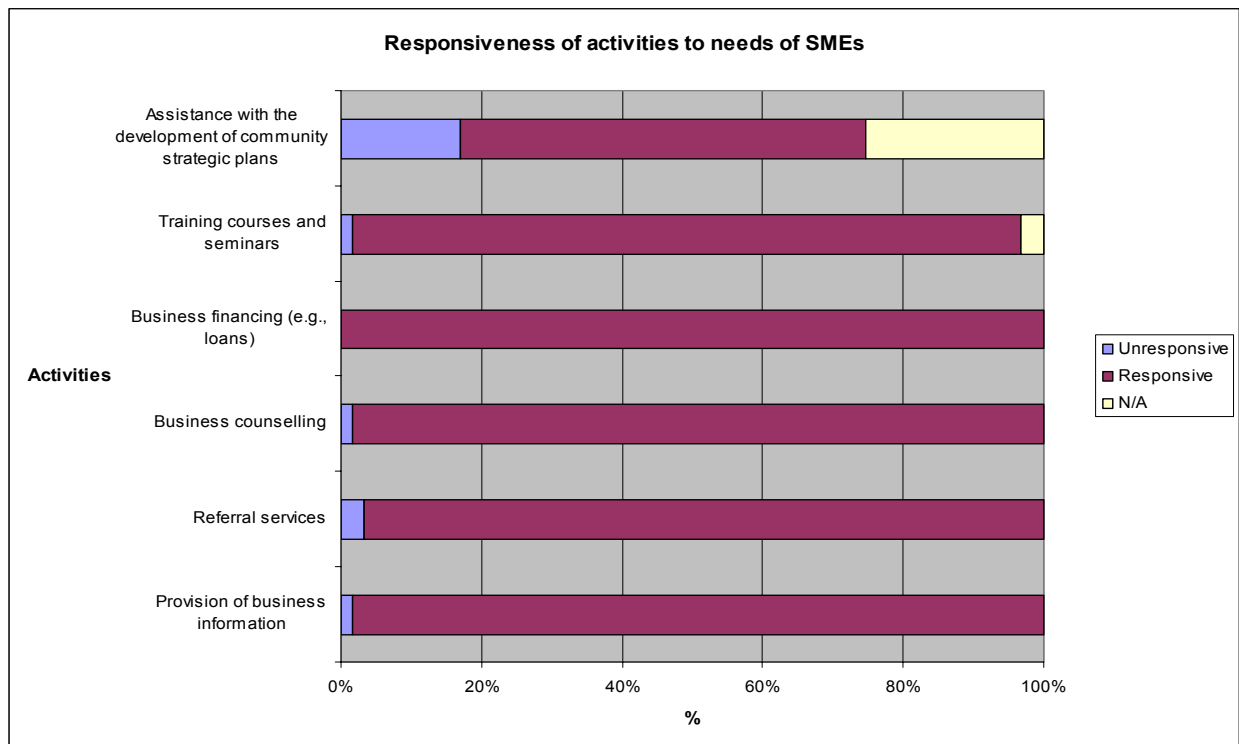


Figure 3 indicates that the service ranked most often as non-responsive to SME needs was the assistance provided by CBDCs in the development of community strategic plans. This is not surprising, since one would expect that this service would be more responsive to the needs of the

community and less so to the needs of individual SMEs. As well, as indicated in the methodology section, the client survey list included mainly loan clients. Few, if any, community representatives (e.g. mayors, Chambers of Commerce) were included. As well, as previously mentioned, the development of community strategic plans is not part of the CBDC mandate. This service is offered by the REDOs, although the CBDCs may play a supporting role in the development of these plans.

Conclusion: *The evaluation involved speaking only to SMEs that were clients of CBDCs; therefore, it is not possible to state unequivocally that the objectives and activities of CBDCs are responsive to the needs of all SMEs in rural Atlantic Canada or even all of those SMEs that are comparable with CBDC clients in terms of their risk profiles. (Note: The CBDCs have a mandate to deal with higher risk clientele in rural communities and do not have a mandate to deal with all small business clients.) In other words, it is possible that SMEs that have not been clients of a CBDC would differ in their opinions on the responsiveness of the CBDCs to their needs. Stakeholder opinion suggests that the objectives and activities of the CBDCs are responsive to the needs of SMEs in rural Atlantic Canada.*

3.2 Program Design and Delivery

In order to assess the extent to which the current program design and the service delivery model meet the needs of the program, the following questions were identified in the ACOA evaluation question framework.

- Are the CBDC networks (national, provincial, regional, and sub-regional) working effectively?
- What factors impact or facilitate the achievement of program results?
- Have community stakeholders been involved in developing strategic plans? To what extent are CBDC activities linked to those community plans?
- Are the CBDC investment funds well managed? Are the number, level and loss rates of the loans meeting the needs?
- *Have CBDCs adopted standardized practices for selecting and renewing board members?*
- *Do CBDCs have processes in place to ensure that accountability requirements are communicated to board of director members?*
- *As organizations that are accountable to the public, do the CBDCs report publicly (to their communities) on their activities on a regular basis?*
- *Has there been an improvement in the use of performance indicators to track and monitor performance?*
- *Has there been an improvement in the development and use of service delivery standards, since the formative evaluation?*

3.2.1 CBDC Networks

Findings:

There are three formally established levels of networks in place for the CF Program in Atlantic Canada. A pan-Canadian network was established in 2000 to provide a framework for regular collaboration and sharing of best practices throughout the country. In addition, there is an Atlantic Association of CBDCs, as well as provincial associations of CBDCs in each province. The Atlantic Association of CBDCs includes representatives from all provincial CBDCs, whereas the provincial associations include representatives from CBDCs within each province. As well, although not funded through the program, some sub-regional networks have been established by CBDCs in particular areas. For example, the CBDCs that have formed a “West Coast of Newfoundland and Labrador CBDCs” network to discuss the issues of the five member organizations.

Interviewees were quite familiar with the various levels of networks. The majority of interviewees referenced all three formally established networks: 78.4% referenced provincial networks, 75.7% referenced the Atlantic Association, and 73.0% referenced the Pan-Canadian Association. Senior managers and CF Program managers were more likely to reference these networks than were the CBDCs. In addition to these formally established networks, 13.5% of interviewees referenced a sub-regional association of CBDCs.

Both interviewees and CBDC survey respondents believe that the networks are effective. Interviewees referenced numerous mechanisms that have been established in order to facilitate the sharing of information by the various networks. The following processes or activities were frequently cited as ways to facilitate sharing of information and resources.

- Regular meetings where individuals obtain information and can subsequently relay all pertinent information back to their own community situations (referenced by 17 of 37 interviewees).
- Sharing of information or best practices through e-mail or newsletters distributed by the networks (9 of 37 interviewees).
- Individuals who serve as representatives of more than one network. For example, the same person may be a representative of a provincial association and the Atlantic Association; therefore, information flows easily from one network to another (8 of 37 interviewees).
- Associations (7 of 37 interviewees).
- Marketing and technology committees that have been established to promote sharing and coordination (7 of 37 interviewees).

There is an overall perception that all levels of networks are required and effective. Most interviewees (30 of 32) indicated that the networks are working effectively. Almost all CBDC survey respondents felt that the Atlantic Association is effective (95.1 %) and that their respective provincial association is effective (96.7%). Similarly, 95.7% of CBDC survey respondents who were involved in a sub-regional network (i.e. those who did not respond with “not applicable”) felt that these networks were effective.

CBDC survey respondents generally found the pan-Canadian network to be less effective than the other levels of networks, although over three-quarters of respondents (75.9%) still indicated that the pan-Canadian network is somewhat effective or very effective. A few interviewees also indicated that the effectiveness and/or appropriateness of the national network is limited. These interviewees indicated that information from the national network does not filter down to the provincial level. In addition, CBDCs have complained of the work they need to do for the pan-Canadian network, and they have also observed that since the pan-Canadian network no longer includes the participation of Quebec, it is not truly pan-Canadian.

Documents reviewed for the evaluation support the benefits of the various networks. One document reported that “the associations have helped raise the CBDC profile with partners such as the Federation of Canadian Municipalities, and politicians at the provincial and national levels”²⁵. Other documents reported that meetings of the networks have provided opportunities to bring volunteers and professionals together, share best practices and issues of concern to rural Canadians, and build relationships²⁶. Finally, tools developed by one CBDC or province can be shared with others through these networks. For example, a lending manual developed in Nova Scotia, which captures best practices and procedures within CBDCs and similar organizations, was shared with other Atlantic CBDCs.²⁷

Conclusion: The CBDC networks (i.e. national, provincial, regional and sub-regional) are working effectively. While there was some indication that the pan-Canadian network is less effective than the other levels of networks, this network was still rated as effective by CBDCs.

3.2.2 Factors Influencing the Achievement of Results

Findings:

Stakeholder interviewees were asked to identify issues that are influencing the achievement of results at the national, regional and community levels. The most frequently cited factors related to funding levels.

Twelve of 32 interviewees suggested that, at a national level, there are issues related to operational funding. Interviewees noted that operating costs have gone up, but operational funding of the CBDCs has not increased. Most often, interviewees indicated that this has led to challenges in attracting and retaining qualified staff. One interviewee indicated that given the size of the portfolio and the geographic area covered by his CBDC, they need additional staff; this is not possible due to limited operational funds. This interviewee noted the risk of burnout of existing staff. A lack of operating funds was also cited as a regional challenge (by 9 of 35 interviewees) and as a challenge at the community level (4 of 31 interviewees).

²⁵ Case Study Field Report.

²⁶ Pan-Canadian CF Revised Business Plan 2006-2007, and the Evaluation of the CBDCs for Atlantic Canada – Case Study Field Report.

²⁷ Roll-up of CFP Formative Evaluation Reports from ACOA, CED-Q, WD and FedNor, (Revised Final Report, September 2003).

Other influencing factors identified by interviewees included the suggestion that some CBDCs are too conservative with their loans (cited by 4 of 35 interviewees as a regional factor), and out-migration of people from rural areas (noted by 4 of 31 interviewees as a community-level factor).

CBDC survey respondents were also asked to identify issues that had hampered their ability to achieve the objectives of the CF Program. While the CBDCs have been largely successful in achieving results, as indicated in sections 3.3 through 3.5, the following factors give insight into the challenges that they face.

The most frequently cited challenges were the collapse of industries/downturns in the economy (88.5% of CBDC respondents indicated this was sometimes or often a challenge) and out-migration or depopulation of communities/aging populations (93.4% of survey respondents indicated this was sometimes or often a challenge). Neither of these factors is within the control of the CBDCs. Other challenges, according to CBDC respondents, were:

- lack of public awareness of the CF Program (79.7%);
- lack of funding for training/skills development of clients (75.4%);
- changes (actual or potential) in government (contributing to fluctuating government support) (67.8%); and
- lack of operational funds (64.4%).

Lack of awareness of the CF Program by the general public was not mentioned by interviewees, and survey questions did not probe for more information on the issues identified by CBDCs. We are, therefore, unable to determine why the CBDCs identified lack of public awareness as a challenge. However, it would not be entirely surprising if clients were unaware of the CF Program, since the program is delivered by the CBDCs, and marketing and promotional efforts tend to focus on raising awareness of the CBDCs and not of the CF or other programs delivered through CBDCs. Board chairs were more likely than CBDC staff members to indicate that lack of public awareness of the CF Program was sometimes or often a challenge (84.0% of chairs versus 71.4% of staff members).

CBDC survey respondents were also asked how important they considered various factors for increasing program efficiency and effectiveness. Table 10 below illustrates the percentage of CBDC respondents who indicated that these factors were somewhat or very important.

Finally, CBDC survey respondents were asked to identify what currently are, or could be in the future, the top three challenges caused by the CF Program design and delivery. See Table 11 below.

Table 10. CBDC Views on Importance of Factors for Increased Efficiency/Effectiveness

Percentage of CBDC survey respondents who found these factors ‘Somewhat’ or ‘Very’ important for increasing program efficiency/effectiveness		
Factors	Staff member	Board Chair
Increased operating funds/special considerations for geography	100.0 %	92.0 %
Increased investment funds from ACOA	100.0 %	92.0 %
Investment funds for training	97.1 %	88.0 %
Earlier notice regarding continued funding	97.1 %	92.0 %
Improved or increased marketing of the CF Program	91.4 %	92.0 %
More training for board members	79.4 %	84.0 %
Increased or improved partnering with other organizations	85.3 %	92.0 %
Improved alignment of CBDCs and REDOs	48.5 %	68.0 %
Increased lending limits	71.9 %	88.0 %

Table 11. CBDC Views on Challenges in Design and Delivery

Percentage of CBDC respondents who selected specific challenges in their “Top three challenges caused by the way the CF Program is designed and delivered”		
Challenge	CBDC staff	CBDC Board Member
Delays in knowing funding levels (i.e. not knowing at the start of a new fiscal year)	45.7 %	40.0 %
Lack of operational funds for more staff members	51.4 %	60.0 %
Lack of operational funds for other items (e.g. IT)	37.1 %	40.0 %
Lack of new investment funds from ACOA	77.1 %	60.0 %
Lack of funding for training and skills development	17.1 %	24.0 %
Lack of investment funds (i.e. cannot obtain needed investment funds from the ACCBIF) ²⁸	14.3 %	12.0 %
3% charge on funds borrowed from the ACCBIF	25.7 %	4.0 %
Requirements for turnover in board members	20.0 %	24.0 %

Both the CBDC staff and CBDC board members identified “Lack of investment funds from ACOA”, “Lack of operational funds for more staff members” and “Delays in knowing funding levels” as the top three challenges in the design and delivery of the CF Program. While impeding factors were noted, positive influences resulting from the program design and delivery were also mentioned. They included the fact that decisionmaking is done at the local level by people who know their communities and who are able to make decisions quickly and efficiently (eight of 35 interviewees noted this as a positive influence at various levels.) As well, the national network was viewed as a positive impact, because it encourages sharing of information and best practices (3 of 32 interviewees). Three of 31 interviewees also noted that the CBDCs have established good relationships with other organizations involved in community economic development, such

²⁸ While survey respondents selected a lack of investment funds as a current or future challenge, it should be noted that in the eight years since the ACCBIF was developed, the fund has always had investment capital available for the CBDCs. There has been no denial of funds to any CBDC since inception of the ACCBIF model.

as REDOs and the BDC. The ACCBIF was also mentioned as having a positive impact on the program at a regional level (4 of 35 interviewees). “Lack of investment funds,” such as provided via the ACCBIF, was rated as the lowest challenge (CBDC staff) or second lowest (CBDC board members) presented by CF program design and delivery. Several interviewees noted that CBDCs had been hesitant to put their funds into ACCBIF in the past; however, most interviewees noted that all CBDCs have now *bought into* the ACCBIF. Data from E-reports, meanwhile, demonstrates that not all CBDCs are participating in the ACCBIF on a regular basis.

Conclusion: Program stakeholders identified factors, at the national, regional and community levels, that both impede and facilitate the achievement of program results. The most commonly cited factors impeding achievement of results related to funding levels. While networks and the Atlantic Canada Community Business Investment Fund (ACCBIF) were mentioned as facilitating program results, there appears to be room for increased participation in the ACCBIF on the part of some CBDCs.

3.2.3 Development of Community Strategic Plans

CBDC Involvement in Community Strategic Planning

The pan-Canadian evaluation framework included a question examining the extent to which community stakeholders have been involved in the development of community strategic plans. However, although CF Program Terms and Conditions indicate that Community Futures organizations engage in community strategic planning activities, community strategic planning is not part of the mandate of the CBDCs in Atlantic Canada, but is managed by REDOs. Therefore, this evaluation examined the involvement of the CBDCs in REDO-led community strategic planning activities.

Findings:

According to the ACOA CF Risk-Based Audit Framework, "CBDCs participate in developing strategic plans for their communities. The specific nature of these activities varies by location and has included projects to promote entrepreneurship among specific groups such as women, youth, and a sponsorship of business management training courses."²⁹

Most interviewees (24 of 29) indicated that CBDCs are involved in community strategic planning (4 said that the CBDCs were not involved in community strategic planning, and one was not sure). All CBDC representatives who provided an answer indicated that their respective CBDCs were involved in community strategic planning. There was a general acknowledgement that REDOs lead the community strategic planning exercises (noted by 15 of 29 interviewees), and that the CBDCs are consulted or provide input into the exercise (noted by 12 of 29 interviewees). Several interviewees noted the involvement of CBDCs in planning sessions. CBDC survey respondents also indicated that the CBDCs are involved in community strategic planning. Only 6.7% of CBDC survey respondents indicated that the CBDCs had no involvement in community strategic planning, although another 18.3% were not sure of the

²⁹ ACOA, Community Futures Program RBAF - Annex B, (June 2005), page 2.

involvement of CBDCs. Almost three-quarters of respondents (73.3%) indicated that they had consulted with REDOs or other community economic development planning organizations for community strategic planning. This percentage is even higher when looking only at CBDC staff responses (82.9%).

Survey responses from REDOs seem to support these findings. Over half of those who responded to the survey (13 of 19) indicated that their local CBDCs were involved in the development of their community strategic plans. Although the response rate for the REDO survey was not high enough to be considered representative, the response does seem to support the findings from interviews and the CBDC survey. REDO survey respondents indicated that CBDC involvement consisted mainly of participation in meetings or interviews to provide input into the strategic community plan.

Conclusion: The CBDCs have been, and continue to be, involved in the development of community strategic plans, mainly by participating in meetings or interviews to provide input into the plan.

Alignment of CBDC Activities with Community Strategic Plans

Findings:

Of the 20 interviewees who were asked about this issue, 15 indicated that CBDC activities do, in fact, align well with the community economic development strategic plans. Three others did not know and two indicated that activities do not necessarily align with the community plans.

Specific comments raised by multiple interviewees in response to this question include:

- that their CBDCs try to focus activities on portfolios identified by the local REDOs (3 of 20 interviewees); and
- that their CBDCs work with the local REDOs (3 of 20 interviewees). These interviewees indicated that the CBDCs and REDOs are working on the same issues, and that with open dialogue and good relationships, the two organizations work well together.

The results from previous evaluation studies support these findings. According to the national evaluation conducted in 2003, “in New Brunswick, CBDCs and Community Economic Development Agencies develop integrated work plans, harmonizing economic development plans for the community with the services provided by a CBDC. Thorough coordination and collaboration of planning adds to the effectiveness of both organizations.”³⁰

Conclusion: Although CBDCs do not lead community strategic planning exercises, it is generally acknowledged that the activities carried out by the CBDCs are linked to the community strategic plans.

³⁰ Roll-up of CFP Formative Evaluation Reports from ACOA, CED-Q, WD and FedNor, Revised Final Report, (September 2003), page 43.

3.2.4 Management of the Investment Funds

Findings:

The majority of interviewees (27 of 30) believe that investment funds are well-managed and that loan amounts are appropriate (26 of 32). However, seven interviewees indicated that lending activities vary from one CBDC to another. According to these interviewees, some of the CBDCs are risk-averse or do not currently do enough lending. It should be noted, however, that only one of these seven interviewees was a CBDC representative. As well, it was noted that economic factors may be at play in these locations, explaining the limited lending.

Over two-thirds of CBDC survey respondents (68.4%) did not identify concerns and/or issues with the management of their investment funds. Those who did identify issues noted:

- insufficient availability of investment capital (42.9%, or 6 of 14); and
- a need for more loan demand/loans out/lower interest rates (42.9%, or 6 of 14).

The evaluation also looked at CBDC follow-up with loan clients. All CBDC survey respondents indicated that they followup with funded clients. Clients were less likely to indicate that their CBDC had followedup with them, however, the majority did indicate there was follow-up action relating to their loans. Most (82.5%) clients who applied for a loan for a business start-up indicated that their CBDCs had followed up with them; 77.1% of clients who applied for a loan for an existing business indicated their CBDCs had conducted a follow-up on the loan. A majority indicated that the follow-up occurred in the range of once per month to twice per year (tables 12 and 13 below). Such a follow-up was typically conducted by telephone or in person.

Table 12. Follow-up According to CBDCs

Frequency of follow-up	%
Once per week	3.3%
Once per month	20.0%
Once every two months	25.0%
Twice per year	26.7%
Once per year	10.0%
Other	15.0%
Total	100.0%

Table 13. Follow-up According to Clients

Frequency of follow-up	% of Existing Businesses	% of Start-Ups
Once per week	0%	2.7%
Once per month	17.9%	24.4%
Once every two to three months	40.9%	28.1%
Twice per year	19.5%	23.0%
Once per year	17.9%	14.9%
Less than once per year	1.9%	2.0%
Other	1.2%	3.4%
Don't know	0.8%	1.5%
Total	100.0%	100.0%

Loan Loss Rates

The CF Program in Atlantic Canada does not have established target loan loss rates. Appropriate loss rates vary by necessity from one location to another, according to differing economic realities of the communities. For example, where other funding options are available, CBDCs may still attract riskier clients than do other locations where there are no funding alternatives. As well, depending on the economic health of the region, some CBDCs may need to take on riskier clients to encourage diversification or economic growth.

Each CBDC has its own view of what constitutes an appropriate loss rate. Fifteen interviewees indicated what they thought were appropriate loss rates; these ranged from 5% to 19%, with responses evenly distributed across this range. Given these percentages, it is unlikely that interviewees were referring to annual loan loss rates.³¹

In general, interviewees (30 of 34) indicated that loan loss rates are appropriate. Only one interviewee indicated that loan loss rates are not appropriate, suggesting that they should be slightly higher (the other interviewees did not know).

At the Atlantic regional level, loan loss rates³² fluctuated slightly between 2.0% and 2.9% over the five-year evaluation period. Over 75% of CBDCs had average loan loss rates of less than 3% and all had average loan loss rates of less than 8%. Table 14 below shows the number and percentage of CBDCs with various levels of loan loss rates.

³¹ According to a representative of the Atlantic Association of CBDCs, there is confusion in terminology, with people having different understandings of terms such as loan losses/write-offs, allowances, impairment and provision for losses. As well, according to this individual, the CBDCs that noted high rates (e.g. 19%) were referring to the amount of money that has been cumulatively written off at their CBDC from the original funds that were made available to them. Actual write-offs would be much lower.

³² Loan loss rates are not reported by the CBDCs. Loan loss rates were calculated by the consultant according to the following formula: Loan loss rate = yearly write-off/total value of outstanding investments.

Table 14. Loan Loss Rates of CBDCs

Loan Loss Rate Range	# of CBDCs in Range	Cumulative %
<1%	7	17.1%
>= 1% and < 2%	12	46.3%
>= 2% and < 3%	12	75.6%
>= 3% and < 4%	2	80.5%
>= 4% and < 5%	4	90.2%
>= 5% and < 6%	2	95.1%
>= 6% and < 7%	1	97.6%
>= 7% and < 8%	1	100%
Total	41	

Loan loss rates varied across regions as well. Table 15 below illustrates the loan loss rates, per year, in each region in Atlantic Canada.

Table 15. Loan Loss Rates by Region

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
PEI	1.5%	1.0%	1.3%	1.6%	0.3%
NL	2.6%	2.2%	4.6%	2.5%	1.9%
NB	1.6%	2.6%	2.3%	1.7%	3.7%
NS	2.1%	2.0%	2.2%	2.3%	1.4%
CB	2.0%	1.8%	0.9%	0.7%	0.3%
TOTAL	2.1%	2.2%	2.9%	2.0%	2.2%

In comparison with traditional financial institutions, the loss rates on CBDC loans are significantly higher, although not surprisingly given that the CBDCs are mandated to provide loans to higher risk clients, whereas financial institutions generally lend on a lower risk basis. Financial institutions such as banks and credit unions typically have loan loss rates under 1%, and the BDC loan loss rate is typically around 1%. The average loan loss rate for financial institutions over the period of 2001 to 2006 was 0.2%.³³

Although the number of applications approved has decreased over the five-year evaluation period, the average loan value has increased. The number of approved loans at the Atlantic regional level has decreased gradually, but steadily, from a total of 1,268 in 2003-2004 to a total of 1,105 in 2007-2008. Likewise, the average loan value over the same period increased from \$35,562 in 2003-2004 to \$43,794 in 2007-2008. This would suggest that while the overall value of loan activity has been fairly constant over that time period, there has been a trend toward providing fewer loans of higher value. While the number of approved loans did not decrease each year, the average loan value has increased each year.

³³ Based on the average loss provisions over a six-year period for six large financial institutions: <http://www.cba.ca/en/content/stats/DB251%20-%202006%20-%20eng%20updated%20no%20formula2.xls>.

A key measure of program delivery, the percentage of the investment fund in active loans has averaged 77.83% (ranging from 50.85 % to 92.3% at the Atlantic regional level over the five-year period). However, this has varied significantly at both the regional and individual levels. Table 16 below, shows the percentage of investment funds in active loans over the five-year period, for each provincial region.

Table 16. Percentage of Investment Fund in Active Loans

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	5-year average
PEI	78.30%	80.14%	90.02%	90.39%	84.90%	84.75%
NL	78.67%	78.46%	78.07%	75.37%	73.48%	76.81%
NB	91.97%	92.74%	90.85%	92.66%	93.15%	92.30%
NS	81.76%	80.60%	84.25%	88.17%	88.5%	84.7%
CB	48.61%	49.57%	52.20%	48.44%	54.44%	50.85%
ATLANTIC	75.86%	76.30%	79.08%	79.00%	78.89%	77.83%

While the overall data on active loans in Atlantic Canada is promising, there are a number of CBDCs that could be described as under-performing on this measure during the five-year period. At a regional level, Cape Breton CBDCs averaged only 50.85% of their investment funds in active loans over this period. During the same period, 11 CBDCs averaged less than 70% of their funds in active loans; 6 averaged less than 60%; and 2 averaged less than 50%.

Interestingly, e-reports data show that those CBDCs with the highest percentage of funds committed to active loans are also the most actively involved in the ACCBIF. It is with these extra ACCBIF funds that some CBDCs and even some entire regions (e.g. NB) are able to achieve active loan rates in excess of 100%.

A recommendation in the previous evaluation was that ACOA should engage in “discussions with CBDCs to define performance indicators and establish targets, especially in the areas of number of CF loans (as percentage of CBDCs funds), non-performing loans and losses. These are prime indicators of the CBDCs’ portfolio management practices. However, as there are significant variations in terms of local economic contexts, it is recommended that the targets be set according to a local economic indicator, such as the local unemployment rate.”³⁴ The management response to this recommendation indicated that ACOA already monitors loans and losses, and disagreed that ACOA should set targets. According to the management response, “CBDC boards will set targets based on experience and the local economy.”³⁵ Standard targets have not been established across all CBDCs, and only 11 of 36 interviewees referenced targets that are established annually, against which performance is monitored.

Notwithstanding the previous management response, it appears clear that, five years later, there remains room for improvement in the performance of 11 CBDCs whose portion of funds allocated in active loans is significantly less than the average.

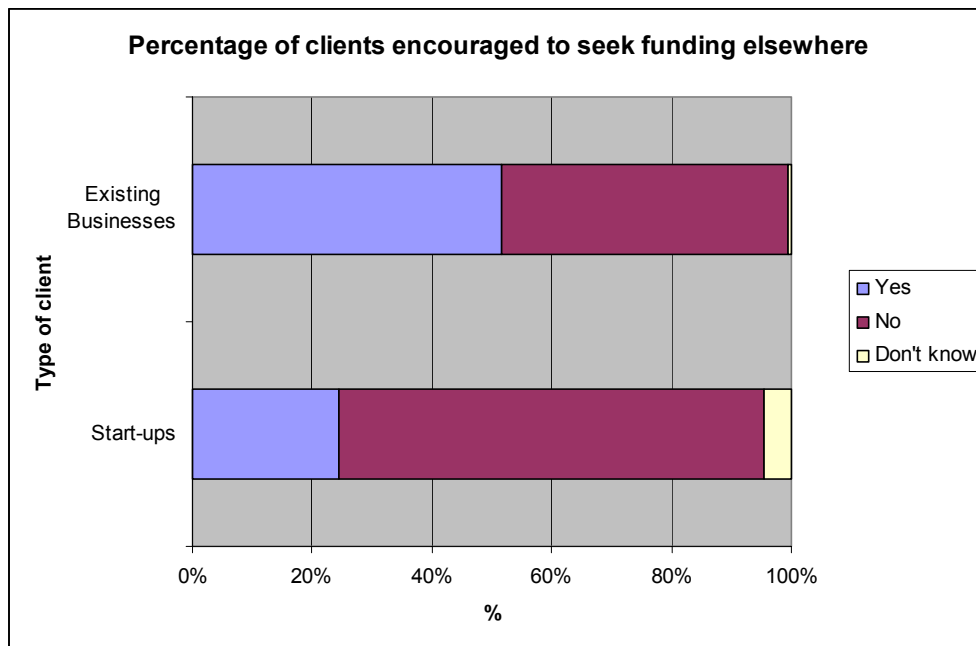
³⁴ ACOA, *Evaluation of the Community Futures Program as Delivered through the Atlantic Business Development Corporations, Final Report*, (May 2003), page 36.

³⁵ ACOA, *ACOA Policy and Programs Management Response to the Evaluation of the Community Futures Program*, (January 30, 2004), page 3.

The investment fund has been growing steadily. According to E-reports, at the end of the 2007-2008 fiscal year, the investment fund had grown 87.4% since the CF Program’s inception. As well, the investment fund had an average return on investment of 8% over the evaluation period, ranging from a low of 7.6% in 2005-2006 to a high of 8.8% in 2007-2008.

Finally, the evaluation examined the extent to which clients are encouraged to seek funding from other sources, such as banks, prior to applying for a loan from a CBDC. CBDC survey respondents indicated that they sometimes (21.7%), often (33.3%) or always (45.0%) encourage clients who could obtain funding from other sources, such as banks, to do so. Clients were less likely to report that they had been encouraged to seek funding elsewhere. Figure 4, below, indicates the proportion of survey respondents (start-ups and existing businesses) who were encouraged to seek funding elsewhere. As illustrated by the chart, start-up business clients were much less likely to indicate that their CBDC had encouraged them to approach a bank prior to receiving a loan from the CBDC. Existing businesses, which generally present a lower risk to banks, were more often encouraged to seek funding from other sources. Only 24.3% of new business start-ups were encouraged to seek funding elsewhere, versus 51.5% of existing businesses.

Figure 4: Percentage of Clients Encouraged to Seek Alternate Funding



Conclusion: Generally, investment funds are well-managed, as shown by the level of loan activity and growth in investment funds. However, there are some large variations among regions, particularly with respect to the percentage of investment funds in active loans and loan loss rates. There is some question as to the appropriate measure for examining loan losses of CBDCs and, currently there is not a consistent approach across the CBDCs for measuring or reporting on loan losses.

3.2.5 Practices for Selecting and Renewing Board Members

Findings:

As noted by the website of the Atlantic Association of CBDCs, CBDC board members are volunteers, generally businessmen and women, who believe in the communities they represent and possess a commitment to making these communities better places in which to live and work.³⁶ CBDC investment decisions are made by these volunteer boards.

In the previous evaluation of the CF Program, conducted in 2003, several recommendations were made relating to board member selection and renewal. To follow up, this evaluation looked at whether or not the CBDCs have developed and implemented policies and practices for selecting and renewing board members.

Interviewees and CBDC survey respondents agreed that standardized policies and practices exist for selecting and renewing board members. Thirty-one of 33 interviewees who responded to the question indicated there were standardized policies and practices for selecting and renewing board members. The other two interviewees indicated they did not know. All CBDC survey respondents indicated they had a policy for selecting and renewing board members; however, policies and practices varied across the CBDCs.

Fourteen of 33 interviewees indicated that individual processes have been established by each CBDC. This fact was corroborated by findings from the CBDC survey. Almost all respondents (91.5%) indicated that there was a limit to the number of years directors can serve on the board of their CBDC, but the length of term varies. Sixty percent of respondents said that the length of term for board members at their CBDC is three years; 26.7% said more than five years. As well, the number of consecutive terms board members can serve varies from one CBDC to another. Just over half of the CBDC survey respondents (55.2%) indicated that board members at their CBDC could serve two consecutive terms; 20.7% indicated three consecutive terms; the remainder were split between one term only (i.e. no consecutive terms) and more than three terms (12.1% each). As well, 35.6% of survey respondents indicated there was no limit on how many terms a board member could serve at their CBDC.

When asked about the effectiveness of these policies, interviewees and CBDC survey respondents generally felt that the processes were effective. Almost all interviewees (22 of 29) indicated that the processes were effective; another five did not know, or indicated it was too early to tell. Almost all CBDC survey respondents (93.2%) felt the processes were effective.

Few challenges were identified by interviewees with regards to the policies, however, a few interviewees did note that the length of time directors are allowed to serve on a CBDC board can present problems since it can lead to difficulties in identifying and recruiting volunteers (3 of 29 interviewees), and can also result in the loss of senior, experienced board volunteers (3 of 29 interviewees). This was echoed by a few CBDC survey respondents (4 of 61) who commented

³⁶ Community Business Development Corporations: <http://www.cbdc.ca/about.php>.

that the turnover rate on the board is too high, which removes competent and experienced persons from the board.

Conclusion: CBDCs reported that they have policies for selecting and renewing board members, and that these policies are implemented. The policies and practices are not standardized and the approach varies across the CBDCs. Challenges were noted by a few stakeholders.

3.2.6 Ensuring Board Member Accountability

Findings:

According to the previous evaluation conducted in 2003, “there has been work done on governance training for board members. Each province developed their own approach - some doing central training, others taking the training out to each board. The importance of all board members taking this training was noted by several respondents.”³⁷ In addition, document review for this evaluation included an examination of an orientation handbook developed by the CBDC association in Nova Scotia, and includes information relating to governance structure, board of director duties, and roles and responsibilities of directors.

Almost all interviewees (91.4%) agreed that procedures exist to ensure that board members are aware of their accountability requirements. The most commonly cited procedures noted by interviewees were:

- information is provided in an orientation handbook or other type of instruction package (20 of 35 interviewees);
- governance or orientation sessions are provided to new board members (15 of 35 interviewees); and
- procedures are explained and discussed with new board members by the CBDC executive director or others (6 of 35 interviewees).

These procedures were also the most frequently cited examples by CBDC survey respondents. Table 17, below, indicates the percentage of CBDC survey respondents who indicated specific activities were in place to ensure board members are aware of their accountability requirements.

³⁷ ACOA, *Evaluation of the CBDCs for Atlantic Canada*, Case Study Field Report, (February 2003), page 60.

Table 17. CBDC Board Member Awareness of Accountability Requirements

	Overall	CBDC Staff	CBDC Board Chair
Policy and procedures manuals or handbooks are provided	98.4%	97.1%	100.0%
Directors manuals are provided	52.5%	51.4%	56.0%
Orientation sessions are provided	85.2%	82.9%	88.0%
Training sessions, seminars or workshops are provided	70.5%	68.6%	72.0%
Verbal explanations instructions are provided by the executive director or others	90.2%	94.3%	84.0%
Information is provided prior to recruitment of the board members	80.3%	71.4%	96.0%
Other written reference materials are provided	57.4%	60.0%	56.0%

As illustrated by the table, for most activities, board members were more likely to indicate that the activity was in place than were CBDC staff member. .

Conclusion: CBDCs have established processes to ensure that accountability requirements are communicated to board of director members.

3.2.7 Public Reporting on Results

Findings:

In the previous evaluation of the CF Program, a recommendation was made that “as community organizations, CBDCs are accountable to their communities and should report on their activities on a regular basis.”³⁸ As well, the national evaluation of the CF Program in 2003 noted that “although some CBDCs make an effort to communicate their activities and results to the community, there is a need for more outreach, communication and inclusion of citizens. Interviews with citizens and other organizations with a stake in community economic development have indicated that the community wants to be better informed and more included in CBDC activities.”³⁹ To follow up, the current evaluation looked at whether or not the CBDCs report publicly on their activities on a regular basis.

Based on documents reviewed for the evaluation, much has been done to facilitate the CBDCs’ communications with the public. The pan-Canadian association developed and implemented a marketing and communications strategy in 2004.⁴⁰ In addition, according to the 2006-2007 annual report for the Atlantic Association of CBDCs, during that year, work was conducted to ensure that all CBDCs had a Web presence.⁴¹ As well, *Vision Magazine* which is published every

³⁸ ACOA, ACOA Policy and Programs Management Response to the Evaluation of the Community Futures Program, (January 30, 2004), page 5.

³⁹ Roll-Up of CFP Formative Evaluation Reports from ACOA, CED-Q, WD and FedNor: Revised Final Report, (September 2003), page 26.

⁴⁰ Pan-Canadian CF Revised Business Plan 2006-2007, (March 2006), page 11.

⁴¹ 2006-2007 Annual Report for Atlantic Associations of CBDCs, page 2.

season, is designed by the Atlantic Communications Committee to highlight the efforts and achievements of the CBDCs in Atlantic Canada.⁴²

Interviewees were asked about ways that the CBDCs communicate their results to the public; most interviewees (30 of 36) indicated that the CBDCs do so. Only two interviewees indicated that results are not communicated to the public (the rest were unsure, or indicated that some CBDCs do, while other don't). Methods by which the CBDCs communicate results are numerous and varied. The most commonly reported outreach and promotional activities identified during interviews included:

- publication of annual reports (15 of 36);
- publicity through newspapers, radio, or television (15 of 36);
- annual general meetings (13 of 36);
- websites and/or electronic media (e.g. e-mail distribution lists) (13 of 36); and
- participation in various events (e.g. presentations, forums) (11 of 36).

Most CBDCs (13 of 15 CBDC representative interviewees) indicated they have communications plans or marketing plans; the other two CBDC representatives were not sure. Most CBDC survey respondents indicated that their CBDCs had communications plans (80.0% of CBDC staff members and 88.0% of CBDC board members). Activities referenced by survey respondents as included in these communications plans are shown in Table 18..

The frequency of communications through these means was also examined through the survey of CBDC respondents. According to survey responses, distribution of annual reports was the most frequently used method (88.6% of CBDC staff members and 81.8% of board members indicating 'sometimes or often'), followed by websites (80.6% staff members and 81.0% of board members).

Table 18. Activities Included in Communications Plans

Types of activities included in the communications plan	CBDC staff	CBDC board member
Public forum	57.1%	52.0%
Website	65.7%	56.0%
News releases	54.3%	68.0%
Distribution of the annual report	68.6%	48.0%
Newsletters or other mail-outs	40.0%	56.0%
Other	17.1%	4.0%

During the interviews, it became apparent that many CBDC communications activities are designed for the purpose of general marketing, as opposed to communicating results against performance indicators. However, marketing materials for the CBDCs often tended to focus on success stories, which to some extent do communicate results to the public. There is no standard

⁴² *CBDC Vision*, Volume 5, Number 1, (Spring 2006), page 1.

process in place whereby CBDCs communicate their results to their communities. A review of CBDC websites shows that annual reports are not readily available on many CBDC websites⁴³, although the Atlantic Association of CBDCs has indicated that it will be adding a hyperlinked icon to all CBDC web pages to allow individual CBDCs and associations to upload their annual reports in a highly visible spot on their respective websites. Finally, the format and content of annual reports varies across the provinces.

Conclusion: The CBDCs report publicly on their activities; however, many of their communications activities are marketing related as opposed to serving as venues for communicating their activities or results. The methods and regularity of external communications are diverse and vary from one CBDC to another.

3.2.8 Performance Indicators and Monitoring

Findings:

The CF RMAF identifies a performance measurement strategy, under which monitoring of the CF Program is accomplished, including: departmental and quarterly and annual reports of CF organizations (CFOs), CFO monitoring surveys (optional), CFO client satisfaction surveys (optional), and a review of Statistics Canada data/research. A performance measurement framework has also been developed. Performance measurement areas have been identified in terms of outputs and outcomes. For each of these components, the strategy identifies the performance indicator, data sources/methods of collecting the data, the persons responsible for data collection, the frequency of reporting performance information, and level of priority.⁴⁴

The previous evaluation also identified several issues relating to performance measurement. One of these, in particular, continues to be an issue. The previous evaluation indicated that jobs created and maintained, and businesses created should be monitored by the CBDCs. The evaluation also specified that a “monitoring framework should be established to identify what information should be collected, at what frequency, by whom, how and when reported. The framework should also specify what other performance indicators should be used to measure the effectiveness of CF through CBDCs.”⁴⁵ According to the evaluation report, ACOA should develop this framework and apply it to all job creation programs, including the CF Program. In its management response, ACOA noted that jobs reported in the quarterly reports are estimates made at the time of the loan application and further indicated that “actual jobs created will be monitored by CBDCs at a common period. Regions will undertake periodic surveys.”⁴⁶ However, follow-up to determine the actual number of jobs created or maintained is not systematically done, and information provided in quarterly reports information continues to reflect estimated jobs created and maintained.

⁴³ Copies of annual reports for the Atlantic Association of CBDCs, New Brunswick Association of CBDCs, CBDC Long Range, and the Newfoundland and Labrador Association of CBDCs are available in the news item section of each organization’s website.

⁴⁴ ACOA, CF RMAF - Annex C, (May 2005), pages 20-28.

⁴⁵ ACOA, *Evaluation of the Community Futures Program as Delivered through the Atlantic Business Development Corporations: Final Report*, (May 2003), page 35.

⁴⁶ ACOA, ACOA Policy and Programs Management Response to the Evaluation of the Community Futures Program, (January 30, 2004), page 4.

Almost all interviewees (33 of 36) indicated that the CBDCs do have performance measures in place. Almost half of all interviewees referenced the performance indicators required in E-reports, which are reported by the CBDCs and reviewed by ACOA. Table 19, illustrates the percentage of CBDC survey respondents who indicated that they used the specified performance measures.

Table 19. CBDC Responses: The Use of Performance Measures

Performance measures used	Total	CBDC staff members	CBDC board members
All indicators required by E-reports	65.6%	71.4%	60.0%
Most indicators required by E-reports	36.1%	31.4%	40.0%
Indicators other than those required by E-reports	26.2%	34.3%	16.0%

Almost all interviewees (29 of 32) agreed that performance measures are well monitored. (One interviewee indicated they were not well monitored, and one was not sure.) Almost half of all CBDC survey respondents indicated they report to a board of directors on performance indicators once per month; 52.5% said quarterly, 8.2% said semi-annually, and 3.3% said annually.

An important source of information to measure the extent to which investment funds are well-managed relates to the writeoff of loans. As previously mentioned, loan loss rates are not tracked in any consistent manner. Additionally, there is some inconsistency across the CBDCs in how and when loans are written off, and in the calculations of allowances for doubtful accounts.

Information gathered through the evaluation suggests that loan loss rates may not be the best measure of loss to the investment fund, or risk aversion on the part of the CBDCs, since in some cases loans could be "on the books" for years simply because the CBDCs do not write them off as soon as it becomes apparent that the loan will not be repaid. As an alternative measure, it was suggested by members of the evaluation Working Group that the CBDCs' allowances for doubtful accounts⁴⁷ be examined. The CBDCs also calculate and report on these allowances in different manners. Information was available for this evaluation from the Atlantic Association of CBDCs relating to allowances for doubtful accounts that were used by CBDCs that borrowed from the ACCBIF. For these CBDCs, the average allowance for doubtful loans, as a percentage of loans receivable, is 10.88%.⁴⁸

Actual information on ACOA's operating costs for the CF Program is not available. When attempting to measure cost-effectiveness as part of this evaluation, only allocations for operating costs were available. ACOA cannot provide the actual expenditures as they are included in the

⁴⁷ The definition of "allowance for doubtful accounts" is "an estimated amount of bad debts, to be subtracted from a balance sheet's accounts receivable." (<http://www.investorwords.com>) or "a balance-sheet account established to offset expected bad debts." (<http://financial-dictionary.the freedictionary.com>)

⁴⁸ Figures, as received via e-mail, (October 27, 2008).

overall spending of the Agency and cannot be separated from other program costs. This is a shortfall that makes measuring the cost-effectiveness of the program difficult.

Conclusion: Most data needed for evaluation purposes is gathered and reported by the CBDCs, with a couple of notable exceptions. One of these exceptions (e.g. job creation statistics are estimates only) was an identified issue in the previous evaluation. As well, loan loss rates and related indicators, which can be an important source of information in determining whether or not investment funds are well managed, are not tracked in a consistent manner. The fact that ACOA does not track operating expenses for the CF Program separately also prevents measurement of ACOA's cost-effectiveness in the administration of the program.

3.2.9 Service Delivery Standards

Findings:

The previous CF evaluation recommended that ACOA encourage the CBDCs to establish standards in the areas of hours of service, minimal counselling time, minimal number of meetings with clients, and turnaround time for information requests and applications.⁴⁹ The management response from ACOA indicated that "CBDCs will be asked to develop individual service delivery standards. These should be posted in each office and used in communications materials."⁵⁰ The extent to which this has happened varies across the CBDCs.

There were inconsistent responses provided by interviewees and CBDC survey respondents with regard to the existence of service delivery standards in the CBDCs. Some interviewees (42.4%) indicated that CBDCs have adopted and implemented service delivery standards; however, another 30.3% indicated that no service delivery standards existed and the remaining 27.3% were unsure. Many interviewees could not identify any service delivery standards until examples were provided. The level of awareness of interviewees varied depending on the type of interviewee; senior managers were less aware of service delivery standards than were interviewees from the CBDCs. Even when looking only at CBDC interviewees, one-quarter of interviewees (4 of 16) indicated that there were no service delivery standards in existence, and another couple of interviewees were unsure. Almost 10% of CBDC survey respondents (14.3% if looking only at CBDC staff member survey respondents) indicated that service delivery standards do not exist, and another 11.5% did not know. Responses varied when looking at CBDC staff members versus board members. Table 20, below, illustrates the percentage of respondents who indicated that their CBDCs had the listed service delivery standards.

⁴⁹ ACOA, *Evaluation of the Community Futures Program as Delivered through the Atlantic Business Development Corporations, Final Report*, (May 2005), page 35.

⁵⁰ ACOA, *ACOA Policy and Programs Management Response to the Evaluation of the Community Futures Program*, (January 30, 2004), page 4.

Table 20. CBDC Responses Re: Service Delivery Standards

Percentage of CBDC survey respondents who indicated that their CBDC has service delivery standards			
Service delivery standards	Total	CBDC staff members	CBDC board members
Hours of service	52.5%	57.1%	48.0%
Minimal counselling time	21.3%	14.3%	32.0%
Minimal number of meetings with clients	26.2%	25.7%	28.0%
Turnaround time for information requests	59.0%	71.4%	44.0%
Turnaround time on applications	67.2%	77.1%	52.0%
No service standards exist	9.8%	14.3%	4.0%
Don't know	11.5%	5.7%	20.0%

On a related note, Working Group members indicated, at the presentation of preliminary findings, that CBDCs are doing more client satisfaction studies now than was the case in the past. Client satisfaction with CBDC services is discussed in the following section (Section 3.3, Program Impacts).

Conclusion: Service delivery standards have been developed and implemented, to different degrees, by CBDCs across the region. Some standards recommended in the previous evaluation have not been developed, implemented or monitored by the majority of CBDCs.

3.3 Program Impact – Short Term

The findings of the evaluation of the CF Program in Atlantic Canada on the issue of short-term program impacts are presented in this section of the report. The evaluation questions considered in addressing short-term impacts were as follows:

- To what extent has the CF Program provided appropriate information, referrals and counselling to clients?
- To what extent has the CF Program improved business knowledge and skills of clients?
- To what extent has the CF Program created new business start-ups or strengthened existing businesses?
- To what extent is the CF Program serving the needs of Official Languages Minority Communities (OLMCs)?
- *To what extent is the CF Program serving the needs of Aboriginal Communities (AC) an ACOA target group?*

3.3.1 Appropriateness of Information, Referral and Counselling Services to Clients

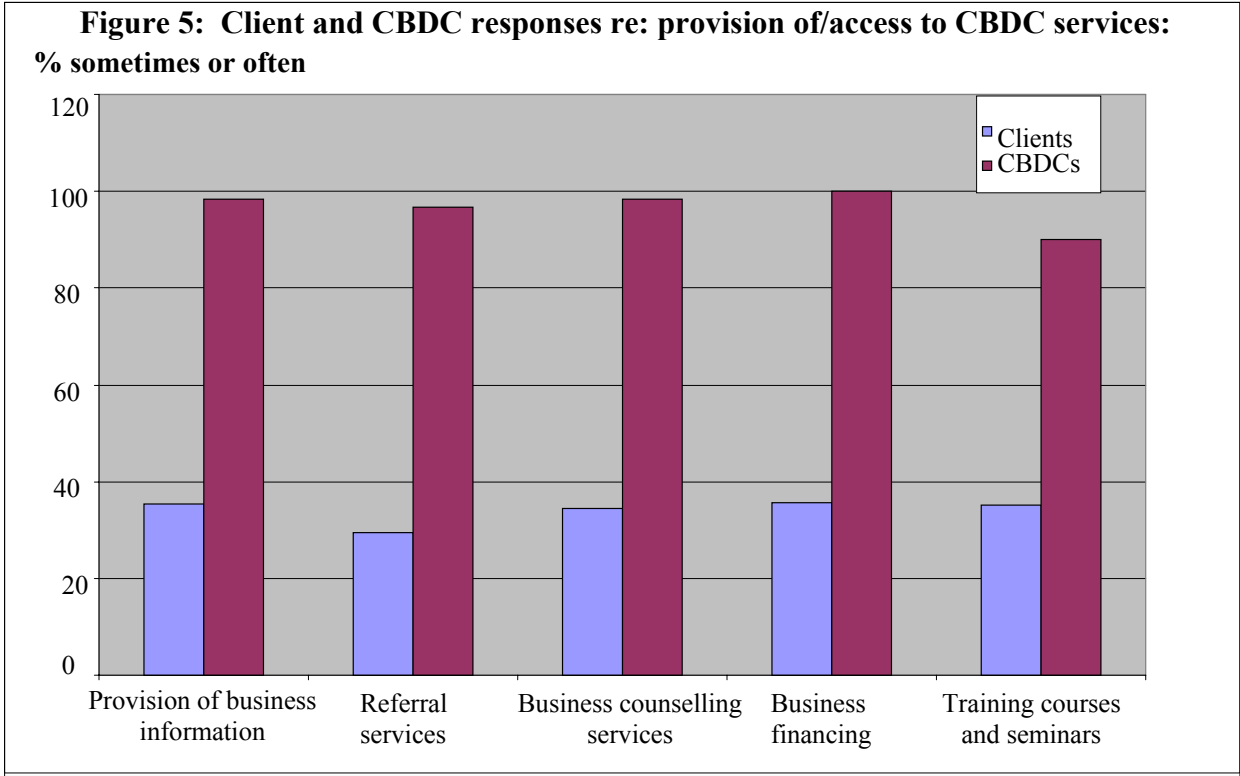
Findings:

According to E-reports data, over the five-year period covered by the evaluation, almost 40,000 clients received counselling services from the CBDCs.

Client and CBDC survey respondents indicated that services most often accessed (not including loans) are business counselling and business information, training courses and seminars, and referral services. On the client survey, clients were asked to identify, from a list of options, services that they had accessed from their CBDCs. Similarly, CBDC survey respondents were asked to indicate, from the same list of options, which services they provided. The list of services provided and accessed included all services provided under the national CF Program. As discussed previously, the mandate of the CBDCs in Atlantic Canada is less broad than the CF Program in other parts of the country and, therefore, some of the services provided under the national CF Program may not be offered by CBDCs in Atlantic Canada. Figure 5, below, illustrates the percentage of CBDC survey respondents and clients who indicated they sometimes or often offered/used the CBDC services available in Atlantic Canada.

As indicated by Figure 5, almost all CBDC survey respondents indicated they sometimes or often provided these services. Clients were less likely to indicate they had sometimes or often used these services; however, this may be due to the fact that, as outlined in the methodology section of this report, clients invited to respond to the client survey were almost entirely CBDC loan clients, whereas the services listed included other services in addition to loan services (business financing).

Figure 5: Survey Responses re: Provision of/Access to CBDC Services



Other services provided by the national CF Program include the development of infrastructure to support economic development; promotion of the community for tourism investment; organizing

other partners to address telecommunications issues and promote the use of the information highway; generating awareness and action on sustainable development; and assistance with the development of community strategic plans. In spite of the fact that these activities are not included in the mandate of Atlantic Canada’s CBDCs, some CBDCs did indicate that they sometimes or often provide these services, as did some clients. Table 21 illustrates the percentage of clients and CBDCs who indicated that they used / provided these services sometimes or often.

Table 21. Survey Responses Re: Use/Provision of Services

Percentage of clients and CBDCs who used / provided listed services		
	Sometimes or Often	
	Clients	CBDCs
Development of infrastructure to support economic development	20.4%	37.3%
Promotion of the community for tourism investment	17.3%	61.7%
Organizing other partners to address telecommunication issues and promote use of information highway	14.4%	38.3%
Generate awareness and action on sustainable development	20.6%	61.7%
Assistance with the development of community strategic plans	17.8%	56.7%

Client survey respondents indicated they were highly satisfied with the services provided by the CBDCs in Atlantic Canada. The percentage of clients who indicated they were satisfied (i.e. either very satisfied or somewhat satisfied) with these services were as follows: provision of business information (90.9%), business counselling (87.6%), referral services (84.0%), and training courses and seminars (83.4%). Clients generally indicated a high level of satisfaction with the other services provided by CBDCs (as listed in the table above).

Conclusion: Appropriate information, referrals and counselling services are being offered and clients have a high level of satisfaction with these services.

3.3.2 Impact on Business Knowledge and Skills of Clients

Findings:

Both client and CBDC survey respondents were asked to what extent the CBDCs have been successful in improving clients’ business skills and knowledge. All CBDC survey respondents (staff and board members) felt they had been successful in improving the business skills and knowledge of clients (57.4% said very successful, 42.6% said somewhat successful). While the CBDCs were slightly more positive in this respect than were clients, this is consistent with what was reported by clients, who indicated that CBDCs had been very successful (35.4%) and somewhat successful (45.6%) in improving their business skills and knowledge. However, while it is encouraging that so many clients reported the CBDCs had been successful in improving their business skills and knowledge, it should be noted that there remained a small proportion of clients that disagreed (4.0% indicated not very successful and 4.5% indicated not at all successful).

Clients were also asked to indicate to what extent they were using the information obtained from the CBDC to undertake specific activities. While many clients indicated they are using the

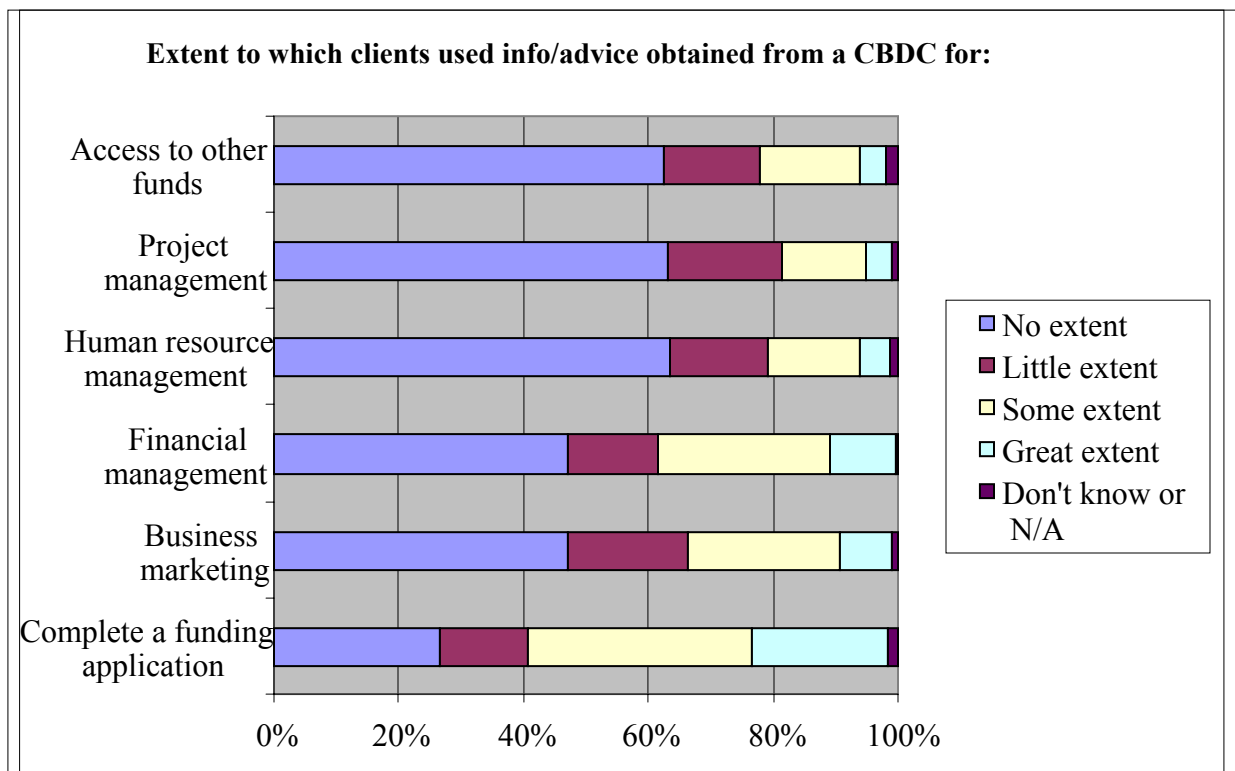
information obtained, it appears to be to a limited extent. Few clients are using information for human resource management, to access other funds, or for project management (Figure 6 below).

CBDC services appear to be most useful for clients to create a funding application (36.0% said to some extent and 21.9% said to a great extent). Clients are also using information for financial management (27.5% said to some extent and 10.7% said to a great extent) and to market their business (24.4% to some extent and 8.1% said to a great extent).

Over half of all client survey respondents (52.8%) also indicated their CBDCs had helped them develop business plans.

Responses from interviewees supported the survey response findings. All but one interviewee (26 of 27) agreed that the CF Program had contributed to the business knowledge and skills of its clients. Most interviewees (22 of 27) stated that the training services (i.e. workshops and seminars) were key to developing knowledge and skills of clients. As well, almost half (13 of 27) referenced counselling or one-on-one coaching.

Figure 6: Client Use of Information Obtained From CBDC



Conclusion: The CBDCs have improved clients’ business skills and knowledge, and clients are using the information/advice provided by the CBDCs, although they are not specifically using the information for human resource management, for project management, or to access other funds.

3.3.3 Impact on New and Existing Businesses

Findings:

Previous evaluation studies have noted that the CF Program nationally and the CBDCs in Atlantic Canada have created new business start-ups and strengthened existing businesses. According to the previous national CF evaluation, 42% of CF loan recipients obtained funds to start a business, whereas 58% were already operating a business. One in five of these existing businesses would have shut down if it had not received a loan, while 15% would have ceased some operations.⁵¹

Based on E-reports data, during the five-year evaluation period (April 2003 to March 2008), the CBDCs approved 5,914 loan applications, or an average of 1,183 per year. Just over one-quarter of these loans were loans to new businesses (1,676 loans to new businesses and 3,873 loans to existing businesses). Table 22 shows the breakdown by province of total applications approved during the five-year evaluation period, the average number of applications approved per year, and the average number of applications approved per CBDC per year.

Table 22. Loans Approved by Region

Region	Total approved applications	Average per year	Average per CBDC per year
PEI	267	53.4	17.8
NL	1,437	287.4	19.2
NB	1,936	387.2	38.7
NS	1,933	386.6	38.7
CB	341	68.2	22.7
Total	5,914	1,182.8	28.8

As shown in Table 22, New Brunswick and Nova Scotia (except Cape Breton) give out almost twice as many loans per CBDC as do the other regions.

Survey respondents (both clients and CBDCs) and interviewees agreed that the CBDCs have been successful at creating and maintaining businesses in communities. Over three-quarters of client survey respondents (77.5%) indicated that the CBDCs had been successful at creating businesses in their communities, and almost as many indicated that the CBDCs had been successful in maintaining businesses in their communities (76.4%). All CBDC survey respondents agreed that the CBDCs had been successful at creating and maintaining businesses in communities.

⁵¹ Roll-Up of CFP Formative Evaluation Reports from ACOA, CED-Q, WD and FedNor: Revised Final Report, (September 2003), page 39.

All interviewees (38 of 38) indicated that the CF Program has had an impact on the creation and/or the expansion and strengthening of SMEs. Many interviewees (17 of 27 interviewees) noted the volume of CF assistance provided to businesses (i.e. loans and counselling) or the number of businesses that have been assisted. Some interviewees (7 of 27) also noted that traditional lenders are less and less present in rural communities, and a few (5 of 38) noted that the CBDCs provide the only lending option for many businesses.

The majority of clients surveyed stated that they would not have been able to start, maintain or expand their businesses without CBDC support. A large percentage of those who received loans to start a business (62.6%) indicated this was very or somewhat unlikely; compared with 59.7% of those who received loans for an existing business. The remainder indicated they would have been somewhat likely or very likely to have been able to start, maintain or expand their business without CBDC support.

The analysis for this evaluation question also included an examination of leveraging. Over 20% of clients indicated they were able to leverage other funds as a result of their CBDC loan (22.5% of start-ups and 21.4% of exiting businesses). For both start-ups and existing businesses, funds leveraged as a result of CBDC loans came primarily from financial institutions (51.4% for start-ups, 61.1% for existing businesses). According to E-reports data, over the five-year evaluation period, a total of \$191,605,168 was leveraged by clients, with an average of over \$31 million per year. Client survey responses supported this finding. Three-quarters of clients surveyed indicated that their local CBDC had been somewhat successful (39.4%) or very successful (36.3%) at improving the ability of businesses to access capital from traditional sources.

As a final indicator of the extent to which the CF Program created new business start-ups or strengthened existing businesses, the evaluation looked at the survival rate of businesses assisted by the CF Program. Over 90% of client survey respondents indicated that their businesses were still in existence. Of those that were not (30), 40% had ceased operations in 2007 or 2008. Of those that were not still in business, 25% had been in business five or more years. Table 23 illustrates the length of time that now-closed businesses had been in existence.

Table 23. Life Span of Closed Businesses

# of years	Frequency	Percentage	Cumulative Percent
0.00	2	5.6%	5.6%
1.00	3	9.3%	14.8%
2.00	7	25.9%	40.7%
3.00	4	14.8%	55.6%
4.00	2	5.6%	61.1%
5.00	4	13.0%	74.1%
6.00	2	7.4%	81.5%
7.00	2	5.6%	87.0%
8.00	1	3.7%	90.7%
9.00	1	3.7%	94.4%
16.00	1	1.9%	96.3%
24.00	1	3.7%	100.0%
Total	27	100.0%	

Businesses that were closed were also examined across client attributes of age, gender, language, and whether or not the client was Aboriginal, part of a visible minority group, or disabled. There are no significant trends in these attributes that can be identified as underlying reasons for business closures. See Appendix A for further details of closed businesses across these attributes.

Conclusion: CBDCs have created new business start-ups and strengthened existing businesses.

3.3.4 Serving the Needs of Official Language Minority Communities

Findings:

CF Program documentation illustrates a commitment to serving Official Language Minority Communities (OLMCs). The RMAF developed for the CF Program states that "... CFOs which operate in areas where a significant Official Language Minority Community (OLMC) exists, must comply with official languages requirements to provide service of comparable quality in both official languages to the public. CFOs must:

- make announcements to the public concerning the activity, project or program in both official languages;
- actively offer services to members of the public in both official languages;
- make available in both official languages any documents for the general public relating to the activities, projects or programs;
- encourage members of both official language communities to participate in the activities, projects or programs; and
- organize activities, projects or programs, when appropriate, in such a manner as to meet the needs of the two linguistic communities."⁵²

⁵² CF Program RMAF - Annex C, (May 2005), page 7.

In addition, the revised business plan for the pan-Canadian CF Program makes a commitment to “work toward ensuring all major documents/communications are prepared and distributed in both official languages.”

There are 11 CBDCs located in OLMCs in Atlantic Canada; eight in New Brunswick, one in Prince Edward Island, and two in Nova Scotia.⁵³ CBDCs in other areas also indicated that they make efforts to provide service in both official languages.

Of clients who had accessed services provided by the CBDCs, over 99% indicated they were able to access the services in the language of their choice. Only three respondents indicated they could not access services in the language of their choice, and of these three, only one lived in an OLMC. Interviewees (33 of 35) indicated that the CBDCs provide services in both official languages where required. The two other respondents indicated that they were either not sure of the language of service or noted the lack of language capacity in the area, but indicated that if someone ever asked for service in a specific language (French), the CBDC would be able to obtain it with assistance from others. Interviewees provided various examples of actions taken by the CBDCs to ensure this capacity exists. For example, some interviewees (11 of 35) noted that the CBDCs have bilingual staff on site. A few others (6 of 35) indicated that a back-up plan was in place to offer service in French when needed. This was particularly noteworthy since five of the six interviewees who noted this were from Newfoundland and Labrador, where there are no OLMCs. These interviewees indicated they could make referrals to, or get assistance from others, such as CBDCs with bilingual staff, board members or REDO staff. A couple of interviewees (2 of 35) noted that documents and publications are available in both official languages.

The most common challenge noted by the CBDCs to providing bilingual services was difficulties in hiring qualified, bilingual staff to fill positions. Four of 19 CBDC interviewees noted this challenge, although none of these four worked in a CBDC in an OLMC. Three other senior managers or program managers also noted this challenge.

Conclusion: CBDCs are serving the needs of Official Language Minority Communities.

3.3.5 Serving the Needs of Aboriginal Communities

Findings:

Accessing loan capital can be particularly challenging for Aboriginal SMEs. The Ulnooweg Development Group Inc. (Ulnooweg) supports Aboriginal entrepreneurs in Atlantic Canada. Ulnooweg has been providing loans and business services to Aboriginal entrepreneurs since 1986. According to the Ulnooweg website, “Ulnooweg’s lending services bring financial support for businesses who may not be eligible for loans through other lending institutions.”⁵⁴ The Ulnooweg Development Group originally received \$6 million in investment funds from the

⁵³ The Community Futures ACOA/CBDC Agreement requires that 5% or more of the total population speak the minority language in a majority area to declare such an area an OLMC.

⁵⁴ Ulnooweg Development Group Inc.: <http://www.ulnooweg.ca/about.php>

CF Program to provide support to Aboriginal SMEs. The \$6 million is used, as with the CF Program funds, to provide repayable loans to Aboriginal SMEs. The Ulnooweg Development Group provides counselling to Aboriginal SMEs across the Atlantic Provinces as do the CBDCs, through the CF Program.

According to the *Impact Assessment of Community Futures in Canada* study of March 2006, in Atlantic Canada, the CBDCs work with Aboriginal clients on an individual basis or refer them to the Ulnooweg Development Group Inc., which supports Aboriginal entrepreneurs much like a CBDC.⁵⁵ The extent to which the CBDCs and Ulnooweg work together is unclear. According to a representative from the Atlantic Association of CBDCs, individual CBDCs have relationships with Ulnooweg, but there is no formal agreement between Ulnooweg and the Atlantic Association. According to this representative, there are examples of CBDCs and Ulnooweg working collaboratively, on initiatives such as referrals, associate membership of Ulnooweg into the Atlantic Association, purchasing agreements, and other collaborative work. However, according to interview comments by a representative of ACOA's Aboriginal Affairs staff, while Aboriginal SMEs are well served through the Ulnooweg Development Group, there are opportunities for more collaboration and co-operation between Ulnooweg and the CBDCs. This interviewee suggested that while Ulnooweg would like to partner with the CBDCs, and has approached the Atlantic Association in an effort to develop a relationship, a relationship has not yet developed. It was unclear why this has not happened, although the interviewee added that it may be due to the fact that loans to Aboriginal SMEs are sometimes viewed as higher risk and are, therefore, less attractive to the CBDCs. The interviewee also reported that Ulnooweg would like to share the risk with the CBDCs where possible. The scope of the evaluation did not allow for more investigation into the relationship between Ulnooweg and the CBDCs, therefore, the extent to which they work together is not clear.

CBDC survey respondents were asked to provide information about the percentage of Aboriginals within their communities and among their clients. Just over 60% of respondents answered these two questions. Of those, 55% indicated that the percentage of their clients who are Aboriginal is equal to or greater than the percentage of Aboriginals in their communities. The other 45% stated that Aboriginal clients represented a smaller percentage of their clients than was the proportion of Aboriginals in their communities.

Statistics Canada labour market data indicates that the percentage of the population in Atlantic Canada that is Aboriginal has increased from 2.7% in 1996 to 3.7% in 2006. The percentage of the population that is Aboriginal in each of the Atlantic Provinces is shown in the table below.

⁵⁵Pan-Canadian Community Futures Network, *Impact Assessment of Community Futures in Canada*, (March 2006), page 22.

Table 24. Aboriginal Populations in Atlantic Canada

	1996	2001	2006
Atlantic Canada	2.7%	3.2%	3.7%
Newfoundland and Labrador	2.6%	3.7%	4.7%
Prince Edward Island	0.7%	1.0%	1.3%
Nova Scotia	1.4%	1.9%	2.7%
New Brunswick	1.4%	2.4%	2.5%

A small number (n=8) of client survey respondents identified themselves as Aboriginal. This represents 2.8% of respondents, which is slightly less than the 3.7% Aboriginal population for Atlantic Canada identified by Statistics Canada 2006 census data.

Conclusion: The Ulnooweg Development Group Inc. originally provided investment funds through the CF Program, and is serving the needs of Aboriginals in Atlantic Canada. However, some information suggests there is opportunity for more partnership or collaboration between the Ulnooweg Development Group and the CBDCs. Some CBDCs are better serving the needs of Aboriginal communities than are others.

3.4 Program Impact – Intermediate

The evaluation’s findings on the issue of intermediate-term program impacts of the CF Program are presented in this section of the report. There was one evaluation question relating to program intermediate impacts:

- To what extent has the CF Program: supported community economic development; assisted communities to develop and diversify their economies; and strengthened community capacity?

3.4.1 Intermediate Impact of the CF Program

Findings:

Community Economic Development

Foundation documents for the CF Program state that CFOs receive funding to, among other activities, support community-based projects and special initiatives by collaborating with other partners in the public sector and civil society to implement strategic community projects or deliver special initiatives targeted to communities. However, community economic development projects are not part of the mandate of the CBDCs. In spite of this, CBDC survey respondents

indicated that most CBDCs participate in Community Economic Development (CED) projects. When asked how many CED projects their CBDC would be involved in during a typical year, only a few respondents said 'none' (three CBDC staff members, and one CBDC board member). A large number of CBDC board members (11) and several CBDC staff members (four) also answered 'don't know'. Of the remainder who answered this question, most indicated between one and six projects (51.8% of CBDC staff members, and 33.3% of CBDC board members), with the median response being four. For each CED project in which they were involved, the CBDCs contributed an average of 11 hours.

Stakeholder interviews suggested that CED is supported in Atlantic Canada primarily through the loans and counselling activities of the CBDCs, by creating and expanding businesses, and building skills and knowledge in the businesses supported. The CBDCs have created new business start-ups and strengthened existing businesses. Since the inception of the CF Program, the CBDCs have disbursed 20,571 loans. Based on E-reports data, over the five-year period of the evaluation, the CBDCs have supported the creation of 5,452.3 full-time equivalent (FTE)⁵⁶ jobs, and the maintenance of 10,496.0 FTE jobs. (For a breakdown of FTE jobs created and maintained by province, see Appendix B.) Stakeholders argue that it is through loans and the other services provided by the CBDCs (e.g. counselling) that jobs are created and maintained, and businesses strengthened, all of which supports community economic development by creating, maintaining and strengthening businesses.

Economic Diversification

Three-quarters of interviewees agreed that the CF Program has helped communities to diversify their economies (24 of 32); a few interviewees (five) were unsure, and a few (three) disagreed.

Information from E-reports provides a breakdown in the investment by sector over the five-year evaluation period, although a breakdown by number of loans is not available. Table 25 indicates the percentage of total investments in each sector over the evaluation period.

Based on E-reports data, results indicate that the CBDCs are investing in SMEs across almost all sectors. Only the mining and aquaculture sectors had no investment in some provinces during this evaluation period. This is supported by survey responses from clients. Table 26 shows the breakdown of client survey respondents by sector. (Note: the sector choices in the client survey did not match those of E-reports, so direct comparison is not possible.)

⁵⁶ Full time equivalent (FTE) is the “ratio of total number of paid hours during a period (part time, full time, contracted) by the number of working hours in that period.” <http://www.businessdictionary.com/definition/full-time-equivalent-FTE.html>

Table 25. Percentage of Investments by Sector, by Region

	PEI	N L	NB	NS	CB	ATLANTIC
Agricultural	3.2%	0.7%	3.1%	3.3%	1.1%	2.5%
Aquaculture	--	--	2.1%	1.9%	--	1.4%
Fish Harvesting	0.3%	13.1%	3.8%	1.5%	1.6%	4.8%
Forestry	--	2.3%	3.2%	1.1%	0.6%	2.1%
Mining	--	--	--	0.2%	--	0.1%
Construction	4.9%	6.5%	4.0%	7.7%	3.5%	5.6%
Tourism	19.5%	8.0%	3.7%	9.4%	13.4%	7.5%
Transportation and Storage	--	3.8%	7.8%	6.2%	9.1%	6.3%
Wholesale and Retail Trade	15.4%	34.1%	23.7%	22.9%	9.5%	24.4%
Manufacturing	15.2%	5.5%	8.7%	7.6%	7.7%	7.8%
Other Industries ⁵⁷	41.4%	26.0%	39.8%	38.2%	53.6%	37.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Table 26. CBDC Clients by Sector

Sector:	#	%
Agriculture, Forestry, Fishing and Hunting	63	16.8
Utilities	2	0.4
Construction	28	7.4
Manufacturing	24	6.5
Wholesale Trade	10	2.6
Retail Trade	67	18.0
Transportation and Warehousing	12	3.2
Information Technology and Cultural Industries	11	2.8
Finance and Insurance	2	0.4
Real Estate and Rental and Leasing	7	1.7
Professional, Scientific and Technical Services	16	4.2
Management of Companies and Enterprises	2	0.4
Educational Services	5	1.2
Health Care and Social Assistance	12	3.1
Arts, Entertainment and Recreation	21	5.6
Accommodation and Food Services	34	9.0
Other Services (except Public Administration)	57	15.2
Other	5	1.3
Total	372	100.0

⁵⁷ The codes in the table represent the standard NAICS codes that are used across North America. The “Other industries” category cannot be further broken down, as the information is not available in the E-reports system. However, based on anecdotal information provided by the CBDCs, the “Other industries” category includes personal services like barber shops, estheticians, professional service providers (lawyers, accountants, management consultants, etc).

Strengthened Community Capacity

Industry Canada/FedNor defines capacity building as a "broad and complex set of activities that will, if successful, enable people of diverse backgrounds in communities to take a more active role in shaping their economies and determining their collective futures. It enables communities to set their priorities, identify and develop their own capabilities and resources and make the best investments."⁵⁸

Almost all CBDC survey respondents agreed that their CBDCs have helped to build capacity for community economic development: just under 90% of respondents (89.8%) indicated to some extent (40.7%) or to a great extent (49.2%). Respondents who did not agree indicated they did not know.

Both interviewees and survey respondents indicated that the CBDCs had been successful at strengthening the capacity of the community. Almost all interviewees (34 of 36) agreed that the CF Program has strengthened community capacity. This was corroborated by both CBDC and client survey respondents. Almost all CBDC survey respondents (96.7%) indicated that their CBDC had been successful at strengthening the capacity of their communities: 38.3% said somewhat successful and 58.3% said very successful. Similarly, client survey respondents indicated that their CBDCs had been somewhat successful (42.2%) or very successful (29.0%) at strengthening the capacity of their communities.

Developing or strengthening community capacity involves building the skills of individuals to play a role in this. Information from the evaluation shows that the CBDCs are improving the business skills and knowledge of clients. As well, there is some evidence that clients have developed partnerships as a result of their involvement with their CBDCs. This too, impacts on community capacity. Fifteen percent of clients indicated they had developed partnerships as a result of their involvement with a CBDC. Of these, most indicated they had developed between one and three partnerships (83.3%). Financial partnerships represented 38.1% of those mentioned (n=18). Other partnerships included those for exchanging information, services or references. Clients who indicated they had developed partnerships most often referred to other SMEs, associations, banks or the BDC.

Interviewees also believe that the efforts of CBDCs have led to the development of partnerships (32 of 33 interviewees). This evaluation did not define "partnerships" for interviewees, so this report cannot provide a definition of what is or is not included. However, interviewees most often referenced other organizations with whom they work either formally or informally to achieve objectives. Those most often cited were REDOs or regional development agencies, chambers of commerce, various levels of government, financial institutions, and the BDC. As discussed in section 3.1 (Relevance), there is a formalized partnership between the CBDCs and the BDC.

⁵⁸ For the purposes of this evaluation, FedNor developed this definition of community capacity from existing material. No definition of community capacity was provided by ACOA.

Conclusion: Community economic development (CED) projects and the development of community strategic plans are not part of the mandate of CBDCs in Atlantic Canada. However, stakeholders still believe that the CBDCs have been successful in supporting CED, assisting communities to develop and diversify their economies, and strengthening community capacity, through their loan activities and business services.

3.5 Program Impact – Long Term

The findings of the evaluation of the CF Program in Atlantic Canada on the issue of long-term program impacts are presented in this section of the report. The evaluation questions considered in addressing long-term impacts were as follows:

- To what extent has the CF Program contributed to long-term goals e.g. economic growth and stability, diversification and development of local rural communities, sustainable communities, and survival of business assisted by the CBDCs? Has the CF Program produced unintended positive and/or negative outcomes?

3.5.1 Contribution to Long-Term Goals

Findings:

There has been a slight change in the labour force participation rates of CBDC-served regions (although minimal in PEI). CBDC-served regions were fairly consistent with the provincial figures, as illustrated in the table below; therefore, there is no evidence that the CF Program has had an influence on participation rates.

Table 27. Change in Participation Rates (from 1996 to 2006) in CBDC Regions versus Atlantic Provinces

	Provincial	CBDC served regions only
NL	2.6%	2.6%
PEI	-0.1%	0.1%
NS	1.9%	2.0%
NB	1.5%	1.1%

There have been more significant changes in the rates of unemployment. Overall, unemployment has decreased in Canada from 10.1% in 1996 to 6.6% in 2006. Similarly, in Atlantic Canada, the unemployment rate has dropped from 16.6% to 11.5% during the same time period. When looking at the change in the unemployment rate in CBDC-served regions compared with provincial averages, it is apparent that unemployment rates in CBDC-served regions had more significant decreases than the provincial averages, as illustrated by table 28.

Table 28. Change in Unemployment Rates (from 1996 to 2006) in CBDC Regions versus Atlantic Provinces

	Provincial	CBDC served regions only
NL	-3.3%	-6.4%
PEI	-0.6%	-2.3%
NS	-2.4%	-4.8%
NB	-3.0%	-5.5%

Average earnings have been increasing both in CBDC-served regions and in the Atlantic Provinces. Table 29 illustrates the changes in average earnings from 1996 to 2006. As illustrated, with the exception of Newfoundland and Labrador, the increase in average earnings in CBDC-served regions has been slightly lower than the increase in the provincial averages.

Table 29. Change in Average Earnings (from 1996 to 2006) in CBDC Regions versus Atlantic Provinces

	Provincial		CBDC served regions only	
	Male	Female	Male	Female
Newfoundland and Labrador	9,465%	6,842%	10,138%	7,596%
Prince Edward Island	6,705%	7,971%	6,038%	7,966%
Nova Scotia	9,895%	7,856%	9,475%	7,448%
New Brunswick	8,142%	7,623%	8,096%	7,152%

Some indicators of long-term success for economic development programs are: change in employment rate, change in employment distribution, and change in annual average household income. While these measures are all highly relevant, changes to these economic indicators cannot be solely or directly attributed to the CF Program. There are always many other factors (e.g. other investments made, economic conditions) that also have an impact on these broad measures. The impact of the CF Program relative to all of the other community influences is difficult to assess. While the changes to unemployment rates seem to indicate that CBDC-served regions are improving more rapidly than are the provinces as a whole, changes to the participation and the average earnings rates are not significantly different from provincial averages.

Using data collected through the evaluation, combined with existing data from E-reports, ACOA staff conducted an economic impact analysis of the CF Program in Atlantic Canada. This analysis used econometric models developed by The Conference Board of Canada for each Atlantic province to estimate the economic impact. While relevant highlights will be discussed here, the full analysis, including hypotheses and methodology, can be examined as Appendix C of this report.

The economic impact analysis estimated the economic benefits of the CBDC’s CF Program in Atlantic Canada. According to this analysis, “through CBDCs’ direct support to business, the direct creation of jobs can be utilized to estimate the indirect and induced impact on the economy of the four Atlantic Provinces.”⁵⁹

Based on this economic impact analysis, the real gross domestic product (GDP) was \$150 million higher (in constant 1997 dollars) in 2007 than it would have been in the absence of the CF Program’s expenditures in direct support of business. Furthermore, over the five-year evaluation period, CF Program support to businesses produced increases of over \$2.35 in GDP for every dollar of expenditure (including loans and operating expenditures). This same study indicates that total employment in Atlantic Canada was over 3,300 higher (including direct, indirect, and induced employment gains) in 2007 than it would have been without the CBDCs’ direct support to businesses over the five-year evaluation period. Note that these employment numbers are gross estimates and do not take into consideration net job gains or losses as a result of economic conditions. It is important to keep in mind that the CF Program introduced a structure for the creation of and support for community-based development/adjustment initiatives in non-metropolitan areas of *significant economic stress* across Canada⁶⁰ and, as a result, job losses may be more severe than in other areas. Finally, based on the economic impact analysis, personal income in Atlantic Canada was \$141.6 million higher (in constant 1997 dollars) in 2007 than it would have been in the absence of the CF Programs’ expenditures in direct support of business.

Survey respondents agree that the CBDCs are contributing to the long-term objectives of the CF Program. Table 30 illustrates the extent to which client and CBDC survey respondents agree with statements that the CBDCs are contributing to the long-term objectives.

Table 30. Survey Respondent Views on Contribution to Long-term Goals

% of respondents who agree or strongly agree that the CBDCs contribute to:	CBDC survey respondents	Client survey respondents
Economic growth and stability	100.0%	82.4%
Diversification and development of local rural communities	100.0%	80.8%
Sustainability of community	98.0%	80.3%
Survival of local businesses	100.0%	76.7%

Interviewees agreed that the CBDCs are contributing to these long-term objectives. Almost all interviewees agreed that the CBDCs contribute to all of the objectives:

- economic growth and stability (35 of 37 interviewees);
- diversification and development of local rural communities (24 of 32 interviewees);

⁵⁹ Economic impact analysis provided by Performance Measurement, Analysis and Reporting Unit, ACOA (October 29, 2008).

⁶⁰ *Community Futures Program Pan-Canadian Impact Evaluation*, National Terms of Reference, (July 2007), page 3.

- sustainability of communities (23 of 24 interviewees); and
- survival of local businesses (26 of 30 interviewees).

Conclusion: Measuring the impact of the CF Program on long-term goals presents a number of challenges due to the indirect influence most programs have on indicators of interest (e.g. economic growth, stability). However, an ACOA economic impact analysis suggests that the CF Program has contributed to economic growth in Atlantic Provinces. As well, stakeholders agree that the CF Program is contributing to its long-term goals.

3.5.2 Unintended Impacts

Findings:

Although two-thirds of interviewees indicated that there were unintended impacts from the program, examples provided were *unexpected* rather than *unintended*, and often were not impacts of the program, but rather characteristics or attributes of the program. In other words, while interviewees may have indicated that the program had an impact that surprised them (unexpected impact), generally the impact they spoke of was not unplanned (unintended impact), rather it was the magnitude of impact that was unexpected. For example, interviewees identified the following as unintended positive and negative impacts of the program.

- The longevity of the CF Program. It has stood the test of time. The program is a success that has been around for decades.
- The good reputation of the CF Program.
- The diversity and dedication of board members.
- The high survival rate of businesses that have been assisted by the CF Program.
- Some CBDCs are too risk-averse/rigid with regards to their lending practices.

The longevity of the program, the reputation of the program, and the diversity and dedication of board members are all characteristics of the program that interviewees feel have exceeded expectations. The high survival rate of businesses is reported as somewhat of a surprise, but is not an *unintended* impact, since it was always the intention of the program to help businesses survive.

Conclusion: The current evaluation did not reveal any specific unintended impacts of The CF Program in Atlantic Canada (positive or negative).

3.6 Cost-Effectiveness and Alternatives

The findings of the evaluation of the CF Program in Atlantic Canada on the issue of cost-effectiveness/alternatives are presented in this section of the report. The evaluation questions which were considered in addressing the issue of cost-effectiveness were as follows:

- To what extent is the CF Program cost-effective?
- Are there more cost-effective/efficient approaches or alternatives to be considered that would achieve the CF Program objectives?

3.6.1 Cost-Effectiveness

Findings:

To assess the cost-effectiveness of a program, generally, the costs for program operations⁶¹ are compared to program outcomes to calculate a cost-per-unit outcome. For the CF Program in Atlantic Canada, it was not possible to assess the extent to which ACOA is cost-effective in administering the program (i.e. costs for operation versus outcomes). This is due to the fact that ACOA does not separate expenditures for the operation of the CF Program from those of the other programs it delivers. Expenditures for the CF Program are included in overall spending by ACOA. Only operating cost allocations are available.

In the absence of ACOA's operating costs for the CF Program, the evaluation examined the cost-effectiveness of the program based upon the operating dollars provided to the CBDCs, and reviewed the activities of the CBDCs in relation to their outputs and outcomes.

During the five-year evaluation period, the CBDCs and CF associations received a total of almost \$65.5 million for the CF Program. Of this amount, \$45.7 million was used for the operation of the CBDCs; therefore, the average per CBDC is \$220,347 per year for operations (2003-2004 to 2007-2008), with the amount of funding increasing over a four-year period to 2006-2007, before falling slightly in 2007-2008. Table 31, below, presents the operating costs per year.

Table 31. Operating Costs for the CF Program in Atlantic Canada

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total CBDC-only operating costs	\$6,835,112	\$7,972,612	\$8,667,019	\$11,139,373	\$11,064,825
Total Association's operating costs	\$1,253,724	\$1,408,401	\$2,747,415	\$3,250,481	\$2,639,415
Total CBDCs' and Associations' operating costs	\$8,088,836	\$9,381,013	\$11,414,434	\$14,389,853	\$13,704,240
Average operating cost per CBDC (not including Association's costs)	\$158,956	\$189,824	\$211,391	\$271,692	\$269,874

Using the dollar value of the operating costs provided to the CBDCs (row one in the above table) and the outcome information available in E-reports (i.e. jobs created/maintained and businesses started/maintained), it was possible to calculate the cost of generating these outcomes. The average cost per FTE job created was \$8,378; the average cost per FTE job maintained was \$4,352. The average cost per start-up business assisted was \$27,255; and the average cost per existing business assisted was \$11,794.

⁶¹ Program costs are defined as the cost to ACOA to administer the program, not including funds provided to the CBDCs (i.e. ACOA salaries, and operational and maintenance costs).

Table 32. Operating Cost per Job Created/Maintained and Business Started/Maintained

	Year					Overall Average
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	
Cost per FTE job created	\$ 5,803.83	\$ 6,567.93	\$ 8,061.74	\$ 12,501.91	\$ 10,107.80	\$ 8,377.87
Cost per FTE job maintained	\$ 3,696.15	\$ 3,582.59	\$ 3,985.53	\$ 5,129.65	\$ 5,332.01	\$ 4,352.04
Cost per business started	\$ 17,799.77	\$ 21,664.71	\$ 25,566.43	\$ 37,380.44	\$ 38,553.40	\$ 27,254.74
Cost per business maintained	\$ 8,853.77	\$ 9,916.18	\$ 10,595.38	\$ 15,601.36	\$ 14,463.82	\$ 11,794.20

Operating costs have increased generally over the five-year period and, in turn, costs per job created, job maintained, start-ups assisted and existing businesses assisted have also increased.

It is important to note that these figures were calculated using the total operating dollars provided to the CBDCs. Since it is not possible to split the operating costs associated with loans to start-up businesses versus those associated with loans to existing businesses, total costs were used to calculate both outcomes. Given that 100% of the operating funds are not being expended on each of these outcomes, these costs/job figures are higher than actual.

Perhaps a more useful measure is the level of investment funds required to create one job. Looking at investment funds only, an average of \$14,253 in investment was required to create or maintain one job. Although the investment per job created or maintained has increased somewhat over the five-year period, it has remained relatively stable over the last three years, as illustrated in Table 33.

Table 33. Investment per Job

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	5-year average
PEI	\$ 9,552	\$ 7,084	\$ 11,004	\$ 10,368	\$ 11,710	\$ 9,944
NL	\$ 20,669	\$ 16,075	\$ 17,064	\$ 21,334	\$ 23,428	\$ 19,714
NB	\$ 12,877	\$ 12,067	\$ 12,990	\$ 12,460	\$ 12,877	\$ 12,654
NS	\$ 11,948	\$ 12,079	\$ 17,925	\$ 16,072	\$ 15,395	\$ 14,684
CB	\$ 13,478	\$ 10,105	\$ 11,033	\$ 14,113	\$ 13,377	\$ 12,421
ATLANTIC	\$ 13,756	\$ 12,385	\$ 14,841	\$ 15,092	\$ 15,193	\$ 14,253

As illustrated in the table above, investment per job created varies significantly across the provinces, from a low cost of \$9,944 in Prince Edward Island to a high of \$19,714 in Newfoundland and Labrador. It is also important to remember that this investment is paid back to the CBDC by the client. It would appear, therefore, to be a worthwhile investment.

As another indicator of cost-effectiveness, the evaluation looked at funds leveraged from other sources. Over the five-year period, a total of \$191.6 million was leveraged, amounting to \$0.84 per dollar invested. As illustrated in Table 34, the leveraged funds per dollar invested varies

significantly across the provinces, from a low of \$0.57 in mainland Nova Scotia to a high of \$1.12 in Prince Edward Island. Unfortunately, there are no reliable benchmarks to determine what level of fund leveraging is ideal. These figures on their own are relatively difficult to interpret and must be considered only as a proxy measure for cost-effectiveness.

Table 34. Leveraged Funds per Dollar Invested

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Average
PEI	\$2.17	\$1.06	\$0.70	\$0.72	\$0.80	\$1.12
NL	\$0.66	\$1.25	\$1.29	\$0.77	\$0.27	\$0.83
NB	\$1.06	\$0.85	\$1.03	\$0.96	\$1.27	\$1.04
NS	\$0.90	\$0.61	\$0.42	\$0.55	\$0.50	\$0.57
CB	\$0.80	\$1.07	\$0.67	\$0.69	\$0.88	\$0.82
Atlantic Canada	\$0.96	\$0.92	\$0.84	\$0.76	\$0.77	\$0.84

Cost-effectiveness of the CF Program is enhanced by the participation of volunteers in the administration of the program. CBDC survey respondents reported an average of 68 hours in total time contributed per month by volunteer board members (median = 42.5 hours).

Finally, CBDC survey respondents were asked how effective the current delivery model (i.e. the delivery of the CF Program through the CBDCs) is for delivering the CF Program. All CBDC respondents felt it was somewhat effective (20.0%) or very effective (80.0%).

Conclusion: It is not possible to determine whether or not ACOA is cost-effective in its administration of the CF Program, since ACOA’s operating costs for the program are not tracked separately from other ACOA programs.

Conclusion: Although targets do not exist, nor have other programs been identified for comparative purposes, the CBDCs appear to be cost-effective in administering the CF Program, as evidenced by the relative stability and growth of investment funds required per job created or maintained, the level of funds leveraged for the program from other sources, and the benefit of volunteer hours in the delivery of the CF Program by the CBDCs. However, there are large variations across regions in the ratios of investment per job created/maintained and leveraged funds per dollar disbursed.

3.6.2 Alternatives

Findings:

Interviewees were also asked whether they believe that the current delivery model is the most appropriate and efficient delivery model to meet the objectives of the CF Program. Almost all interviewees (30 of 32) believe that the current model is the most appropriate and efficient delivery model. Several of these interviewees (11 of 32) stated that the strength of the program resides in the local involvement and local decision making. A few others (3 of 32) noted that a volunteer board of directors is an advantage to the program, since the people who serve on the boards truly want to make a difference.

Client survey respondents were asked whether there was another approach that could be used to deliver the CF Program. Over half (54.8%) said no, and another 19.7% said that they don’t

know. The 25.5% who said yes noted improvements that could be made to the program, as opposed to alternative delivery approaches. Interviewees (27 of 34) also identified improvements that they believe would make the program more efficient.

A few interviewees (3 of 34) also suggested a need for closer alignment or more collaboration with the REDOs.

Survey respondents were also asked to identify the top three challenges in the design and delivery of the program. These were:

- lack of new investment funds from ACOA (70.5%);
- lack of operational funds for more staff members (54.1%); and
- delays in knowing funding levels (i.e. not knowing at the start of a new fiscal year) (44.3%).

Finally, with regard to alternative delivery methods, the 2008 Senate report entitled *Beyond Freefall: Halting Rural Poverty*⁶² found that:

“The challenges of accessing credit in rural Canada have long been recognized at the federal level. Arguably the most successful program to help address this concern has been the Community Futures Program, a federally funded, but community-based and community-led initiative...”

“The Community Futures Program success is due in no small part to the fact that it is locally run and suited to local conditions...”

Given the recognized benefits of having local involvement in the CBDCs, and in having decisions regarding CF loans made at the local level, any alternative delivery model would need to incorporate this local presence to be viewed as equally or more effective than the current model.

Conclusion: No more effective/efficient approach to the delivery of the CF Program has been identified; however, some stakeholders suggested improvements that could be made to the program.

⁶² Senate Canada, *Beyond Freefall: Halting Rural Poverty, Final Report of the Standing Senate Committee on Agriculture and Forestry*, (June 2008), page 297 and page 301.

4. OVERALL CONCLUSIONS AND RECOMMENDATIONS

This section provides the conclusions and recommendations of this evaluation of the CF Program in Atlantic Canada.

Relevance Conclusions

There is a continuing need for the CF Program, primarily because SMEs are an important contributor to local economies, and the CF Program is supporting businesses that would otherwise not have been able to start, survive or expand. As well, research supports the notion that there are challenges for SMEs in accessing financing from conventional financial institutions. Stakeholders agree that there is a continuing need for all program services offered through the CF Program in Atlantic Canada, with the need for business financing being the most frequently noted.

This evaluation found that federal government involvement is needed and appropriate, since the program addresses a national need, and consistency and national coordination of the program require the involvement of the federal government. As well, it was recognized that financial support is required from the federal government and that if the program were devolved to the provinces, the level and quality of services provided could be negatively affected.

In addition to providing funding for SMEs, the CF Program offers a range of business services (e.g. counselling, business information, referrals). There are other programs and/or organizations that offer some services that are offered by the CF Program; however, no other programs offer the whole range of services offered by the CF Program. The level and type of collaboration with these organizations varies from one CBDC to the next.

Finally, local CBDC objectives generally align with the national CF Program. The two main activities carried out by the CBDCs (i.e. business services and access to capital) are directly aligned to the objectives of the national CF Program. However, in Atlantic Canada, the CBDCs are not mandated to carry out community economic development projects and/or strategic community planning activities, both of which are part of the national program. While CBDC mandates in Atlantic Canada differ from those in other Canadian regions, their objectives and activities are responsive to the needs of SMEs in rural Atlantic Canada.

The CF Program objectives are consistent with ACOA's objectives. ACOA has a mandate for economic development in Atlantic Canada, and the objectives of the CF Program (i.e. fostering economic stability, growth and job creation; helping to create diversified and competitive local rural economies and; helping to build sustainable communities) are clearly aligned with ACOA's strategic outcomes, as articulated in the department's program activity architecture (PAA) as: Competitive and sustainable Atlantic enterprises, with emphasis on SMEs; Dynamic and sustainable communities for Atlantic Canada; and Policies and programs that strengthen the Atlantic economy.

Design and Delivery Conclusions

According to stakeholders, the CBDC networks that are in place (i.e. national, provincial, regional and sub-regional) are working effectively. The main benefits of the networks are the sharing of best practices among members, and opportunities to discuss and address issues of concern.

Program stakeholders identified factors, at the national, regional and community levels, that both impact and facilitate the achievement of program results. Funding was the most frequently cited. Stakeholders indicated there was a particular need for additional funding for operations to address challenges in attracting and retaining qualified staff. The challenges most frequently noted by CBDCs were factors beyond the control of the program (i.e. the collapse of industries/downturns in the economy, and out-migration or depopulation of communities/aging populations). The networks and the ACCBIF were both noted as factors positively impacting the achievement of program results. As well, the fact that decision making is done at the local level was noted by interviewees.

One of the evaluation questions, from the national CF evaluation question framework, is the extent to which community stakeholders have been involved in the development of strategic plans. Although CF Program founding documents indicate that CFOs engage in community strategic planning activities, in Atlantic Canada community strategic planning is part of the mandate of REDOs, and not of the CBDCs. Therefore, the Atlantic Canada CF evaluation examined the involvement of the CBDCs in developing community strategic plans. The evaluation indicated that the CBDCs have been involved, to some extent, in the development of community strategic plans. Although the CBDCs do not lead community strategic planning exercises, activities carried out by the CBDCs are linked to the community strategic plans.

Generally, investment funds are well managed, as shown by the level of loan activity and growth in investment funds. The agreement documents between ACOA and each of the CBDCs describe reporting requirements around many of these measures. However, there remain some large variations between regions, particularly with respect to the percentage of investment funds in active loans.

While the overall Atlantic-level data on active loans indicates an average of 77.83%, there are a number of CBDCs that could be described as under-performing on this measure over the five-year period. During this period, there were 11 CBDCs that average less than 70% of their funds in active loans; 6 that averaged less than 60%; and 2 that average less than 50%.

Therefore,

Recommendation #1: ACOA work in consultation with the CBDCs to establish appropriate targets for the percentage of investment funds in active loans. Analysis of e-Reports data suggests that a 70% minimum percent of funds used in active loans is a reasonable target.

With regard to other performance measures, the CBDCs gather, monitor and regularly report on performance data, including most data elements needed for evaluation purposes. One exception

is job creation statistics which, while reported by the CBDCs, are estimates only. This was noted as a shortfall in the previous evaluation and a recommendation was made that ACOA should encourage CBDCs to track actual job creation and maintenance. In its management response, ACOA indicated that “actual jobs created will be monitored by CBDCs at a common period. Regions will undertake periodic surveys.”⁶³

As well, there is some inconsistency across the CBDCs in how loan losses are tracked, in when and how loans are written off, and in the calculations of allowances for doubtful accounts.

Therefore,

Recommendation #2: ACOA work with the CBDCs to establish a systematic method for following up with clients to obtain actual job creation and maintenance figures. ACOA provides support to the CBDCs to develop an accepted performance measure related to loan losses and ensure that the CBDCs regularly gather and report on these figures.

Finally, on the issue of performance measurement, the fact that ACOA does not track operating expenses separately from other programs makes it difficult to monitor spending for the program and to measure ACOA’s cost-effectiveness in the administration of the program.

Therefore,

Recommendation #3: ACOA take steps to put into place the capability to separately capture and report on Operations and Maintenance expenditures associated with the CF Program.

The CBDCs have implemented policies and practices for selecting and renewing board members. As well, they have established processes to ensure that accountability requirements are communicated to board members. The CBDCs report publicly on their activities, although many of their communications activities are marketing related, as opposed to venues for communicating their activities or results. The methods and regularity of external communications are diverse and vary from one CBDC to another. As well, a review of CBDC websites shows that annual reports are not readily available on many CBDC websites⁶⁴, although the Atlantic Association of CBDCs has indicated that it will be adding a hyperlinked icon to all CBDC Web pages to allow individual CBDCs and Association offices the ability to upload their annual reports to a highly visible spot on their respective websites. Finally, the format of annual reports, and what is included in them, varies across the provinces.

⁶³ ACOA, Policy and Programs Management Response – Evaluation of the Community Futures Program, (January 2004), page 4.

⁶⁴ Copies of annual reports for the Atlantic Association of CBDCs, New Brunswick Association of CBDCs, CBDC Long Range, and the Newfoundland and Labrador Association of CBDCs are available in the news item section of each organization’s respective websites.

Therefore,

Recommendation #4: ACOA work with CBDCs to establish a more standardized method for communicating results to communities. ACOA and the Atlantic Association of CBDCs encourage the development of a consistent format for annual reports, for use by all CBDCs in Atlantic Canada. The Atlantic Association of CBDCs continues its work to provide a visible location on all CBDC websites for annual reports, and all CBDCs are encouraged to place their annual reports on their websites.

The previous CF evaluation recommended that ACOA encourage the CBDCs to establish standards in the areas of hours of service, minimal counselling time, minimal number of meetings with clients, and turnaround time for information requests and applications.⁶⁵ The management response from ACOA indicated that the “CBDCs will be asked to develop individual service delivery standards.”⁶⁶ Service delivery standards have been developed and implemented to different degrees, across the CBDCs. Some standards identified in the previous evaluation have not been implemented at some CBDCs. In particular, standards for minimal counselling time and for minimal number of meetings with clients have not been developed and implemented at a majority of CBDCs.

Therefore,

Recommendation #5: ACOA follow up with the CBDCs and encourage them to develop the service standards identified in the previous evaluation.

Program Impact Conclusions

The CF Program has been successful in achieving its outcomes. Appropriate information, referrals and counselling services are being offered and clients have a high level of satisfaction with these services. The CBDCs are also meeting the needs of OLMCs by providing advice, support and services in both official languages, where required. The CBDCs either have bilingual staff on-hand to provide services in both official languages, or have a plan in place to offer service in French when needed. The most common challenge, noted by the CBDCs, to providing bilingual services was difficulties in hiring qualified, bilingual staff to fill positions; however, interviewees who noted this difficulty were not located in OLMCs.

The Ulnooweg Development Group Inc., which was originally provided investment funds through the CF Program, is serving the needs of Aboriginals in Atlantic Canada. Information from interviews suggests, however, there is opportunity for more partnership or collaboration between the Ulnooweg Development Group and the CBDCs. Based on information from CBDC survey respondents, it seems that some CBDCs are better serving the needs of Aboriginal communities than are others.

⁶⁵ ACOA, *Evaluation of the Community Futures Program as Delivered through the Atlantic Business Development Corporations, Final Report*, (May 2003), page 35.

⁶⁶ ACOA, *Policy and Programs Management Response to the Evaluation of the Community Futures Program*, (January 30, 2004), page 4.

Therefore,

Recommendation #6: ACOA encourage the Atlantic and provincial associations to collaborate with the Ulnooweg Development Group to identify opportunities for greater co-operation and collaboration between Ulnooweg and the CBDCs.

Through their loan portfolios and business services, the CBDCs have been successful in improving clients' business skills and knowledge, creating new business start-ups, and maintaining and strengthening existing businesses. The majority of clients surveyed stated that they would not have been able to start, maintain or expand their businesses without CBDC support. As well, over 20% of clients indicated they were able to leverage other funds as a result of their CBDC loans.

Community economic development projects and the development of community strategic plans are not part of the mandate of the CBDCs in Atlantic Canada. However, stakeholders still believe that the CBDCs have been successful in supporting community economic development, assisting communities to develop and diversify their economies, and strengthening community capacity, through their loan activities and business services.

The extent to which the program has achieved its long-term goals (i.e. economic growth and stability, diversification and development of local rural communities, sustainable communities, and survival of business assisted by the CBDCs) is more difficult to measure given that the program has a limited degree of influence on indicators measuring achievement of long-term goals (e.g. change in employment rate, change in employment distribution, and change in annual average household income), as well as difficulties with attribution. However, an ACOA economic impact analysis suggests that the CF Program has contributed to economic growth in the Atlantic Provinces. Survey respondents and interviewees also believe that the CF Program is contributing to its long-term goals.

The CF Program in Atlantic Canada has not had any true unintended impacts.

Cost-Effectiveness and Alternatives Conclusions

As mentioned previously in the design and delivery section, it is not possible to determine whether ACOA is cost-effective in its administration of the CF Program, since ACOA's operating costs for the program are not tracked separately from those of other ACOA programs. The CBDCs appear to be cost-effective in administering the CF Program, although no other programs been identified for comparative purposes.

CF Program investment dollars per job created or maintained varies significantly across the provinces, from a low cost of \$9,944 in Prince Edward Island to a high of \$19,714 in Newfoundland and Labrador. Given that this investment is paid back to the CBDCs by the respective clients, it would appear to be a worthwhile investment. As well, over the five-year period, a total of \$191.6 million was leveraged, amounting to \$0.84 per dollar invested. Ratios for funds leveraged per dollar disbursed also vary greatly across the regions.

Therefore,

Recommendation #7: ACOA undertake a study to identify the reasons for the variances across regions in investment dollars per job created or maintained, and in funds leveraged per dollar disbursed. This will allow ACOA to determine whether there are best practices or strategies in place in some regions that could be transferred to other locations to allow the CBDCs to improve on these measures.

The current delivery model in place for the CF Program is viewed as the most effective model. It integrates a number of components that are important to successful community economic development, including a grassroots approach, where decisions are made at a local level; the involvement of local community volunteers; and the focus on partnership development and co-operation between community organizations. A high-level costing analysis shows that administration of the CF Program through the CBDCs is more cost-effective than having ACOA deliver the program itself.

Appendix A: BREAKDOWN OF CLOSED BUSINESSES

*Note: Although 30 survey respondents indicated their businesses were no longer in existence, not all provided additional tombstone information, so total numbers in the tables below do not include all 30 responses.

Table A:

Region	# of closed businesses
New Brunswick	3
Nova Scotia (except Cape Breton)	9
Cape Breton	3
Newfoundland and Labrador	4
Prince Edward Island	0
Total	19

Table B:

Average Gross Annual Revenues	# of closed businesses
Less than \$50,000	16
\$50,000 to \$99,999	6
\$100,000 to \$199,999	3
\$200,000 to \$299,999	3
\$400,000 to \$499,999	1
Don't know / refusal	1
Total	30

Table C:

Gender	# of closed businesses
Male	19
Female	11
Total	30

Table D:

Age Category	# of closed businesses
Under 35	11
35 to 50	14
Over 50	5
Total	30

Table E:

Other Attributes	Yes	No
Aboriginal	1	24
Visible Minority	1	24
Person with a disability	2	23

Appendix B: BREAKDOWN OF FTE JOBS CREATED/MAINTAINED

Number of F/T Equivalent Jobs Created						
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	TOTAL
PEI	50.3	43.0	42.0	20.0	35.0	190.3
NL	229.8	334.5	177.5	202.0	171.9	1,115.7
NB	484.9	442.0	436.5	345.1	548.7	2,257.2
NS	331.8	333.9	352.1	249.5	274.6	1,541.8
CB	81.0	60.5	67.0	74.5	64.5	347.5
TOTAL	1,177.7	1,213.9	1,075.1	891.0	1,094.7	5,452.3

Number of F/T Equivalent Jobs Maintained						
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	TOTAL
PEI	183.0	226.0	152.5	133.5	146.0	841.0
NL	301.0	370.5	392.0	332.0	322.8	1,718.3
NB	751.0	961.6	878.0	936.7	867.2	4,394.6
NS	529.3	522.8	572.6	688.8	613.8	2,927.2
CB	85.0	144.5	179.5	80.5	125.5	615.0
TOTAL	1,849.3	2,225.4	2,174.6	2,171.6	2,075.2	10,496.0

Appendix C: ACOA ECONOMIC IMPACT ANALYSIS

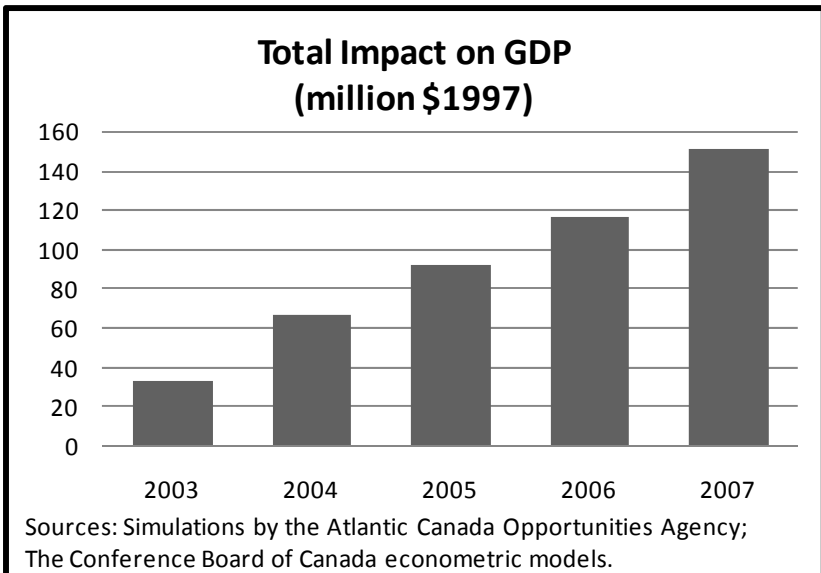
Economic Impact Analysis

The economic impact analysis estimates the economic benefits of the CBDCs' Community Futures (CF) Program in Atlantic Canada. The results are obtained through investment expenditures from commercial projects as well as the direct creation of jobs from these projects. These are called the direct impacts, as they can be attributed to specific projects. Through the CBDCs' direct support to business, the direct creation of jobs can be utilized to estimate the indirect and induced impact on the economy of the four Atlantic Provinces. In the analysis, the jobs are translated into a measure of value-added output by economic sector. From the value-added output, the economic impact is estimated using econometric models developed by The Conference Board of Canada for each Atlantic province. In this manner, direct, indirect and induced macro-economic effects, in particular the impact on gross domestic product (GDP), employment, wages and tax revenues, are estimated.

Gross Domestic Product

It is estimated that real GDP was \$150 million higher (in constant 1997 dollars) in 2007 than it would have been in the absence of the CF Program's expenditures in direct support of businesses. (Real GDP is the inflation-adjusted value added of products and services produced in a given year in an economy.)

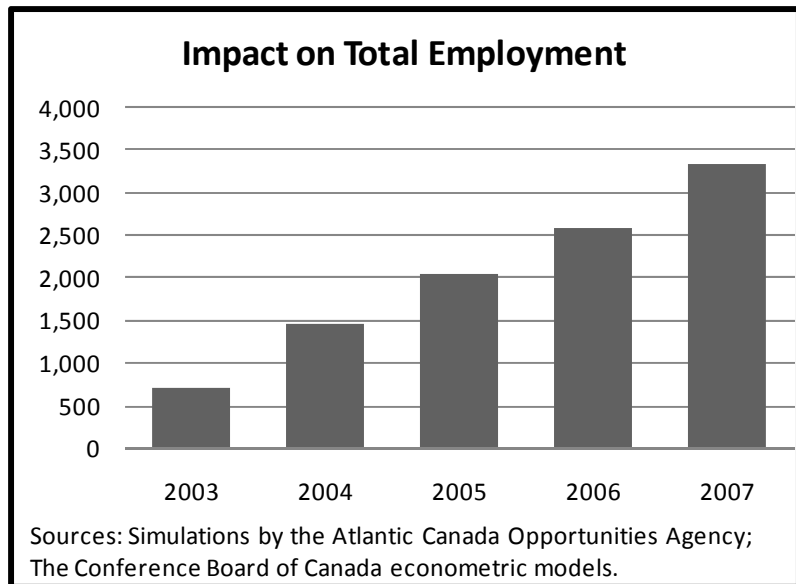
Furthermore, over the five-year period, CF program support to businesses for commercial projects produced increases of over \$2.35 in GDP gains for every dollar of expenditure⁶⁷.



⁶⁷ Expenditures are the sum of program spending (loans to businesses) and operating expenditure by the CBDCs for the Community Futures Program.

Employment

Total employment in the Atlantic Provinces was over 3,300 higher (including direct, indirect and induced employment gains) in 2007 than it would have been without CBDCs' direct support to businesses over the previous five years, through the CF Program. The employment numbers shown are gross estimates and do not take into consideration the net job gains or losses as a result of economic conditions.



Hypotheses

For a description of the methodology and approach used in estimating the economic impact analysis of the CF Program on Atlantic Canada's economy, refer to the Technical Appendix. It is important, however, to note several features and hypotheses used for these estimates.

1. Jobs actually created from successful projects are used to calculate benefits. Estimated jobs created at the firm level are tracked through the CBDCs' Quarterly Reports.
2. Jobs maintained, although they do produce real economic benefits, are not included because of difficulties in providing a reliable measure of economic impact.
3. Capital expenditures, broken down into construction, and machinery and equipment, are used to estimate the economic impacts. It is important for expenditures to be segregated because the impact differs by category.
4. Incremental projects are used in the estimation of the economic benefits. Incremental projects are projects that would not have occurred in the absence of the financial assistance made available by the CF Program.
5. Benefits include direct employment gains by ACOA-assisted businesses, plus indirect and induced employment as estimated by the econometric models. The indirect impact is generated through the purchase of goods and services from suppliers by assisted firms. Induced impacts occur as incomes associated with direct and indirect employment gains are spent and re-spent throughout the economy.

TECHNICAL APPENDIX ON METHODOLOGY AND APPROACH

Introduction

The following pages contain a section describing the methodology and approach used in estimating the economic impact of the CF Program on the Atlantic region's economy. The approach used is a refinement of the methodology used by the ACOA in its *2003-2008 Five-Year Report to Parliament*.

Methodology for Estimating Economic Impact

A logic model of the methodology presents, in graphic form, the process followed in the calculation of the economic impact, and identifies the source of data used and instruments of analysis. The model also identifies the output identifying measures used at each step of the process. Additional details of the methodology are presented in the pages following the logic model.

PROCESS		OUTPUT
CBDC Quarterly Reports database on investment patterns ↓	→	<ul style="list-style-type: none"> ✓ Project level expenditures, total by province ✓ Expenditures broken down by construction investment, and by machinery and equipment (refer to Note 1)
CBDC data on employment creation for commercial projects and surveys ↓	→	<ul style="list-style-type: none"> ✓ Incremental direct actual jobs created ✓ Incremental impact of projects on investment expenditures (refer to Note 2)
Statistics Canada data on relationships between jobs, wages and salaries and value added by industrial sector ↓	→	<ul style="list-style-type: none"> ✓ Incremental direct value added by industrial sector, by province ✓ Incremental value added by sector, by province, adjusted for project failure rate and overlap with other ACOA programs
Results from Government Consulting Services survey carried out on CBDC clients for the CF Evaluation ↓	→	<ul style="list-style-type: none"> ✓ Total impact including indirect and induced effects on GDP, employment and tax revenues

The Conference Board of Canada's Atlantic Provinces econometric models – investment and sector value-added adjusted by incrementality and failure rate	▶	
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NOTES TO TABLE

1. It is important that expenditures be segregated into construction investment and machinery and equipment purchases because the impact on the Atlantic economy differs by category. In the case of machinery and equipment spending, most of the equipment would be manufactured outside Atlantic Canada, resulting in minimal indirect and induced benefits. Construction investment, on the other hand, has a greater impact as local labour and materials are employed.
2. The Auditor General, in his report of November 1995, Chapter 18, defines an incremental project as one that would likely not have proceeded with the same scope, at the same time, and in the same location, without government assistance.⁶⁸

Notes concerning the precision of the estimates

a) The Conference Board of Canada Models

The Conference Board of Canada models are econometric models of the four Atlantic Provinces. Each provincial model consists of 11 industry groups. The major advantage of the Conference Board models is that each province is modelled explicitly. Other available econometric models determine effects using a national model, and then calculate provincial activity by dividing the national activity into fixed shares for each province using historical information. This *allocation* approach is likely to attenuate the effects of programs such as those administered by the CBDCs, which alter the share of GDP accounted for by the Atlantic Provinces in any particular industry. The estimates of the effects on the Atlantic region are likely to be more accurate using the Conference Board models.

The Conference Board models were selected because of the importance of accurate regional impact modelling; however, the fact that it is not highly disaggregated by industrial sector (i.e. 11 industry groups as opposed to over 100 groups for some competing models) poses limitations on precision.

b) Incrementality

When investment is made in a business, there is always a possibility that the project would have been carried out with or without the government's help. If the investment would have been carried out anyway, then the only effect of the

⁶⁸ *Report of the Auditor General to the House of Commons: "Chapter 18 Atlantic Canada Opportunities Agency – Economic Development"*, (1995).

government's involvement is to add to the wealth of the entrepreneur. For the CF Evaluation, incrementality was estimated by the use of *post facto* survey questions such as: "Would this investment have taken place without aid from CBDCs?" and "If this investment would have taken place anyway, would it have been delayed without assistance?" Some entrepreneurs will provide answers they think the questioner wants to hear, in order to get them out the door, or not to prejudice their chances of receiving further assistance. Other business people are fiercely independent and reluctant to admit that government support has played any role in their success. It is reasonable to assume that these two phenomena will balance each other.

For the impact analysis of the CF program, in order to provide a robust evaluation of the impact of the CBDCs, and to remain conservative, the data was adjusted for incrementality. The incrementality factor has been estimated at 61.5%, obtained from the evaluation program survey.

c) Estimated versus Actual Created Jobs

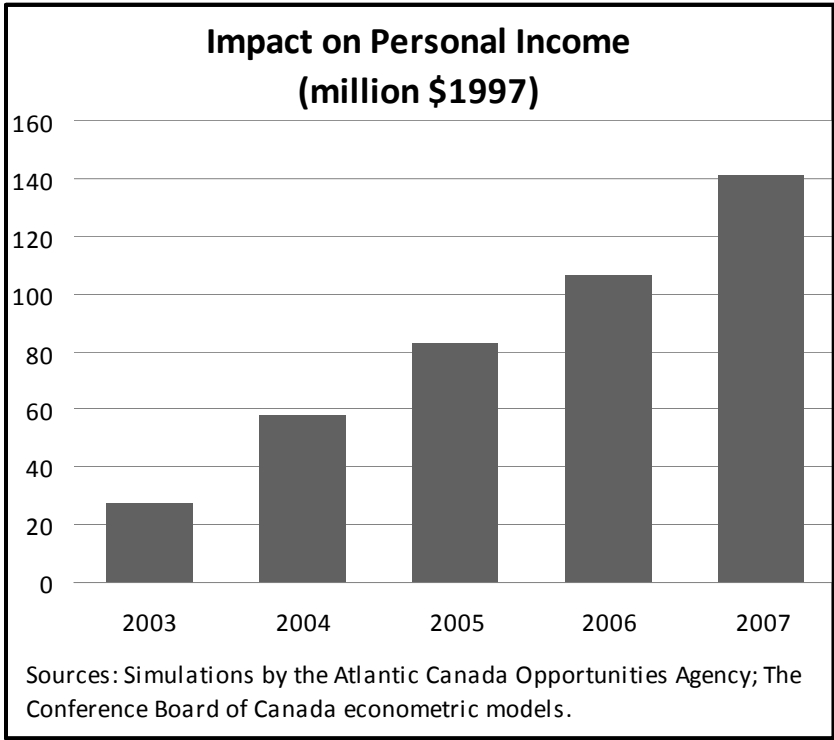
Through the tracking module, the CBDCs monitor the estimated employment that will be created by assisted projects. For the analysis, the estimated amount of jobs created need to be transformed into actual jobs created.

For the CF Program, actual job creation has been estimated at 95.2% of expectations by means of an independent survey of recipient firms. This factor was used to discount estimated jobs created for the CBDCs' commercial projects in order to arrive at actual jobs.

d) Success/Failure Rate and Overlap with ACOA Programming

Successful clients are identified through the client survey and only jobs associated with successful projects are included in the count. For the impact analysis, expected job creation counts are discounted by annual rates of 7.6% for unsuccessful projects supported by the CF Program. Finally, employment data are also adjusted for an overlap between the CBDCs and other ACOA programming. As a result, the data are discounted by an annual rate of 14.8% for the CF Program.

<p><i>(Continued from previous page)</i></p>		<p>The methodology is a refinement of the methodology used in <i>ACOA's Five-Year Report to Parliament for 2003-2008</i>.</p> <p>In reviewing the underlying assumptions of this earlier methodology, PriceWaterhouseCoopers concluded in 1998 that "ACOA's process and assumptions are reasonable...we even suggest that some argumentation could be developed that would imply that the process and assumptions are conservative."</p> <p>The analysis includes personal income taxes on wages earned by employees and sales taxes on purchases made by the companies and their employees.</p> <p>Impact does not include corporate taxes or estimates of savings to government on employment insurance or welfare payments.</p>
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PROJECT TITLE: ACOA Communities Futures (CF) Program Impact Evaluation

RESPONSIBILITY CENTRE: Community Development

RESPONSIBILITY CENTRE MANAGER: Robert Smith, Director General

Section Title	Recommendation	Management response	Planned Actions/ Implementation Date/Coordinator
<p>1) Design and Delivery</p>	<ul style="list-style-type: none"> Recommendation 1 – ACOA will work in consultation with the CBDCs to establish appropriate targets for the percentage of investment funds in active loans. Analysis of E-Reports data suggests that a 70% minimum percent of funds in active loans is a reasonable target. 	<p>Concur with the recommendation. Programs will pursue discussions with the CBDCs regarding options as to how best to define, measure and establish targets for active loans.</p>	<p>ACOA will initiate a consultative process with CBDCs with a view to developing appropriate targets that can be easily measured through reliable sources such as financial statements. Once the analysis of this information is complete, appropriate definitions, targets and measurement systems will be put in place relative to target active loan percentages.</p> <p>Responsibility: HO CED Manager in collaboration with Regional CED Managers</p> <p>Target date : By March 2010</p>

PROJECT TITLE: ACOA Communities Futures (CF) Program Impact Evaluation

RESPONSIBILITY CENTRE: Community Development

RESPONSIBILITY CENTRE MANAGER: Robert Smith, Director General

	<ul style="list-style-type: none"> • Recommendation 2 – ACOA work with CBDCs to establish a systematic method for following up with clients to obtain actual job creation and maintenance figures, provide support to CBDCs to develop an accepted performance measure related to loan losses and ensure that CBDCs regularly gather and report on these figures. 	<p>Partly concur with the recommendation. We agree that actual job creation and maintenance figures should be sought and tracked in an efficient and systematic manner. Furthermore, we also agree that performance targets of some nature, such as those outlined in recommendation 1, need to be established, calculated and reported on. However, until we fully examine the risks and benefits associated with a performance measure related to loan losses, we cannot fully agree that establishing and tracking this particular measure would achieve better performance.</p>	<p>ACOA will request that the CBDCs put in place a monitoring process to track actual jobs created and maintained in a form satisfactory to the agency. ACOA will also recommend that the CBDCs review the current Management Information System (MIS) and reporting process to determine whether this system can be used to achieve this objective by the next fiscal year.</p> <p>In addition, ACOA will initiate a consultative process with CBDCs to identify the root issues as they relate to loan loss rates. This will eventually include the establishment of clear and appropriate targets or others as appropriate as would prove useful in the management of individual portfolios and the program. Assuring consistency of definitions and a common understanding of the best approach to managing risk will be the cornerstone of the action plan. Following this exercise, ACOA will ensure that appropriate and efficiently administered indicators and targets, which reflect the economic realities of the communities served by the CBDCs, are identified and reported on. ACOA will also encourage CBDCs to use this information effectively in the management of their loan portfolios.</p> <p>Responsibility: HO CED Manager in collaboration with Regional CED Managers</p> <p>Target date: By March 2010</p>
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PROJECT TITLE: ACOA Communities Futures (CF) Program Impact Evaluation

RESPONSIBILITY CENTRE: Community Development

RESPONSIBILITY CENTRE MANAGER: Robert Smith, Director General

	<ul style="list-style-type: none"> • Recommendation 3 – ACOA take steps to put in place the capability to separately capture and report on Operations and Maintenance expenditures associated with the CF program. 	<p>Concur with the recommendation.</p>	<p>Efforts are currently underway to track all expenditures against ACOA’s PAA sub-activities, of which Community-based Business Development, the component that relates exclusively to the delivery of the CF program, is one. As a result, ACOA will be implementing procedures to address this recommendation in fiscal 2009-10.</p> <p>Responsibility: HO CED Director General</p> <p>Target Date: starting April 2009</p>
	<ul style="list-style-type: none"> • Recommendation 4 – ACOA work with the CBDCs to establish a more standardized method for communicating results to communities. ACOA and the Atlantic Association of CBDCs (AACBDC) encourage the development of a consistent format for annual reports, for use by all CBDCs in Atlantic Canada. The AACBDC continue its work to provide a visible location on all CBDC websites for annual reports, and all CBDCs are encouraged to place their annual reports on their websites. 	<p>Partially concur with the recommendation. We have discussed this issue with the CBDCs and would propose not to require them to adopt a consistent format for all annual reports. We do, however, encourage the CBDCs to report on their results to their communities.</p>	<p>The Atlantic Association of CBDCs through the Atlantic Communications Committee is currently working on such methods of posting CBDC annual reports and/or reporting results on performance on individual linked sites to the entire CBDC website. This work was expected to be completed by March 31, 2009. ACOA will continue to encourage the use of best practices such as using websites to post annual reports and achievements and other means of reporting results that best fits the needs of the individual communities.</p> <p>ACOA will continue to promote transparency and accountability of CBDCs by encouraging them to identify how they will communicate their results to their communities. This will be a requirement in the annual business plan submission to the agency and as such, will be evaluated on an individual basis as to how it meets the needs of each community.</p> <p>Responsibility: HO Manager in collaboration with Regional CED Manager</p>

PROJECT TITLE: ACOA Communities Futures (CF) Program Impact Evaluation

RESPONSIBILITY CENTRE: Community Development

RESPONSIBILITY CENTRE MANAGER: Robert Smith, Director General

	<ul style="list-style-type: none">• Recommendation 5 – ACOA follow up with CBDCs and encourage them to develop the service standards identified in the previous evaluation.	<p>Partially concur with recommendation. We would support this recommendation as long as the service standards that were identified in the previous evaluation continue to be relevant and useful.</p>	<p>ACOA will continue to encourage the CBDCs to develop, implement and report on service standards that are relevant to their clientele by requesting that CBDCs put in place a strategy and process to this end. This exercise will also serve to revalidate key standards for implementation or develop new standards, as appropriate as well as identify communication, monitoring and follow-up processes. This will be coordinated with other RDAs, as appropriate.</p> <p>Responsibility: HO Manager in collaboration with Regional CED Managers</p> <p>Target Date: March 2010 Note* the actual timelines will be determined after the development of the strategy.</p>
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PROJECT TITLE: ACOA Communities Futures (CF) Program Impact Evaluation

RESPONSIBILITY CENTRE: Community Development

RESPONSIBILITY CENTRE MANAGER: Robert Smith, Director General

<p>2) Program Impact</p>	<ul style="list-style-type: none"> <i>Recommendation 6 – ACOA encourage the Atlantic and provincial associations to collaborate with the Ulnooweg Development Group to identify opportunities for greater cooperation and collaboration between Ulnooweg and the CBDCs.</i> 	<p>Concur with the recommendation.</p>	<p>ACOA will renew its efforts to encourage the CBDC associations to collaborate with Aboriginal groups such as Ulnooweg Development Group. Measures may include such activities as inviting presentations by Ulnooweg to the CBDCs, and for observers to attend portions of annual meetings.</p> <p>Responsibility: HO CED Director</p> <p>Target Date: June 2009</p>
<p>3) Cost-Effectiveness and Alternatives</p>	<ul style="list-style-type: none"> <i>Recommendation 7 – ACOA to undertake a study to identify the reasons for the variances across regions in investment dollars per job created or maintained and in funds leveraged per dollar disbursed. This will allow ACOA to determine whether there are best practices or strategies in place in some regions that could be transferred to other locations to allow CBDCs to improve on these measures.</i> 	<p>Concur with the recommendation.</p>	<p>ACOA expects that the investment cost per job created and maintained or funds leveraged by dollar disbursed is expected to vary somewhat according to the economic conditions in each of the CBDC jurisdictions. Nevertheless, ACOA will undertake an analysis of such variances by end of next fiscal year, which will aim to determine if there are any best practices or strategies that can be communicated/adopted by other CBDCs. For this analysis, it is noted that estimated jobs created and maintained is being used despite the inherent challenges referenced in recommendation 2. The variances identified in the conclusion were based on estimates.</p> <p>Responsibility: HO CED Director in collaboration with Regional CED Directors.</p> <p>Target Date: March 2010</p>