

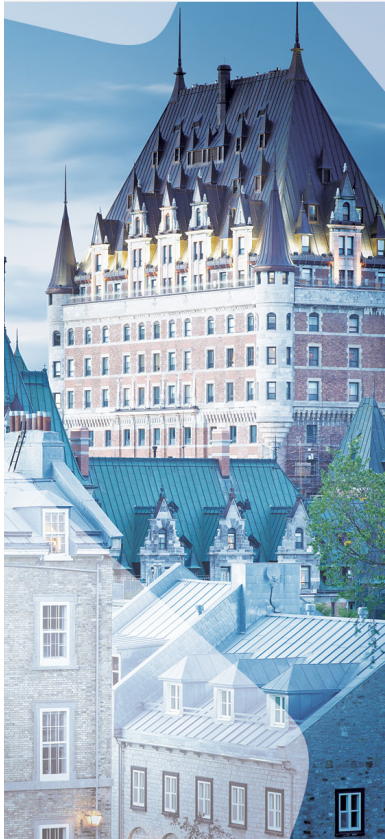


Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec



REPORT TO PARLIAMENT 2016



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represented by the Minister of Innovation,
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Minister responsible for CED, 2017

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MINISTER'S MESSAGE

As Minister of Innovation, Science and Economic Development and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec (CED), I am pleased to submit the *Report to Parliament 2016*. The purpose of this Report is to present the main results achieved by CED over the past five years.

Generally speaking, CED has contributed to increasing the sales of more than 70% of the businesses supported in their efforts to improve performance. The survival rate of firms supported by CED is 99%. Over the past few years, more than 21,300 enterprises and organizations have benefited from the services of non-profit organizations supported by CED, such as incubators, export assistance agencies, and college centres for technology transfer. To achieve these results, CED paid out close to \$1.16 billion in grants and contributions to support the completion of 3,317 projects.

Our government is open and attuned to Canadians. In this perspective, CED launched a public consultation process in January 2016. The consultations, held in every region of Quebec, will help meet the needs of entrepreneurs and communities more effectively.

Proud of its results in recent years, CED is resolutely forward-looking and dedicated to its mission of economic development of businesses and communities, to ensure that all cultural and linguistic communities are included in economic growth. In May 2016, the Government of Canada indeed announced the addition of a second component to the *Canada 150 Community Infrastructure Program (CIP150)*, focussing on projects fostering clean growth and a better future for Indigenous peoples.



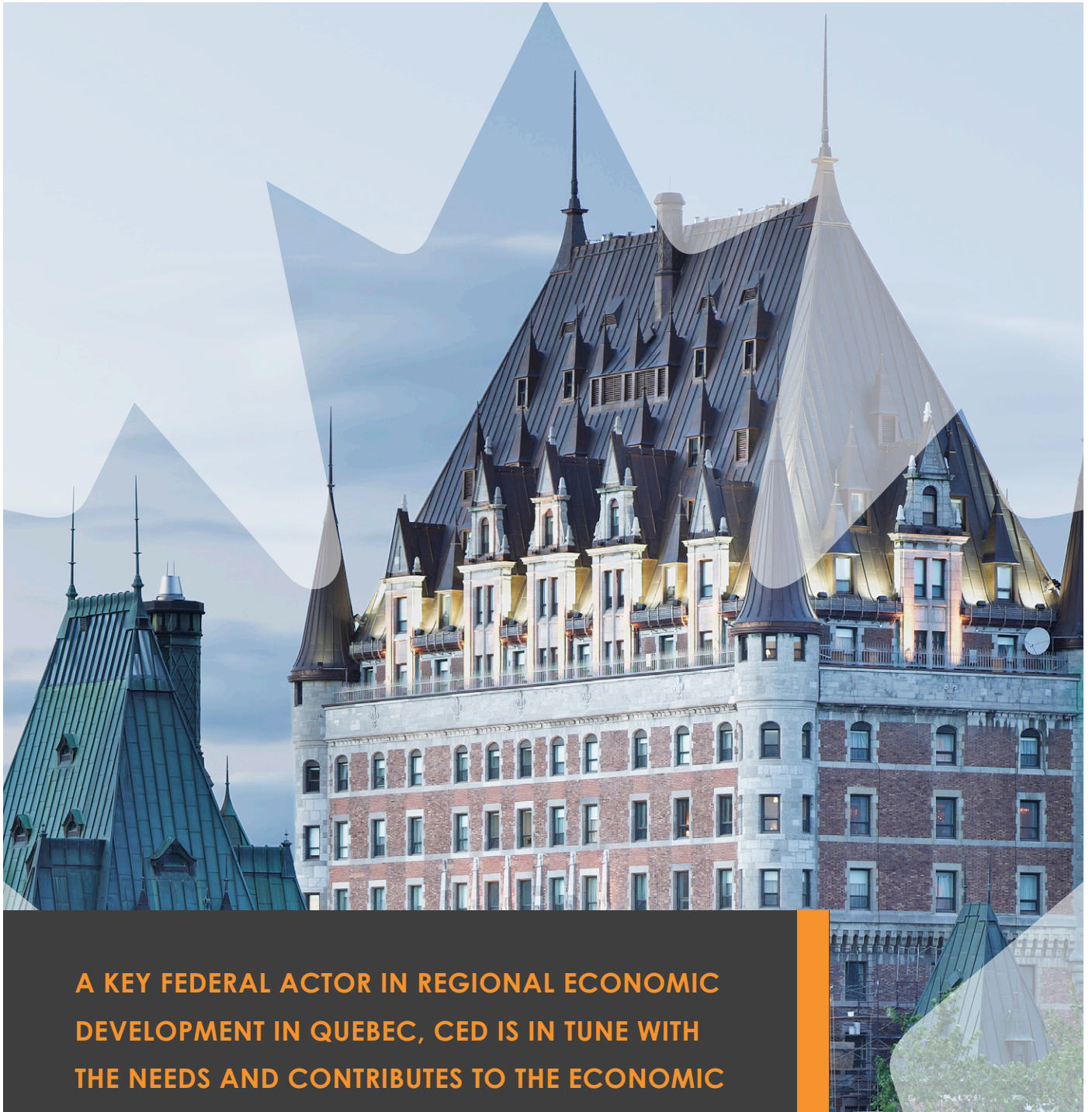
OVER THE PAST FEW YEARS, MORE THAN 21,300 ENTERPRISES AND ORGANIZATIONS HAVE BENEFITED FROM THE SERVICES OF NON-PROFIT ORGANIZATIONS SUPPORTED BY CED.

Innovation in all its forms is a key to SMEs' success; it will continue to be particularly encouraged by our programs in order to help Quebec deal with change and increase businesses' value on the market, particularly abroad. The adoption of clean technologies, in addition to providing solutions for current environmental challenges, will lead our industries and enterprises to be more competitive globally.

That, then, is a snapshot of what will be guiding CED's actions in the coming years. These priorities represent tools for growth and job creation, and contribute to the economic vitality of communities and to enhancing the quality of life of all Canadians.

The Honourable Navdeep Bains

Minister of Innovation, Science and Economic Development and Minister responsible for CED



A KEY FEDERAL ACTOR IN REGIONAL ECONOMIC DEVELOPMENT IN QUEBEC, CED IS IN TUNE WITH THE NEEDS AND CONTRIBUTES TO THE ECONOMIC VITALITY OF ALL QUEBEC REGIONS. ITS INVESTMENT HAS TOTALLED \$1.16 BILLION IN GRANTS AND CONTRIBUTIONS OVER THE PAST FIVE YEARS.

1.1 CANADA ECONOMIC DEVELOPMENT'S RAISON D'ÊTRE AND RESPONSIBILITIES

Under its Act, CED has to produce a comprehensive report every five years providing an evaluation of its activities. This Report covers the period from April 1, 2011 to March 31, 2016.



The Economic Development Agency of Canada for the Regions of Quebec (CED) is part of the Innovation, Science and Economic Development portfolio, comprising 17 departments and agencies, among them the regional economic development agencies (including CED), and such other federal agencies as National Research Council Canada (NRC) and Business Development Bank of Canada (BDC). The mandate of this portfolio is *to further the government's goal of building a knowledge-based economy in all regions of Canada and to advance the government's jobs and growth agenda.*¹

CED contributes to the economic vitality of all Quebec regions, by building on their competitive regional advantages. It makes investments that support transition and diversification for those communities that remain dependent on a single sector for economic opportunities or have experienced economic shocks.

To that end, CED is the key federal presence in Quebec to help and nurture small and medium-sized enterprises (SMEs) from start-up to commercialization and beyond. CED supports their effort to become more productive, more innovative and to grow and become the best that they can be. It supports communities' engagement efforts in Quebec's regions and helps attract investment that will increase the prosperity of the Quebec and Canadian economies.

CED achieves its results by supporting SMEs and not for profit organizations (NPOs) with strategic investments with its grants and contributions. To make sure CED understands the needs of all regions and those of each businesses, CED has 12 business offices, present in the regions of Quebec, CED works directly and indirectly with businesses, primarily SMEs, and through NPOs that support them. By providing financial assistance for projects, among other things, CED assists enterprises and communities in their development efforts.

CED manages grants and contributions programs (G&C), as well as contributing to the design, administration and implementation in Quebec of Canada-wide programs and temporary initiatives. Through its programs, CED contributes to achieving the government's priorities.

MISSION:

PURSUANT TO ITS ENABLING LEGISLATION, THE MANDATE OF THE ECONOMIC DEVELOPMENT AGENCY OF CANADA FOR THE REGIONS OF QUEBEC IS TO "PROMOTE THE LONG-TERM ECONOMIC DEVELOPMENT OF THE REGIONS OF QUEBEC BY GIVING SPECIAL ATTENTION TO THOSE WHERE SLOW ECONOMIC GROWTH IS PREVALENT OR OPPORTUNITIES FOR PRODUCTIVE EMPLOYMENT ARE INADEQUATE."

LIST OF GRANTS AND CONTRIBUTIONS PROGRAMS AND INITIATIVES 2011–2016

IN PROGRESS

REGULAR PROGRAMS

- Quebec Economic Development Program (2012–)
- Community Futures Program [*Canada-wide program*] (1995–)

INFRASTRUCTURE CANADA DELIVERY PARTNER

- Building Canada Fund–Quebec (2009–2017)

TEMPORARY OR TARGETED INITIATIVES

- Linguistic Duality Economic Development Initiative [*Canada-wide initiative*] (2013–2018)
- Economic Recovery Initiative for Lac Mégantic (2013–2020)
- Canadian Initiative for the Economic Diversification of Communities Reliant on Chrysotile (2013–2020)
- Strategic Initiative to Combat the Spruce Budworm Outbreak in Quebec (2014–2018)
- Extension of the natural gas distribution network between Lévis and Sainte-Claire (2015–2017)
- Canada 150 Community Infrastructure Program [*Canada-wide initiative*] (2016–2018)

COMPLETED

REGULAR PROGRAMS

- Community Diversification (2007–2012)
- Business and Regional Growth (2007–2012)
- Regional Development Study (2007–2012)

INFRASTRUCTURE CANADA DELIVERY PARTNER

- Canada Strategic Infrastructure Fund (2004–2013)
- Municipal Rural Infrastructure Fund (2005–2011)

TEMPORARY OR TARGETED INITIATIVES

- Community Infrastructure Improvement Fund (2012–2014)
- Temporary Initiative for the Strengthening of Quebec's Forest Economies (2010–2013)
- Support Initiative for International Cruise Development (2008–2013)
- Contribution Program to Fund Construction of a Gas Pipeline Between Vallée-Jonction and Thetford Mines (2011–2014)
- Canada-Quebec Agreements to Support Sustainable Management of Quebec Forests (2012–2014)

CANADA'S ECONOMIC ACTION PLAN INITIATIVEⁱⁱ

- Recreational Infrastructure Canada Program (2009–2011)



98%

OF CLIENT ENTERPRISES STATE
THAT THE NUMBER OF JOBS
WITHIN THEIR ENTERPRISE HAS
HELD STEADY OR RISEN SINCE
THE START OF THEIR PROJECT
WITH CED.

2.1 OPERATING ENVIRONMENT

2.1.1 ECONOMIC CONTEXT

CED's interventions, from 2011 to 2016, took place in a context of global recovery following the 2009 recession, which was weaker in the industrialized countries than anticipated. Canada and Quebec returned to modest economic growth, punctuated by major regional variations.

Global demand for raw materials between 2011 and 2014 benefited Quebec's natural resource-rich regions. With the Canadian dollar rising during that period, however, the context was less favourable for the manufacturing sector and exporting enterprises in particular.

Starting in 2014, the price of oil plummeted, and demand for other raw materials, such as iron, copper and aluminum, diminished. The loonie lost value, raising expectations of a recovery in manufacturing activity and exports. The increase in Quebec exports was not as strong as anticipated, but several factors may explain this result. First, Quebec and Canada's leading trade partner, the United States, diversified its trade partnerships: China and Mexico now post larger shares of U.S. imports than Canada does.ⁱⁱⁱ Business investment fell by 9.8% between 2011 and 2015.^{iv} The share of manufacturing SMEs spending more than 5% of their sales on equipment purchases or research and development also dropped over that period.^v The weakness of such investment meant they were unable to increase their productivity and thus could not take advantage of the stronger Canadian dollar. Quebec firms can no longer compete solely on the basis of their cost advantages; they now have to stand out from the crowd with higher value-added products.

2.1.2 ORGANIZATIONAL CONTEXT

The organizational context of the past five years was marked by major changes in CED. Focussing on economic growth and employment, CED adopted in 2012 a *Strategic Framework* presenting a renewed vision for regional economic development fostering participation from Quebec's enterprises and different regions, and building on their assets. CED also reviewed its regular programs, and adopted the *Quebec Economic Development Program (QEDP)*, which came online in April 2012, to implement its new policy guidelines. In order to meet Quebec's economic challenges, CED emphasized creation of new enterprises, and enhancement of businesses' performance and competitiveness.

In the context of the implementation of the *Deficit Reduction Action Plan (DRAP)* in 2012, CED worked very hard to transform so as to be even more efficient, while maintaining the quality of client services. For instance, CED automated the contribution agreement, integrated risk management, and simplified its Program Alignment Architecture and Performance Management Framework. CED's transformation was also realized through the adoption or implementation of numerous whole-of-government tools and business processes, such as the GCDOCS electronic document management system, implementation of the Open Government initiative, migration to the PeopleSoft integrated software, and standardization of seven common operational processes in human resources.

2.1.3 FINANCIAL AND HUMAN RESOURCES

The following tables present an overview of financial and human resources for the period from 2011 to 2016.

TABLE 2

FINANCIAL RESOURCES

Programs (millions of dollars)	2011–12 ^{vi}	2012–13	2013–14	2014–15	2015–16	Total by Program (2012–13 to 2015–16)
Business Development	N/A	\$130.5	\$147.6	\$146.6	\$147.6	\$572.3
Regional Economic Development	N/A	\$44.0	\$39.1	\$34.1	\$33.6	\$150.8
Strengthening of Community Economies	N/A	\$102.8	\$64.3	\$55.3	\$60.2	\$282.6
Internal Services	N/A	\$19.1	\$18.3	\$17.9	\$17.8	\$73.1
						\$1,078.8
Total by Financial Cycle	\$305.9	\$296.4	\$269.3	\$253.9	\$259.2	
Total for All Financial Cycles			\$1,384.7			

CED's actual expenditures from 2011 to 2016 totalled close to \$1.4 billion, including \$1.16 billion in grants and contributions (G&C). Some \$830 million was spent under CED's regular programs, while Canada-wide programs and temporary initiatives generated

expenditures of a little over \$328 million. The decrease in spending is primarily attributable to the end of *Canada's Economic Action Plans* and a number of temporary initiatives which were not renewed in 2012.

TABLE 3

HUMAN RESOURCES

FTEs	2011–12	2012–13	2013–14	2014–15	2015–16
Total Human Resources	406	332	332	315	315

The main human resources variations are the result of the implementation of the DRAP measures, initiated in 2012 and spread over a three-year period, from April 2012 to March 2015.

2.2 OVERVIEW OF CED'S OVERALL PERFORMANCE^{vii}

As part of its mission, CED fosters businesses' startup, growth and performance. It helps them become more innovative, productive and competitive. It supports communities' engagement efforts in Quebec's regions, and helps attract investment that will increase the prosperity of the Quebec and

Canadian economies. It makes investments which support transition and diversification in communities that remain dependent on economic opportunities deriving from a single sector, or which have undergone an economic shock.

TABLE 4

PROFILE OF CED'S OVERALL PERFORMANCE

	BUSINESS DEVELOPMENT	REGIONAL ECONOMIC DEVELOPMENT	STRENGTHENING OF COMMUNITY ECONOMIES
G&C EXPENDITURES (millions of dollars)	503	139	262
PROJECTS	1,642	254	811

RESULTS IN THE REGIONS

- > CED is part of overall efforts in Quebec to stimulate regional economic growth. Between 2011 and 2014, 16 of Quebec's 17 administrative regions increased their GDP.^{viii}
- > CED supported 2,707 projects, investing \$904 million under its regular program, Canada-wide programs, and the different temporary or targeted initiatives it delivered between 2012 and 2016.
- > Over this same period, CED devoted 40% of its spending to regional county municipalities (RCMs) with low growth potential, or approximately double their population share.

DIVERSIFYING CLIENTELE TO FOSTER ECONOMIC GROWTH IN ALL COMMUNITIES

- > From 2012 to 2016, 48% of projects supported were carried out by SMEs. In total, 1,167 enterprises benefited from 38% of the financial assistance awarded by CED.
- > From 2012 to 2016, more than 21,300 enterprises and organizations benefited from the services provided by NPOs supported by CED. The different NPOs supported by CED received 62% of CED's assistance. CED thus extends its reach significantly in order to cater more closely to the different needs of Quebec's economic stakeholders.

A CONSISTENT APPROACH WITH VARIOUS TYPES OF CLIENTS TO ENHANCE SUPPORT TO BUSINESSES

ÉCOLOXIA INC.

Groupe environnemental Écoloxia Inc. specializes in the design, manufacture and assembly of semi-buried rotationally moulded polyethylene containers for waste management. This firm started up its operations within the industrial incubator of the Drummondville economic development corporation, *Société de développement économique de Drummondville* (SDED), which CED supported in the second phase of its expansion.

To enable Écoloxia to acquire the necessary equipment to repatriate a production phase which was carried out abroad, CED granted the firm \$98,000 in financial assistance. As well as repatriating some subcontracted activities to Canada, the project led to an improvement in the firm's productivity through reduced transportation costs and enhancement of its supply chain.



CED encourages participation in the economy by the different cultural and language communities so they contribute to the economic development of Quebec's regions. First Nations communities, as well as cultural and language communities and groups such as

women and youth, benefitted from CED's programs, including the QEDP, the Economic Development Initiative and the Canada 150 Community Infrastructure Program.

FOSTER THE PARTICIPATION OF FIRST NATIONS COMMUNITIES IN QUEBEC'S ECONOMIC DEVELOPMENT

FIRST NATIONS OF QUEBEC AND LABRADOR ECONOMIC DEVELOPMENT COMMISSION

The First Nations of Quebec and Labrador Economic Development Commission (FNQLEDC) is an NPO mandated by the Assembly of First Nations of Quebec and Labrador (AFNQL) to act with regard to Aboriginal economic development. CED has supported this organization since 2002, and renewed this support in 2014 for a three-year period, authorizing \$102,000 in financial assistance. The project aims to provide young people aged 18-35 from First Nations communities with consulting services in order to develop projects from enterprises in pre-startup phase and stimulate the development of entrepreneurship among First Nations people.



TANGIBLE IMPACT

98% OF FIRMS POLLED BY CED STATED THAT THE NUMBER OF JOBS WITHIN THEIR ENTERPRISE HAD HELD STEADY OR INCREASED SINCE THEIR PROJECT BEGAN.

- > CED ensures that its financial assistance generates a substantial leverage effect. Each dollar granted by CED in the context of projects funded led to \$3.26 in investment from other funding sources.
- > Whereas some 25% of new enterprises in Quebec do not make it to their second year of existence, and only 50.6% survive after five years,^{ix} the survival rate of enterprises supported by CED for the period from 2012 to 2016 is 99%.^x

Overall, CED intervenes in the regions of Quebec, working to generate an impact vis-à-vis regional economic development agents. It does so by delivering its programs in its regional business offices, which ensure that they meet clients' needs with quality service. Indeed, the 2016 telephone poll of QEDP clientele showed that for statements concerning the quality of services provided by CED, the satisfaction rate was in all cases higher than 90%.^{xi}

IN 2016, 88% OF RESPONDENTS TO CED'S SURVEY STATED THAT THEY COULD NOT HAVE CARRIED OUT THEIR PROJECTS WITHOUT THE FUNDING FROM CED, OR COULD NOT HAVE DONE SO WITHIN THE SAME TIMEFRAME OR ON THE SAME SCALE.



2.2.1 BUSINESS DEVELOPMENT

To support Quebec's economic growth, CED backs the development of businesses throughout their life cycle. Enterprises, particularly small and medium-sized enterprises (SMEs), are drivers of economic development, and are recognized as generating a significant share of economic activity and creating employment in communities.

CED contributes to the creation of new enterprises in Quebec by supporting the emergence of new SMEs and business succession. It also works to increase the competitiveness of existing enterprises and support their survival by enhancing their performance,

supporting projects that enable them to modernize, expand, launch or extend their export activities, reinforce their innovation capability, commercialize, and establish partnerships.

CED's actions for business development are carried out primarily through enterprises or NPOs that support enterprises and entrepreneurs. CED also promotes Quebec enterprises' capabilities to prime contractors, with a view to maximizing in Quebec the industrial and technological spinoffs generated by the Government of Canada's major defence procurement projects in the aerospace, marine and land transportation, and security sectors. CED thus generates tangible results, which are presented below.

TABLE 5

PROFILE OF INTERVENTION WITH RESPECT TO BUSINESSES

NUMBER OF PROJECTS	G&C EXPENDITURES	PERCENTAGE OF CED'S TOTAL EXPENDITURES
1,642	\$503 million	56%

PROFILE OF RESULTS

- > The financial assistance awarded by CED from 2012 to 2016 for business development generated a leverage effect of \$3.48 for each dollar invested.
- > 72% of projects supported were carried out by enterprises, and 28% by NPOs supporting enterprises in the different stages of their lifecycle.
- > **Among projects supported for business performance enhancement:**
 - 73% of these enterprises had increased their sales figures;^{xii}
 - 77% had increased their international sales;^{xiii}
 - 67% had increased their gross profit margin.^{xiv}

DEVELOPING A KNOWLEDGE ECONOMY THROUGH RESEARCH CENTRES

UNIVERSITY OF SHERBROOKE – INTERDISCIPLINARY INSTITUTE FOR TECHNOLOGICAL INNOVATION (3IT)

This world-class institute focusses on interdisciplinary research in collaboration with industry. CED provided \$2.8 million in financial assistance for the acquisition of equipment to help 3IT acquire new technology and knowledge transfer capability so as to increase innovation in SMEs in the region and in Quebec as a whole. The project is still under way, and has already generated spinoffs locally: numerous businesses signed agreements with the University of Sherbrooke to carry out research and development (R&D) projects, several of which had already been completed as of March 31, 2016.



In 2014, Statistics Canada conducted a study to measure the economic impact of CED funding on the performance of enterprises funded. This study confirmed that enterprises assisted by CED generally perform better than other comparable Quebec firms.

- > There is a significant variation (4.5 percentage points) between the survival rate of CED-supported enterprises and a control group, five years after funding was received; 10 years post-funding, the gap had almost doubled.

- > The variation in both income growth and productivity growth is 2.4 percentage points, in favour of enterprises supported by CED.

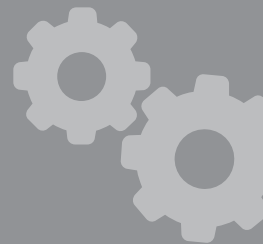
To achieve these results, CED builds on innovation in Quebec enterprises. It does so through projects specifically targeting innovation or the transfer of new technologies, and horizontally, through the funding of business creation or productivity enhancement projects integrating new technology or innovative processes.

SUPPORTING THE CREATION OF INNOVATIVE BUSINESSES

NUMETRIX TECHNOLOGIES INC.

Numetrix Technologies Inc. has developed automated 3D vision systems for inline surface inspection.

CED provided \$150,000 in financial assistance to support the startup of this high-technology firm through the completion of a commercialization plan targeting market development in Canada and abroad. In the wake of CED's assistance, the company significantly increased its sales between 2014 and 2016, through sales made on the international market. The firm's development is also contributing to strengthening the Sherbrooke technology hub.



2.2.2 REGIONAL ECONOMIC DEVELOPMENT

CED supports the strengthening of regions' economic base in order to boost Quebec's economic growth. Quebec's regions differ in their industrial structure, and some are more sensitive to economic fluctuations. Quebec's prosperity depends on the different regions' participation in the economy to their full potential. CED contributes to building strong, competitive

regions, by supporting local communities as they take charge of their economic development, and by stimulating strategic investment in all Quebec regions.

CED's intervention for regional economic development is carried out primarily through NPOs in the economic sector. The main results generated are presented below.

TABLE 6

PROFILE OF INTERVENTION WITH RESPECT TO REGIONAL ECONOMIC DEVELOPMENT

NUMBER OF PROJECTS	G&C EXPENDITURES	PERCENTAGE OF CED'S TOTAL SPENDING
254	\$139 million	15%

To support Quebec regions' economic development, CED backed NPOs, in particular municipalities, sectoral or regional associations, festivals, and sports events, as well as other types of NPOs. The assistance provided to these organizations was often essential to the completion of their projects.

CED fosters the promotion of regions' assets with a view to attracting international enterprises, international organizations, and tourists from outside Quebec. Supported by CED in particular, Montréal International and Québec International estimate at

\$5.6 billion the foreign direct investment attracted to or maintained in Quebec. From 2012 to 2016, spending by tourists from outside Quebec throughout the province was gauged by Tourisme Québec at some \$14.5 billion.

OF RESPONDENTS RECEIVING FUNDING UNDER THIS AREA OF INTERVENTION, 84% STATED THAT THEY COULD NOT HAVE CARRIED OUT THEIR PROJECTS WITHOUT THE FUNDING FROM CED.

STRENGTHENING OUR REGIONS' ECONOMIES BY PROMOTING THEIR ASSETS

LE QUÉBEC MARITIME INC.

Québec maritime Inc. is a tourism promotion organization targeting markets outside Quebec which brings together five regional tourism associations. CED has supported this organization since its inception, and renewed this support in 2015 for a three-year period, authorizing \$3.9 million in financial assistance. During 2015–16 alone, Québec maritime organized 51 media tours, generating media value of \$20 million.



To strengthen Quebec regions' economic base, CED also supports projects aimed at generating investment or engaging communities in taking charge of their development. Those projects generated \$55 million in investment in the regions concerned.

LOCAL COMMUNITIES TAKING CHARGE OF ECONOMIC DEVELOPMENT

TOWN OF NEW RICHMOND

In 2005, New Richmond sustained an economic shock following the shutdown of its largest employer. The Town therefore drew up a strategic plan for sustainable development. CED has backed the implementation of this strategic plan through different agreements since 2005. The most recent contribution, granted in 2012, was for \$430,000. The steps taken by the Town led to the industrial and commercial diversification of its economy. Several jobs were thus created, and the local economy was strengthened.



2.2.3 STRENGTHENING OF COMMUNITY ECONOMIES

Aside from its regular programs, CED designs, administers and implements Canada-wide programs and temporary or targeted initiatives, all of them aimed at strengthening community economies in order to increase Quebec's economic growth. CED thus

supports communities' economic development and ensures sound, effective management of infrastructure programs for Quebec. It also supports economic activity in Quebec communities that sustain economic shocks, have to meet major development challenges, or are grasping long-term business opportunities.

TABLE 7

PROFILE OF INTERVENTION WITH RESPECT TO STRENGTHENING OF COMMUNITY ECONOMIES

NUMBER OF PROJECTS	G&C EXPENDITURES	PERCENTAGE OF CED'S TOTAL SPENDING
811	\$262 million	29%

2.2.3.1 COMMUNITY FUTURES PROGRAM

CED is in charge in Quebec of the Community Futures Program (CFP), which has been supporting local economic development in Canada's rural regions for more than 25 years. In Quebec, this support is provided through a network of 57 Community Futures Development Corporations (CFDCs) located in designated rural regions, and 10 Business Development Centres (BDCs) in peri-urban areas. The CFDCs and BDCs are administered by autonomous volunteer boards, and manage \$250 million in assets. CED funds these organizations' operating costs for business support activities. The CFDCs receive additional funding for community support activities.

Between 2013 and 2015, CED conducted an evaluation of this program for funds administered between April 2007 and March 2013. This evaluation found that there is still a need for the CFP and the services of the CFDCs and BDCs, and the current delivery model is the most cost-effective for attaining the sought-after results. According to the same evaluation, assistance from these organizations contributed to the startup of 972 SMEs and the acquisition of 1,137 SMEs from 2008–09 to 2012–13. This assistance also contributed to the recovery, modernization and expansion of 4,225 SMEs. Table 8 presents some findings from that evaluation.

TABLE 8

CFP RESULTS BETWEEN 2008 AND 2013

SURVIVAL RATE	Client Enterprises 77%	Non-client Enterprises 51%
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GROWTH WITH RESPECT TO:	CLIENT ENTERPRISES	NON-CLIENT ENTERPRISES
Job Creation	4%	2,1%
Payroll	6,6%	4,8%
Value of Sales	5,7%	3,9%

Between 2008 and 2013, enterprises funded by CED have shown growth in job creation, payroll and sales, and a survival rate higher than comparable enterprises which did not receive funding from these organizations.^{xv}

2.2.3.2 INFRASTRUCTURE CANADA DELIVERY PARTNER

As Infrastructure Canada's delivery partner for the management of its programs in Quebec, CED co-managed, with the Quebec Ministry of Municipal Affairs and Land Occupancy (MAMROT), the agreement for these two programs:

- > Municipal Rural Infrastructure Fund, which terminated March 31, 2014, and aimed to support projects for water and wastewater treatment, culture and recreation;
- > Building Canada Fund, which terminates March 31, 2017, and targets the implementation of projects for revitalization or construction of infrastructure for water supply, sewer systems, and wastewater treatment.

Most infrastructure projects funded under these programs are carried out by municipalities. But municipalities, small communities in particular, have limited financial capacity to meet their infrastructure needs. Through its expertise and frequent communications with its partners, CED has successfully optimized delivery of these programs over the years.

2.2.3.3 TEMPORARY OR TARGETED SUPPORT

For the period covered by this report, CED implemented more than 10 initiatives^{xvi} aimed at meeting the targeted or temporary needs of different Quebec regions or communities. The two initiatives mentioned below (*Economic Recovery Initiative for Lac Mégantic*, and *Initiative for the Economic Diversification of Communities Reliant on Chrysotile*) present a snapshot of the performance achieved through the temporary or targeted support provided by CED.

ECONOMIC RECOVERY INITIATIVE FOR LAC MÉGANTIC

Following the rail accident on July 6, 2013 in the Town of Lac Mégantic, CED set up the *Economic Recovery Initiative for Lac Mégantic*, in order to support the re-establishment and recovery of economic activity in that community. With a budget envelope of \$35 million, the Initiative was announced on December 6, 2013, and will be in effect until March 31, 2020.

According to the telephone survey and interviews conducted in 2016 as part of the evaluation of the QEDP, the majority of enterprises supported through the Initiative would have been unable to start up again following the disaster or to carry out their infrastructure or development projects without assistance from CED. All respondents also emphasized the outstanding co-operation between CED and the other partners. Indeed, to be sure to understand the needs properly, participate in the planning process, and guide the businesses and organizations affected, CED had set aside funds for additional human resources. This approach made it possible to have a visible federal presence on-site that will be maintained throughout the implementation of the Initiative.

CED ensured that the Initiative implemented was rapidly geared to the specific needs of the Town of Lac Mégantic and enterprises, particularly for businesses stricken by the disaster sustaining a substantial loss of the earnings needed for starting up again. For instance, CED intervened with such enterprises through financial contributions, supported the establishment of an office dedicated to rebuilding the downtown core, and supported the completion of a study concerning a rail bypass.

INITIATIVE FOR THE ECONOMIC DIVERSIFICATION OF COMMUNITIES RELIANT ON CHRYSOTILE

In order to support communities affected by the foreseeable demise of the chrysotile asbestos industry, CED set up the *Canadian Initiative for the Economic*

Diversification of Communities Reliant on Chrysotile. This aims primarily to guide Des Sources and Des Appalaches regional county municipalities in their transition in order to foster economic growth, in particular through the creation or reinforcement of enterprises, or the development of public infrastructure. The Initiative is in effect from June 11, 2013 to March 31, 2020, and has a \$50-million budget envelope.

Under this Initiative, CED has thus supported many growth-generating projects initially prioritized by local communities, such as the expansion of industrial parks, creation of a business incubator and a venture capital fund for SMEs, and construction of the *Centre historique de la mine King* interpretation centre.

DEVELOPING INFRASTRUCTURE TO CREATE ECONOMIC VITALITY

ESPACE ENTREPRENEURIAL – E2RT

E2RT—Theftord-area entrepreneurship space—is an incubator for innovative enterprises. It was established in the Theftord Mines area to energize and diversify the economy of Des Appalaches regional county municipality. CED supported the startup of this incubator through \$1.9 million in financial assistance toward acquiring and fitting out the building, as well as covering operating costs over a three-year period.

During its first year of existence, E2RT helped incubate nine enterprises. According to one local stakeholder interviewed in the course of the 2016 evaluation of the QEDP, the entrepreneurial spirit generated in the area by bringing together all the services offered with respect to entrepreneurship (academic training, talks, Chamber of Commerce, etc.) is a key factor in the success of this project.





2.3 MANAGEMENT OUTCOMES

The period from 2011 to 2016 was marked by considerable efforts to enhance CED's efficiency and effectiveness. Numerous exercises to modernize and simplify tools and business processes were carried out, and many in-house and whole-of-government initiatives were implemented.

CED is playing an active role in the establishment of more than 20 government-wide initiatives, several of which concern the implementation of new, harmonized systems offering improved efficiency and performance. For instance, CED has completed implementation of the new government-wide Shared Travel System (STS) and migrated email services to a centralized system, and is continuing to transfer its website to **www.canada.ca**.

In its efforts to take part in the federal modernization and innovation vision, CED has set up various projects within the framework of Destination 2020. Also, employees have had the opportunity to submit their innovative ideas, several of which have been implemented within the organization. In fact, two of

these initiatives were presented at the Blueprint 2020 Interdepartmental Innovation Fair, in particular the CED health initiative, which aims to introduce a health and wellness strategy within the organization. Since 2015, a continuous improvement and optimization initiative has led to the completion of nine activities to strengthen collaborative governance, alleviate certain targeted organizational processes, and stimulate innovation at CED.

All CED work units and employees are called upon to pool their efforts in order to ensure modernization of management practices and business processes. For instance, the establishment of a contribution agreement automatically generated from the grants and contributions management system was the outcome of collaboration within the organization. This new agreement reduces the number of administrative changes, clarifies and simplifies management of the agreement for both CED and its clients, and strengthens our controls over the agreements which are central to our activities.



CED CONTRIBUTES TO THE MODERNIZATION OF THE PUBLIC SERVICE, HAVING PLANNED, AMONG OTHER THINGS, IN CONJUNCTION WITH THE OTHER REGIONAL DEVELOPMENT AGENCIES, THE DESIGN OF A GOVERNMENT-WIDE GRANTS AND CONTRIBUTIONS MANAGEMENT SYSTEM. IN PARTICULAR, THIS WILL CUT RED TAPE AND IMPROVE THE CUSTOMER EXPERIENCE.

3.1 CHALLENGES FOR THE QUEBEC AND CANADIAN ECONOMIES

For some regional economies, diversification will continue to be a challenge over the coming years. Single-industry regions or those where economy activity is concentrated in sectors featuring strong global competition, unstable demand for natural resources, and numerous technological changes, will have to intensify their efforts carefully in order to strengthen their economic base.

Generally speaking, Quebec should be in a position to continue its recovery by capitalizing on the U.S. recovery and the weak Canadian dollar. Higher demand for Quebec goods and services should prompt enterprises to reinvest. Indeed, recent surveys point to Quebec entrepreneurs' intention to invest in 2016 being firmer than in Canada as a whole.^{xvii} This suggests higher potential for economic growth, and an eventual increase in exports. However, potential protectionist measures could have an impact on Quebec and Canadian exports, which would in turn impact economic growth.

While the recovery is perceptible, it is important to point out that the economic trend in industrialized countries is toward growth that is slower than anticipated and beneath the historical average.^{xviii} For instance, the Quebec finance department forecasts average annual growth in real GDP for Quebec of 1.3% for the next 10 years, whereas it ran at 2.2% between 1997 and 2013.^{xix} One of the factors behind this slowdown is the aging of the population and the decline in the population of working age.

In June 2016, the Organisation for Economic Co-operation and Development (OECD) emphasized that Canada will have to mobilize all available labour sources in order to meet the challenge of the aging population.^{xx} Economic opportunities will have to be grasped by all groups and communities comprising Quebec, including First Nations, English-speaking minority communities, youth, women, and immigrants, some of which have higher unemployment rates and lower individual incomes than the Canadian average.

3.2 GOVERNMENT PRIORITIES

The Government of Canada has undertaken to foster clean, inclusive growth in order to create quality employment in all sectors of the economy and ensure the prosperity of the middle class and those that aspire to join it. As the key federal economic development agent in Quebec, CED plays a leading role in achieving this objective, in particular through its innovation agenda and its regular program, which supports innovation, job creation and long-term growth.

In ensuring the implementation of the Canada 150 Community Infrastructure Program in Quebec, CED is aiming to foster inclusive economic growth and improve middle-class Canadians' quality of life by supporting projects which offer the necessary preconditions for communities' vitality, and development and long-term innovation.

CED leads in Quebec the Accelerated Growth Service pilot project with its federal partners to meet the

AS ANNOUNCED IN BUDGET 2016, CED UNDERTOOK TO GRANT \$50 MILLION IN FINANCIAL ASSISTANCE OVER FIVE YEARS STARTING IN FY 2016–17 TO THE INO (NATIONAL OPTICS INSTITUTE) IN ORDER TO REALIZE THE GOVERNMENT OF CANADA'S DESIRE TO INVEST IN HIGH-LEVEL TECHNOLOGICAL INNOVATION AND SUPPORT THE TRANSFER OF SUCH INNOVATION TO BUSINESSES SO THEY CAN INCREASE THEIR COMPETITIVENESS AND PENETRATE NEW MARKETS.

government's Canada-wide priorities, for instance within the framework of which aims to co-ordinate the support provided by the federal government to high-impact firms in order to help them grow and become more competitive on the international stage.

With the assistance of its federal partners, CED will contribute to the government's commitments to fight climate change and reduce greenhouse gas emissions by achieving, from 2016–17, \$25 million in expenditures on enterprises' and organizations' projects involving clean technology.

Through its programs, CED is a key contributor to the achievement of the priorities of the Minister of Innovation, Science and Economic Development with respect to economic development, namely, promoting an entrepreneurial and creative society, supporting global science excellence, building world-leading clusters and partnerships, growing companies and accelerating clean growth, competing in a digital world, and improving ease of doing business.

3.3 CED LOOKING FORWARD

3.3.1 **ENGAGEMENT STRATEGY**

In 2016, CED worked diligently to align its intervention, delivery tools and business processes with government priorities. To promote this reflection, CED notably implemented innovative public consultations aimed at establishing a dialogue with citizens and economic development stakeholders from all Quebec regions. The purpose of this exercise was to ensure the timeliness of its intervention in Quebec and alignment with government priorities by integrating the reflections emerging from this dialogue with CED's new policy directions. CED's strategy for engagement dovetails with the collaborative, open, transparent approach of Canada's Action Plan on Open Government.

Through the Engagement Strategy, CED reached more than 1,000 participants from every region of Quebec and set up a constructive dialogue with its employees, citizens, and economic development agents (enterprises, NPOs, researchers, federal and provincial governments, municipal administrations, First Nations communities, etc.). This was a fine opportunity for CED to validate and enhance its understanding of the reality of Quebec regions, and thus improve the development of its new strategic guidelines for 2016–2021. In renewing its policy directions, CED will be best placed to contribute to the government's agenda and fulfill its mission so that SMEs continue to innovate and grow, communities thrive, and Quebec's economy can sustain any challenges the future holds.

ELEVEN THEMES WERE ADDRESSED AT THE ROUND TABLES, INCLUDING:



ECONOMIC GROWTH,
TRADE, AND MARKET
DEVELOPMENT



INNOVATION AND
INDUSTRIAL CLUSTERS



SMEs' DIGITAL TRANSITION
AND WEB TECHNOLOGIES



CLEAN TECHNOLOGIES AND AN
ECONOMY IN A SUSTAINABLE
DEVELOPMENT CONTEXT



COMMUNITY ECONOMIC
ENGAGEMENT



ECONOMIC DEVELOPMENT
OF FIRST NATIONS
COMMUNITIES

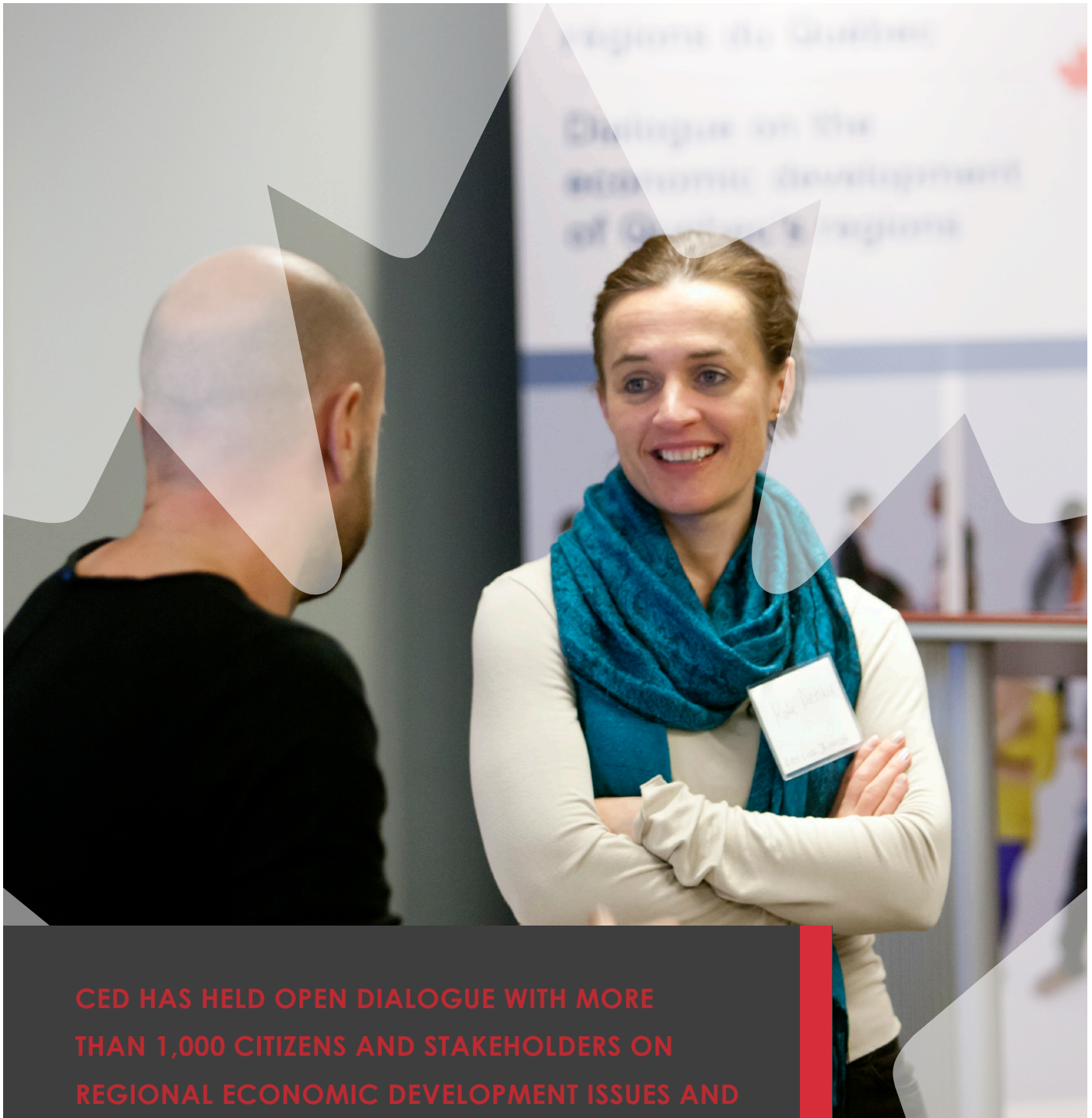
3.3.2 CORPORATE MODERNIZATION

Over the next few years, on a continuous basis, CED also plans to continue its modernization efforts through different initiatives.

For instance, CED will continue to work with the other regional development agencies to develop and implement a new shared system for managing grants and contributions programs. This new system will replace the obsolete existing systems, as well as enhancing the client experience through online access, reduced red tape, and shorter waiting times.

CED will also continue to contribute to the implementation of the new Directive on Open Government, which will help maximize the release of government information and data of business value.

Finally, the Government of Canada recently adopted "deliverology," a system built on effective implementation of the government program so as to maximize the chances of success and deliver to Canadians what they have asked for. CED is currently implementing this new approach, by working hard in particular to implement the Treasury Board of Canada Secretariat's new Policy on Results, and reviewing its planning, performance and reporting tools so as to convey even more clearly to Parliament and Canadians the progress made and results achieved.



CED HAS HELD OPEN DIALOGUE WITH MORE THAN 1,000 CITIZENS AND STAKEHOLDERS ON REGIONAL ECONOMIC DEVELOPMENT ISSUES AND CHALLENGES IN QUEBEC, IN ORDER TO PROVIDE INPUT FOR THE RENEWAL OF ITS STRATEGIC DIRECTIONS FOR THE NEXT FIVE YEARS.

4

CONCLUSION

In line with its strategic directions, CED has contributed to generating substantial investment in the regions, creating new enterprises, and supporting the growth of existing enterprises.

Through consultation undertaken over the past year, CED has engaged more than ever in dialogue and collaboration with the public and regional economic development stakeholders in Quebec. The results of this approach will enable CED to meet even more effectively, and in more innovative ways, the economic development needs of Quebec's different groups and communities.

Looking forward already provides a prospective view of future challenges and issues for the Quebec economy. CED will therefore continue to work in conjunction with its federal partners and key regional economic development stakeholders in the province in order to meet these challenges.

It is by building on innovation, the green economy, participation by the different communities, and regional economic diversification that CED intends to sustain long-term growth in all Quebec regions over the coming years, and thus meet the government's priorities.

ENDNOTES

ⁱ https://www.ic.gc.ca/eic/site/icgc.nsf/eng/h_00022.html

ⁱⁱ CED implemented two initiatives under Canada's Economic Action Plan: Recreational Infrastructure Program Canada (RIInC), and Community Adjustment Fund (CAF). The CAF terminated March 31, 2011, having had no expenditures during the period covered by this report, while RIInC terminated October 31, 2011.

ⁱⁱⁱ Desjardins, *Economic Studies*, 2016. "Canada's share in U.S. imports shrinks." [Online]

<https://desjardins.com/ca/about-us/economic-studies/news-financial-markets/economic-news/index.jsp>

^{iv} Institut de la statistique du Québec (Quebec Statistics Institute), 2016. *Principaux indicateurs économiques – Québec (Major economic indicators, Quebec)*. Direction des statistiques économiques (Economic Statistics Directorate). [Online].

http://www.stat.gouv.qc.ca/docs-hmi/statistiques/economie/index_an.html

^v STIQ, 2015. *Baromètre industriel québécois (Quebec industrial barometer)*. 7th edition. [Online]

<https://www.stiq.com/2015/09/11/barometre-industriel-quebecois/>

^{vi} In April, 2012, the adoption of a new program and a new expenses accountability framework did not allow to breakdown the expenses for 2011-12 according to this new framework.

^{vii} Following major changes made in CED's reporting structure and performance measurement methodology in 2012, the data presented in Section 2 cover the period from April 2012 to March 2016.

^{viii} Institut de la statistique du Québec (Quebec Statistics Institute), Statistics Canada, ministère des Affaires municipales et de l'Occupation du territoire (Quebec Ministry of Municipal Affairs and Land Occupancy [MAMROT]), Fisheries and Oceans Canada, and Revenu Québec (Quebec Ministry of Revenue), July 2016.

^{ix} Ministère de l'Économie, des Sciences et de l'Innovation du Québec (Quebec Ministry of Economy, Science and Innovation), *Taux de survie des nouvelles entreprises au Québec (Survival rate of new enterprises in Quebec)*, 2008.

^x The survival rate is measured three years after project completion.

^{xi} Questions concerning customer satisfaction covered the following topics: service accessibility, service delivery times, clarity and timeliness of information and advice received, and red tape.

^{xii} The raise of the sales figures is measured 2 years after the end of the project.

^{xiii} For businesses supported within Commercialization and exports component.

^{xiv} For businesses supported within Productivity and expansion component.

^{xv} Statistics Canada report on CFP 2014-15.

^{xvi} A full list of these initiatives is presented on page 5, Section 1.

^{xvii} Desjardins, *Economic Studies*, 2016. "Quebec: Good investment outlook for 2016."

<https://desjardins.com/ca/about-us/economic-studies/quebec-ontario-economic-conditions/quebec-ontario-economic-news/index.jsp>

^{xviii} Lefebvre, Mario, Marcelin Joanis and Luc Godbout, 2016. "Des idées pour maximiser le potentiel économique du Québec" in *Maximiser le potentiel économique du Québec – 13 réflexions* Ed. Mario Lefebvre, Marcelin Joanis and Luc Godbout. Presses de l'Université Laval. 189 p.

^{xix} Cited in St-Maurice, Yves, 2016. "La productivité, un concept parfois mal compris" in *Maximiser le potentiel économique du Québec – 13 réflexions* Ed. Mario Lefebvre, Marcelin Joanis and Luc Godbout. Presses de l'Université Laval. 189 p.

^{xx} OECD, *2016 OECD Economic Survey of Canada*, June 2016.