

**SUMMATIVE EVALUATION OF THE
BUSINESS AND REGIONAL GROWTH PROGRAM**

Final Report

September 2011

Acronyms used in this report

AIS	Activity Information System
BDC	Business Development Bank of Canada
BRG	Business and Regional Growth
CAF	Community Adjustment Fund
CD	Community Diversification
CED	Canada Economic Development
CLD	Centres locaux de développement [local development centres]
CRA	Canada Revenue Agency
CRÉ	Conférence régionales des élus [regional conference of elected officials]
FIER	Fonds d'intervention économique régional [Regional Economic Intervention Fund]
FTE	Full-time equivalent
Fonds FTQ	Fonds de solidarité FTQ [Solidarity Fund FTQ]
IC	Industry Canada
IQ	Investissement Québec
MAMROT	Ministère des Affaires municipales, des Régions et de l'Occupation du territoire [Quebec department of municipal affairs, regions and land occupancy]
MDEIE	Ministère du Développement économique, de l'Innovation et de l'Exportation [Quebec department of economic development, innovation and exports]
MRC	Municipalité régionale de comté [regional county municipality]
MTQ	Ministère des Transports du Québec
n	Number of projects
NPO	Non-profit organization
PAA	Program Activity Architecture
PSA	Program sub-activity
R&D	Research and development
RBAF	Risk-based Audit Framework
RBM	Results-based management
RMAF	Results-based Management and Accountability Framework
SME	Small and medium-sized enterprises
SODEC	Société de développement des entreprises culturelles
7/21 areas	Refers to the seven regions and 21 MRCs (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie –Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean), of Quebec experiencing slow economic growth.
\$	Financial aid in thousands of dollars

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Summary

1. General principles and description of the *Business and Regional Growth* program (BRG)

Since April 2007, Canada Economic Development (CED or “the Agency”) has had a new transfer payment program, the *Business and Regional Growth* (BRG) program, which will be in effect until 2012. With a view to enhancing the competitiveness of enterprises, the BRG program supports the

- development of enterprises’ strategic capabilities; and the
- development of strategic enterprises.

By targeting the competitive positioning of sectors and regions, the program aims to

- develop and consolidate poles with regional and international reach; and
- promote regions internationally.

The program targets small and medium-sized enterprises (SMEs) with 500 employees or less, SME groups and associations, non-profit organizations (NPOs) whose principal mission is to support businesses and economic development, and organizations and institutions such as universities and teaching establishments.

Between April 1, 2007, and March 31, 2010, the Agency supported 696 BRG program projects, for a total of almost \$232 million in authorized financial assistance. The majority of the program recipients were SMEs (80.9% of projects); the rest were NPOs (19.1% of BRG projects).

In addition to financial assistance, the Agency also provides six categories of non-financial activities: coaching services for clients, general information services, coaching services for potential clients, geographical development, industry sector development and promotion/representation.

2. Evaluation strategy

When the BRG program was developed, the Agency agreed to conduct a summative evaluation. In addition to meeting the requirements of the *Policy on Evaluation*, the evaluation of the BRG program will also serve to support the development of future Agency programs. The reference period for the evaluation—April 1, 2007, to March 31, 2010—covers the first three fiscal years of the program. The evaluation process was divided up into three sections, each of which is linked to the issues addressed in the evaluation: 1) relevance; 2) effectiveness; and 3) efficiency and economy.

The evaluation was based on a variety of reliable data sources:

- a literature review;
- an analysis of administrative and performance data;
- three focus groups;
- five NPO case studies;

- an analysis of secondary sources (the Agency’s 2009–2010 annual survey, and a benchmarking study of regional development organizations and programs); and
- a quasi-experimental study carried out by Statistics Canada.

The main methodological limitations are as follows:

1. *The reference period and coverage of the evaluation* (given the short reference period, there were very few “mature” projects because of the limited number of so-called “completed” projects).
2. *NPO project performance monitoring*: (the results of NPO projects must be observed among the NPO’s own clients, which makes it more difficult for the Agency to ensure longer-term performance monitoring, given that not many organizations have this monitoring capacity).
3. *The lack of data on all the various costs*.

For the purposes of the BRG program summative evaluation, a monitoring committee was set up with a mandate to

- comment on the various documents that will be produced;
- support the evaluation team in terms of taking into consideration the context surrounding the programs’ development and implementation, and the results obtained; and
- provide advice and guidance during all steps of the evaluation process with a view to maximizing the usefulness of the evaluations for CED.

3. Findings regarding the relevance of the BRG program

3.1 Continued need for the program

The rationale behind the program—to enhance conditions conducive to sustainable growth and competitive positioning of SMEs and the regions—is still relevant. The BRG program address numerous broad and complex competitiveness issues that will be ongoing over the long term in all the regions of Quebec. SMEs still require assistance.

The financial and non-financial activities met the funding and coaching needs of the various BRG program recipients. The SME managers interviewed stressed that they needed to develop their strategic capabilities if their businesses were to remain competitive.

3.2 Alignment with government priorities

Based on an analysis of the most recent government documents, including the latest Throne Speech and the 2011 Budget, it can be concluded that, in general, the two components of the BRG program are in line with the Government of Canada’s priorities in terms of employment and growth.

3.3 Alignment with federal roles and responsibilities

CED’s role in the economic development of the regions of Quebec is clearly defined in its enabling legislation. There are other players who are also involved in the development of the regions; however, their activities complement those of CED, since there is sufficient need and the programs are amply

flexible. In addition, CED's support allows proponents to obtain financial assistance from other funding providers.

4. Findings regarding BRG program performance

4.1 Immediate outcomes

The analysis of performance monitoring data shows that, in general, the projects supported by CED attained their targeted outcomes.

Component 1: Development of Enterprises' Capabilities

The majority of the SME projects achieved their targets; however, the results for half of the NPO projects were lower than expected.

Component 2: Strategic Enterprises

The majority of the projects under the *Pre-startup and startup of innovative enterprises* and *Expansion and modernization* subcomponents attained or even exceeded their key indicator targets. Over 100 new enterprises were created.

Component 3: Competitiveness Poles

The majority of the projects under the three sub-components attained or even exceeded their outcome targets. This allowed almost 2,200 businesses to take part in networking activities, applied research and technology transfers. The only result that fell below expectations was the number of SMEs that followed development plans under the *Networking and clusters* subcomponent.

Component 4: International Promotion of Regions

The outcomes of the *Investment opportunities* and *International organizations* subcomponents failed to meet established targets. The indicators for these projects were poorly documented.

4.2 Intermediate outcomes

The majority of the enterprises supported under the *Development of Enterprises' Capabilities* subcomponents maintained or increased their net sales, their total international sales and their sales of products and processes generated by R&D. In the case of the *Strategic Enterprises* component, CED assistance also helped create jobs.

The study conducted by Statistics Canada shows that, for the period from 2002 to 2009, businesses that received CED assistance performed better than comparable businesses that were not supported by CED, specifically in terms of sales growth and survival rate.

Since the quantitative data for the *Competitiveness Poles* and *International Promotion of Regions* subcomponents is fragmentary, it is impossible to assess the extent to which CED's funding contributed to the achievement of the expected outcomes. The three case studies, however, show how NPOs supported by CED and other funding providers make a positive contribution, through their various activities (technology transfers, networking and international promotion), to the development of poles and sectors.

4.3 Demonstration of efficiency and economy

Notwithstanding the limitations identified and the lack of intermediate outcome and cost targets, the financial resources appear to have been used efficiently. Financial assistance was granted to projects that would not have been able to go ahead without CED's support. In addition, the Agency ensures that the nature of the assistance is in line with the enterprises' financial capacity. In terms of human resource management, the introduction of an innovative practice, the Activity Information System (AIS), allows the Agency to monitor the use of human resources in the business offices for financial and non-financial activities. In this regard, certain management aspects could be explored at greater length with a view to identifying potential efficiency gains.

5. Recommendations

1. When developing a program or an initiative, the Agency should clearly document the needs to be met and the expected outcomes so that they can be rigorously measured and evaluated.
2. The Agency should simplify performance measurement and reduce the number of indicators used. In the case of the summative evaluation, the performance analysis was based solely on a small number of the indicators used. The Agency should also develop and implement a performance measurement strategy in order to improve the monitoring of NPO project outcomes.
3. The Agency should establish outcome targets for its new programs. These targets would ensure better reporting of the programs' efficiency and effectiveness, and would meet the requirements of the Treasury Board Policy on Management, Resources and Results Structures.
4. The Agency should pursue, in co-operation with Statistics Canada, the study on the economic impact in order to measure the long-term benefits and determine the net effect of its activities targeting businesses.
5. For its new programs, the Agency should develop an appropriate costing framework that establishes the value of the resources used to obtain an activity, output or outcome. The Agency should also include, in the performance measurement strategies for its new programs, a framework for analyzing efficiency, along with the associated indicators.

Introduction

The following is a summative evaluation report on the *Business and Regional Growth* (BRG) program. Canada Economic Development (hereinafter referred to as “the Agency” or CED) made a commitment to Treasury Board to conduct a summative evaluation of the BRG program. The *Community Diversification* (CD) program was evaluated at the same time.

Pursuant to the *Policy on Evaluation* (2009), the evaluation mandate focused on the issues of relevance, effectiveness, efficiency and economy. The period under review extended from April 1, 2007, to March 31, 2010.

The evaluation framework, which specified the issues, the evaluation questions and the methodology used, was approved by the Departmental Evaluation Committee (DEC). Two presentations on the preliminary findings of the evaluation were made halfway through the process. The report and the action plan were approved in September 2011.

In addition to complying with the requirements of the *Policy on Evaluation*, this evaluation of the BRG program will also serve to support the development and implementation of future Agency programs.

The report has five sections:

- The first section provides a profile of the BRG program and details about its various components.
- The second section describes the evaluation approach, including the evaluation issues addressed and the methodological limitations.
- The third section presents the findings related to the issue of the program’s relevance.
- The fourth section presents the findings related to the issue of the program’s performance.
- The fifth section presents the recommendations and concludes with management’s response to the recommendations through its action plan.

1. General principles and description of the BRG program

1.1 Program context

The mandate of the Agency is to promote the economic development of Quebec's regions, giving special attention to those where economic growth is slow and employment opportunities inadequate, with the long-term goal of increasing prosperity and employment.¹

In order to carry out its mandate, the Agency introduced two new transfer payment programs in April 2007: the *Community Diversification* (CD) and *Business and Regional Growth* (BRG) programs. These two programs are the Agency's main regular programs, and will remain in effect until 2012.²

1.2 Program objectives

The BRG program is CED's preferred tool for enhancing conditions conducive to sustainable growth and the competitive positioning of SMEs and the regions of Quebec. To be competitive, a region or a business must be able to position itself favourably against its competitors. Its competitiveness depends on the extent of its ability to

- produce innovative products and services;
- produce at a lower cost; and
- meet the increasingly stringent requirements of major prime manufacturers and distributors.³

To be competitive, businesses must ideally operate in regions that have assets that enhance their ability to attract and retain businesses (e.g., natural resources, a skilled labour pool, research institutions, an innovative environment, etc.)

Business and regional growth is therefore fostered in two ways: the first focuses on the business itself, the second on its environment.

With a view to enhancing the competitiveness of enterprises, the program supports the

- development of enterprises' strategic capabilities; and the
- development of strategic enterprises.

By targeting the competitive positioning of sectors and regions, the program aims to

- develop and consolidate poles with regional and international reach; and
- promote regions internationally.⁴

1.2.1 Program components and results chain

The *Risk-based Audit Framework and Results-based Management and Accountability Framework* for the BRG program presents the “program theory”⁵ and the results chain for each of the four components.

Component 1	The <i>Development of Enterprises’ Capabilities</i> component ⁶ is based on the program theory that a lack of capabilities is one of the key factors that puts enterprises at a competitive disadvantage. In the case of highly or potentially innovative SMEs, the objective of this component is to foster the enhancement of strategic capabilities in management, innovation, the adoption of cutting-edge technology, market development, and integration into global production chains, and to support organizations dedicated to improving the strategic capabilities of SMEs.
Component 2	The <i>Strategic Enterprises</i> component aims to consolidate the economic bases of the regions by supporting the startup and initial expansion phases of enterprises in economic activities considered strategic in terms of a region’s development.
Component 3	The goal of the <i>Competitiveness Poles</i> ⁷ component is to develop and strengthen poles of regional expansion and poles of competitive excellence with worldwide outreach by strengthening productive links among SMEs and other sectors, including teaching and research institutions, other businesses and major prime manufacturers.
Component 4	The <i>International Promotion of Regions</i> component aims to promote a region’s assets in order to attract foreign investors. The objective of this component is to make regions more competitive internationally through the integrated promotion of positive localisation factors in order to attract foreign direct investment and promote reinvestment by foreign companies established in Quebec. This component also focuses on attracting new international organizations.

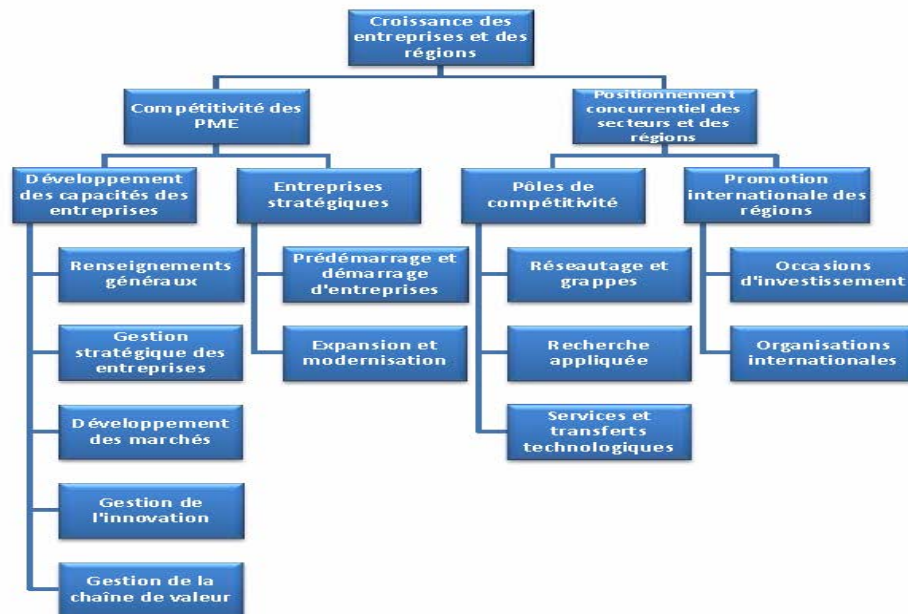
Table 1 on the following page presents the results chain for the BRG program, including the outputs, the immediate, intermediate and ultimate outcomes, and the strategic outcome.

Table 1 Results chain for the Business and Regional Growth program

BUSINESS AND REGIONAL GROWTH PROGRAM			
Strategic Outcome			
Conditions conducive to sustainable growth and the competitive positioning of SMEs and regions			
COMPETITIVENESS OF SMEs		COMPETITIVE POSITIONING OF SECTORS AND REGIONS	
Ultimate Outcomes			
Enterprises are highly effective and competitive.		Competitive regions and poles help enhance Canada's competitive positioning.	
Intermediate Outcomes			
Development of Enterprises' Capabilities	Strategic Enterprises	Competitiveness Poles	International Promotion of Regions
Funded enterprises use their strategic capabilities. Products and services resulting from R&D are marketed.	New enterprises and investments consolidate regional economic bases.	Competitiveness Poles are developed and consolidated. Clusters and networks of enterprises from the same sector/region are better structured. The innovation marketing process generates medium- and long-term social and economic spinoff.	Competitive regions attract foreign direct investment and international organizations. The locational factors of Quebec regions are recognized.
Immediate Outcomes			
Strategic management of enterprises - Entrepreneurs are equipped to make the best decisions about the future of their enterprises. Market development - Enterprises are committed to improving their market development capabilities. - Enterprises have better market development capabilities and opportunities, which helps them increase their international sales. - Enterprises have a market development service offering, which helps increase their international sales. Innovation management - Innovative enterprises are engaged in a process of enhancing their R&D and innovation capabilities. - Innovative enterprises increase and commercialize their in-house R&D and product/process innovation activities. - Enterprises have an innovation management service offering, which results in the adoption or commercialization of new products and processes. Value chain management - Enterprises are in the process of enhancing the management of their production (including productivity), supply, and distribution logistics. - Enterprises are improving their value chain management and increasing productivity (and sales) through the adoption of technology and new processes or the acquisition of new equipment. - Enterprises have a value chain management service offering, which ensures greater operational efficiency, including higher productivity. Pre-startup and startup of innovative enterprises - Innovative enterprises are established. Expansion and modernization - The investments have a major impact on job creation and the sales of enterprises receiving assistance.		Networking and clusters - Enterprises and other organizations from the same sector/region are part of a network and implement a shared development plan. - Through their participation in networks and clusters, enterprises are integrated into sectoral or regional supply chains, and thus improve their performance. Applied research - Applied research conducted in conjunction with enterprises is intensified. - Research findings are transferred to enterprises. Services and technology transfers - Services and technology transfers meet the needs of enterprises.	
		Investment opportunities - Plans are developed and implemented to enhance locational factors, in conjunction with partners from Quebec and Canada, in order to attract foreign direct investment. International organizations - Plans are developed and implemented to promote locational factors, in conjunction with partners from Quebec and Canada. - International organizations are attracted to Quebec and set up business in the province.	

1.2.2 Link to the Program Activity Architecture

The activities carried out under the transfer payments program are grouped under two Program Activity Architecture (PAA) program activities and four program sub-activities (PSAs) (see the diagram below). The *Competitiveness of SMEs* program activity includes the *Development of Enterprises' Capabilities* and *Strategic Enterprises* sub-activities, and the *Competitive positioning of sectors and regions* program activity includes the *Competitive Poles* and *International Promotion of Regions* sub-activities.⁸ The BRG program is the Agency's only transfer payments program that is in line with these two program activities.



Traduction : Business and Regional Growth / Competitiveness of SMEs / Competitive positioning of sectors and regions / Development of Enterprises' Capabilities / Strategic Enterprises / Competitive Poles / International Promotion of Regions / General information / Strategic management of enterprises / Market development / Innovation management / Value chain management / Pre-startup and startup of innovative enterprises / Expansion and modernization / Networking and clusters / Applied research / Services and technology transfers / Investment opportunities / International organizations

1.3 Eligible recipients

The goal of the BRG program is to enhance conditions conducive to sustainable growth and the competitive positioning of SMEs and the regions of Quebec. To do so, the BRG program targets small and medium-sized enterprises (SMEs) with 500 employees or less, SME groups and associations, non-profit organizations (NPOs) whose principal mission is to support businesses and economic development, and organizations and institutions dedicated to promoting and disseminating knowledge and know-how, including universities and other educational institutions.

1.4 Human and financial resources allocated to the program

Table 2 lists the human and financial resources earmarked for the implementation of the BRG program, by fiscal year.

Table 2 Human and financial resources set aside for the BRG program

(in thousands of dollars)	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	Total
– FTEs*						148
– Contributions	\$91,601	\$91,893	\$91,893	\$91,893	\$91,893	\$459,173
– Grants	\$720	\$720	\$720	\$720	\$720	\$3,600
Total	\$92,321	\$92,613	\$92,613	\$92,613	\$92,613	\$462,773

The FTEs (full-time equivalents) in this table are divided among the business offices and Head Office.

Source: CED, *Risk-based Audit Framework and Results-based Management and Accountability Framework*, Grants and Contribution Program, Business and Regional Growth, August 2007.

1.5 Program implementation context

When delivering its programs, the Agency adjusts its activities based on the needs of each region. As a result, each of the Agency's 14 business offices has to develop business plans tailored to the needs of their community. It is also the business offices that meet with proponents and process and analyze applications for financial assistance, which are then submitted to Head Office for approval by the Minister. Various branches oversee the operational coherence of the programs by setting up coordination, planning and monitoring processes and providing program managers with the tools they need to ensure the coherent delivery of the program.

A number of economic and organizational factors have had an impact on the implementation of the BRG program. When the program was originally designed, terms and conditions and general objectives were defined to make it possible to address regional economic development issues and opportunities.⁹ During the course of the program's implementation, guidelines, internal tools and priorities have been established to provide a framework for the program's operations.

- During the period from 2007–2008 to 2009–2010, the Agency established various priorities in its Reports on Plans and Priorities (e.g., improving the performance of innovative and competitive SMEs in key sectors).¹⁰
- Further to the implementation of departmental initiatives, the scope of the Agency's activities focused on certain areas (7/21 areas¹¹).¹²
- CED streamlined its activities targeting NPOs by approving and implementing an operational directive on financial assistance for this type of proponent (November 2007).¹³

- In 2009, in order to minimize the impact of the economic slowdown over the short term, CED broadened the activities and eligible costs of its regular programs (BRG and CD), thus helping to create and maintain jobs.¹⁴

1.5.1. Overview of financial assistance

Between April 1, 2007, and March 31, 2010, the Agency supported 696 BRG program projects, for a total of almost \$232 million in authorized financial assistance. The majority of the program recipients were SMEs (80.9% of projects); the rest were NPOs (19.1% of projects).

Table 3 shows the number of projects and the financial assistance provided under each program component and subcomponent, for the three fiscal years covered by the evaluation.

Table 3 Breakdown of projects and financial assistance by fiscal year and BRG program component

Program sub-activity (PSA)	2007–2008		2008–2009		2009–2010		Total	
	n	\$	n	\$	n	\$	n	\$
Development of Enterprises' Capabilities	155	26,955,442	184	49,590,511	204	59,435,979	543	135,981,932
Strategic Enterprises	25	15,715,529	29	10,267,697	29	15,968,657	83	41,951,883
Competitiveness Poles	13	4,510,980	22	11,868,755	28	31,224,301	63	47,604,036
International Promotion of Regions	1	60,000	3	5,676,151	3	716,750	7	6,452,901
Total	194	47,241,951	238	77,403,114	264	107,345,687	696	231,990,752

Source: Hermès system database - Authorized BRG program projects from April 1, 2007, to March 31, 2010.

1.5.2. Overview of non-financial activities

Business office employees enter the hours they spend on various activities in the Activity Information System (AIS). There are six development activity categories defined in the Agency's *Program Management Manual*¹⁵:

1. Coaching services for clients (NPOs and enterprises)
2. General information services
3. Coaching services for potential clients
4. Geographical development
5. Industry sector development
6. Promotion/representation

Table 4 shows the number of hours spent on non-financial or development activities during the period from November 2008 to October 2010. The data are limited to the business offices. Because of the flexibility of business office personnel, these data apply to all Agency activities (all programs combined). Non-financial (or development) activities accounted for approximately 11% of the hours worked at the business offices (see section 4.3.2). These various activities are conducted with a view to undertaking funding activities with new clients for the benefit of the regions. For example, geographical development activities include all the different economic facilitation activities targeting mobilization or

co-operation associated with the launch, development or implementation of strategies or projects in a targeted area. Once completed, these activities may lead to financial assistance projects (for example, a project involving financial assistance for an NPO to support community mobilization).

Table 4 Breakdown of paid hours by category of development activity

Type of development activity	Nov. 2008 to Oct. 2010 (Hours)	% of Total Development Activities
Coaching services for clients	5,893	11.7
- Coaching for NPOs	3,042	6.0
- Coaching for enterprises	2,851	5.6
General information services	10,417	20.6
Coaching services for potential clients	12,534	24.8
Geographical development	5,578	11.0
Industry sector development	8,670	17.1
Promotion/representation	7,462	14.8
TOTAL	50,554	100.0

Source: Activity Information System (AIS)

2. Evaluation strategy

2.1. Evaluation mandate

When the CD and BRG programs were designed, the Agency pledged to conduct both a formative¹⁶ and a summative evaluation of these programs. In addition to meeting the requirements of the *Policy on Evaluation*, the evaluation of the BRG program will also serve to support the development of future Agency programs.¹⁷

During the planning of this evaluation, some 10 or so interviews were held with Agency directors and analysts to identify concerns and information needs with respect to the BRG program. A number of information needs were identified, including the need to

- use the evaluation findings and analyses to support the Agency's next strategic framework and the renewal of its programs;
- take into consideration both the financial and non-financial activities of CED; and
- examine the relevance and effectiveness of activities in areas experiencing slow economic growth (7/21 areas).

In order to incorporate these needs, the wording of the issues prescribed by the *Directive on the Evaluation Function*¹⁸ was adjusted to meet Treasury Board requirements and the Agency's needs (see Table 5).

Finally, the evaluation process was divided up into three sections, each of which is linked to the issues addressed in the evaluation: 1) relevance; 2) effectiveness; and 3) efficiency and economy.

Table 5 BRG program evaluation issues

ISSUE: RELEVANCE	
Continued need for the program	
1(a) Did the activities meet the needs?	
1(b) Have needs changed or are there are other needs that could be met through this program?	
1(c) Is there still a need for the <i>Business and Regional Growth</i> program?	
Alignment with government priorities	
2. Are the objectives and expected outcomes of the BRG program in line with the government's current priorities?	
Alignment with federal roles and responsibilities	
3. Is support for business and regional growth in line with the federal government's roles and responsibilities?	
ISSUE: PERFORMANCE (EFFECTIVENESS, EFFICIENCY AND ECONOMY)	
Achievement of expected outcomes (Effectiveness)	
4. What are the key immediate outcomes achieved by the <i>Business and Regional Growth</i> program?	
5. To what extent has the <i>Business and Regional Growth</i> program contributed to the achievement of the two expected intermediate outcomes?	
6. Has the <i>Business and Regional Growth</i> program had any unexpected positive or negative effects?	
Demonstration of efficiency and economy	
7. To what extent does the Agency make efficient use of its human and financial resources allocated to the <i>Business and Regional Growth</i> program?	
8. Could the same results be achieved through other means at a lesser cost?	

2.2. Methodology

To ensure that the evaluation questions were appropriately addressed, a variety of data collection methods and information sources were used. In accordance with the *Standard on Evaluation for the Government of Canada*,¹⁹ the Evaluation Directorate also used various quantitative and qualitative methods, including

- a review of the key Government of Canada priority documents, socio-economic analyses and studies pertaining to economic issues;
- an analysis of administrative and performance data taken from the Hermès management system (hereinafter referred to as the Hermès system) and the AIS, which is used to compile time spent by business office employees on various projects and activities;
- three focus groups, held in three regions of Quebec and attended by some 20 heads of enterprises that had received financial assistance from the Agency;
- five NPO case studies;
- an analysis of secondary data, i.e., data from the Agency's 2009–2010 Annual Survey, the primary purpose of which is to gauge client satisfaction with the quality of the Agency's services, as well as data from a benchmarking study on regional development organizations and programs; and
- a quasi-experimental study, conducted by Statistics Canada, comparing businesses funded by CED with a group of similar businesses that did not receive Agency funding.

2.3. Scope and limitations of the evaluation

When the evaluation strategy was being developed, various measures were taken into consideration to ensure that the data provided would be as credible and as accurate as possible. This section describes the principal limitations of the evaluation.

2.3.1. Reference period and coverage of the evaluation

During the reference period—April 1, 2007, to March 31, 2010—there were very few “mature” projects. The reference period corresponds to the first three fiscal years of the *Business and Regional Growth* program, and few of the BRG program projects approved in 2007–2008 and 2008–2009 had been completed. The evaluation of the effectiveness of the BRG program is therefore limited in scope.

Furthermore, AIS data is based on self-declaration by staff members of the time spent on various activities over a different period (November 2008 to October 2010) than the ones used for authorized projects.

2.3.2. Limitations with respect to NPO project performance monitoring

The performance measurement strategy²⁰ is based on the monitoring of project outcome data observable during the course of the project or over the two years following completion of the project. To ensure their credibility and uniformity, the data must come from reliable sources. For example, data regarding the monitoring of businesses' financial results (such as net sales) should come from the businesses' financial statements. In the case of project performance monitoring for NPOs, and particularly organizations that provide services for businesses, the principal sources of data should be the organizations' annual reports or the expected project deliverables (e.g., the copy of studies or plans carried out).

Unlike projects carried out by SMEs, where the outcomes can be extracted from financial statements (e.g., net sales variance), NPO project outcomes must be observed among the NPO's own clients, which makes it more difficult for the Agency to ensure longer-term performance monitoring, given that not many organizations have the capacity to monitor the organizations for which they provide services.

The Agency had planned to conduct a study among enterprises that had received services from NPOs in order to measure the achievement of intermediate outcomes; however, for various reasons, including logistical reasons, the study could not be carried out.

As a result, the available data on NPO performance pertain primarily to the immediate outcomes achieved by the enterprises receiving support (e.g., the number of businesses supported, the number of market development or technology transfer activities, etc.) and not on the intermediate outcomes targeted by CED (e.g., the variance in net sales). Hence, in the case of NPO projects (133 of the 696 projects), performance monitoring does not allow for a comprehensive evaluation of effectiveness.

To overcome this limitation, five case studies were conducted involving NPOs carrying out projects under various components: market development, pre-startup and startup of innovative enterprises, services and technology transfers, networking and clusters, and the International Promotion of Regions. Given the qualitative approach, it is impossible to generalize and to apply the specific outcomes to all projects. These case studies do, however, illustrate the nature of the outcomes achieved by a number of businesses (from 3 to 6 recipients, as applicable) that received services from these organizations.

Case studies – Description of the NPOs

- **Market development:** *Développement Économique Longueuil Export* (DEL Export) was granted \$560,000 in financial assistance (April 1, 2008, to March 31, 2012). DEL Export acts as a regional export promotion organization (ORPEX) in Longueuil. By assisting businesses in preparing for market development and obtaining funding for their export activities, DEL Export helps fast-track the preparation of export-related projects. Services obtained by businesses include awareness activities, training, referrals and support in seeking financing.
- **Pre-startup and startup of innovative enterprises:** The *Centre québécois d'innovation en biotechnologie* (CQIB) [Quebec biotechnology innovation centre], which specializes in nurturing life science and health technology startups, was granted \$1.1 million in funding (June 1, 2008, to March 31, 2011). The CQIB provides researchers/entrepreneurs with business coaching services, laboratories and scientific equipment to help them start up new enterprises.
- **Services and technology transfers:** The Marine Biotechnology Research Centre (MBRC) received a total of \$3,253,000 (October 1, 2008, to March 31, 2011) to support the operation and acquisition of specialized complementary equipment. The MBRC's mission is to support the growth of the marine biotechnology sector through research, development and the transfer of innovation.
- **Networking and clusters:** Quebec International (QI) received \$1.9 million in funding from CED (January 1, 2008, to March 31, 2010) to assist in the development of enterprises in the Quebec City region. The project aims to provide leadership for the applied technology, life sciences and manufacturing sectors, enhance the productivity of manufacturing SMEs and foster their integration into value chains, support the international marketing of SMEs, and seek investments from foreign companies.
- **International Promotion of Regions:** Montréal International (MI) was granted a total of \$4.3 million in financial assistance (February 16, 2008, to March 31, 2010) to assist in the economic development of Greater Montreal and enhance its international reach. MI's mission is to contribute to the economic development of Greater Montreal by attracting, retaining and supporting foreign direct investment, international organizations and qualified foreign workers. MI receives funding from some 100 or so private and public sector organizations, including the governments of Canada and Quebec, the Montreal Urban Community and the City of Montreal.

2.3.3. Limitations with respect to efficiency and economy

This section of the report outlines a number of major limitations.

First of all, the Treasury Board Secretariat has not issued any guidelines regarding the evaluation of the efficiency and economy of government programs, and there are no examples of program evaluations that include an in-depth quantitative analysis of efficiency and economy.

Secondly, the Agency does not have all the data on the human resources used to carry out the various activities required for the delivery of its programs. AIS data are based on self-declaration by the staff members involved, and pertain solely to the time spent by the business offices; they do not include time spent by other directorates and internal services. In addition, not all of the available data can be broken down by program. Consequently, the analysis of efficiency and economy is the same for the CD and BRG programs.

Thirdly, there are no cost targets and there are no available data that allow for a comparison with other departments. The outcomes of the two programs were therefore used for mutual benchmarking.

2.4. Evaluation monitoring committee

For the purpose of the summative evaluations of the CD and BRG programs, a monitoring committee was set up, with a mandate to

- comment on the various documents produced (evaluation frameworks, data collection tools, communication strategy, interim reports and the final report);
- support the evaluation team in terms of taking into consideration the context surrounding the programs' development and implementation, and the results obtained; and
- provide advice and guidance during all steps of the evaluation process with a view to maximizing the usefulness of the evaluations for CED.

This committee, chaired by the Director General of the Departmental Performance Branch, was made up of management representatives from the various sectors of the Agency (the Operations, and Policy and Planning sectors and the Communications Branch).

On a number of occasions, the committee members were asked to comment on the evaluation frameworks, the choice of case studies and the sites for the focus groups, and the interim and final reports.

3. Findings regarding the relevance of the BRG program

3.1 Continued need for the program

Summary

3.1.3 Did the activities meet the needs?

The financial and non-financial activities met the funding and coaching needs of the various BRG program recipients.

- The majority of the proponents, from all regions of Quebec, needed BRG program funding to be able to carry out their projects.
- The coaching and support services provided by CED advisors also met their needs in terms of coaching and general information.
- CED priorities are tailored to each region's potential and specific challenges. Program funding is heavily focused on SMEs in the manufacturing sector, a sector that is subject to competition from emerging countries.

3.1.2 Have the needs changed or are there other needs that could be met through the BRG program?

Faced with a changing environment, businesses need to develop their strategic capabilities and NPOs must continually adjust their business models.

3.1.3 Is there still a need for the *Business and Regional Growth* program?

The purpose of the program, namely to enhance conditions conducive to sustainable growth and the competitive positioning of SMEs and the regions, is still relevant.

- The conditions that were in place when the program was created still exist; in fact, some of them have even worsened.
- The components of the BRG program address numerous widespread and complex competitiveness issues that will be ongoing over the long term in all regions of Quebec. SMEs still need assistance.

3.1.1 Did the activities meet the needs?

The financial and non-financial activities met the funding and coaching needs of the various BRG program recipients.

Alignment with recipients' needs

For the majority of the projects supported, BRG program funding was necessary for the project to be able to go ahead.

- Over three quarters of the survey respondents said they would have been unable to go ahead with their projects without BRG program funding.

Through the financial assistance provided, the BRG program supports projects targeting enterprise competitiveness or the competitive positioning of sectors and regions that would not otherwise have

been able to get off the ground, or that would have been carried out on a different scale or within a much longer time frame. Table 6 compares the survey findings for other programs, including the CD program.

Table 6 Answers to the Annual Survey question: “Without CED financial assistance, would it have been possible for you to carry out your activities or start your project?”

Projects approved	Number of Respondents	Yes (%)	No (%)	Don't Know (%)
CD program	223	12.1	85.7	2.2
BRG program	231	22.5	76.6	0.9
Other programs	160	11.9	86.9	1.3
Total	614	16.0	82.6	1.5

Source: 2009–2010 Annual Survey

Information obtained from SME managers during the focus group sessions corroborates the annual survey findings. A number of participants indicated that they would have been unable to carry out their projects without CED assistance, at least not within the same time frame or on the same scale.

The following was also noted in the Annual Survey with respect to non-financial assistance:

- Non-financial services received can be broken down into referral services, general information and technical assistance. Slight differences were observed by program, specifically as concerns technical assistance, which was more frequently used by CD program respondents (Table 7).

Table 7 Breakdown of respondents by type of non-financial service received* and by program

Program	N	Referrals	General Information	Technical Assistance	No Services	Total
<i>Community Diversification</i>	96	13.6%	16.9%	33.9%	35.6%	100.0
<i>Business and Regional Growth</i>	146	19.6%	21.4%	19.0%	39.9%	100.0

Source: 2009–2010 Annual Survey

* More than one answer possible

Recipients of non-financial services were asked how the services they received helped them. From the selection of proposed answers, the following three answers were the most cited (60% or higher) by BRG program respondents:

- Submit an application for CED financial assistance (67.1%)
- Have a better understanding of federal programs and services (65.8%)
- Reinforce their skills/abilities for carrying out their project (63.3%)

Table 8 Breakdown of respondents by contribution of non-financial services and by program

Did the services obtained help you ²	CD (N=57) ¹		BRG (N=79) ¹	
	N	%	N	%
1. Submit an application for CED financial assistance?	43	75.4	53	67.1
2. Submit a funding application to another organization?	21	36.8	19	24.1
3. Have a better understanding of federal programs and services?	37	64.9	52	65.8
4. Reinforce your skills/abilities for carrying out your project?	41	71.9	50	63.3
5. Guide your business strategy or obtain other strategic advice?	36	63.2	39	49.4
6. Achieve the expected outcomes in the contribution agreement (Appendix E)?	45	78.9	48	60.8

Source: 2009–2010 Annual Survey

1. Only respondents who declared having received non-financial services.
2. More than one answer possible. SME respondents only.

Finally, the majority of the focus group participants stated that the coaching and support services provided by CED advisors had met their needs during the preparation of their funding applications:

- Coaching service during the preparation of funding applications: [Translation] *“The advisor’s work is vital, given the many details involved in building a file (the advisor clearly explained what was needed and offered assistance, follow-up, etc.).”*
- Referrals to other resources (e.g., funding partners, marketing delegates/specialists). [Translation] *“The advisor is considered to be a key development officer, providing assistance with networking and the establishment of contacts with other stakeholders in the field. He or she is also familiar with (provincial) programs.”*

Consistency between resource allocation and the Agency’s action priorities

The Agency’s activities are also in line with its priorities and its mission.

During the reference period, the Agency established a program priority, namely to enhance the performance of innovative and competitive SMEs in key sectors. The Agency decided to focus on this priority in order to better respond to government priorities and to address the socio-economic challenges facing the regions. The implementation of this priority has resulted in activities in the areas of

- market development; and
- the strengthening of enterprises’ strategic capabilities (innovation management, value chain management and the pre-startup and startup of innovative enterprises).

The analysis of the Agency’s activities presented in Table 9 shows that over two thirds (66.8%) of authorized financial assistance under the BRG program was allocated to the Agency’s priority items.

Table 9 Breakdown of BRG program projects and authorized financial assistance by Agency priority items

	N	%	M (\$)	%
Priority item	618	88.8	155.2	66.8
- Strategic management of enterprises	11	1.6	3.7	1.6
- Market development	193	27.7	46.2	19.9
- Innovation management	140	20.1	32.3	13.9
- Value chain management	199	28.6	53.7	23.1
- Pre-startup and startup of innovative enterprises	75	10.8	19.3	8.3
Other projects	78	11.2	76,6	33,2
TOTAL	696	100.0	231.9	100.0

Source: Hermès system database - Authorized BRG program projects from April 1, 2007, to March 31, 2010.

The BRG program also funds activities in the 7/21 areas and is therefore in line with CED's mission, which is *"to promote the long-term economic development of Quebec's regions by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate."*

Table 10 provides a breakdown of funding by type of area. Approximately 36% of authorized BRG program funding was allocated to projects carried out in the 7/21 areas. It should be remembered that these areas account for roughly 21% of Quebec's population. Most of this assistance was concentrated on three components: *Development of Enterprises' Capabilities* (\$42.8 million), *Competitiveness Poles* (\$24.1 million) and *Strategic Enterprises* (\$16.3 million).

Table 10 Breakdown of BRG program projects and authorized financial assistance by type of area

Component	Type of Area	N	%	CED Assistance (Million \$)	%
Development of Enterprises' Capabilities	7/21	174	25.0	42.8	18.5
	Non-7/21	369	53.0	93.1	40.2
	Total	543	78.0	135.9	58.6
Strategic Enterprises	7/21	24	3.4	16.3	7.0
	Non-7/21	59	8.5	25.6	11.1
	Total	83	11.9	41.9	18.1
Competitiveness Poles	7/21	37	5.3	24.1	10.4
	Non-7/21	26	3.7	23.5	10.1
	Total	63	9.1	47.6	20.5
International Promotion of Regions	Non-7/21	7	1.0	6.4	2.8
	Total	7	1.0	6.4	2.8
Total	7/21	235	33.8	83.2	35.9
	Non-7/21 Projects	461	66.2	148.7	64.1
	TOTAL	696	100.0	231.9	100.0

Source: Hermès system database - Authorized BRG program projects from April 1, 2007, to March 31, 2010.

3.1.2 Have the needs changed or are their other needs that could be met through the BRG program?

Faced with a changing environment, businesses need to develop their strategic capabilities and NPOs must continually adjust their business models.

From the viewpoint of the recipients who participated in the three focus groups (business owners or managers), needs have indeed changed and new needs have emerged. The various needs have been grouped together under three broad themes (Table 11). According to the SME managers interviewed, in order to ensure that their enterprises remain competitive, they need to develop their strategic capabilities and be able to recruit and retain qualified workers. The following list presents the enterprises' needs (or the obstacles they are up against), even though some of these needs, notably those in the human resources category, are outside the Agency's scope.

Key needs identified by the focus group participants

Competitiveness / macro-economic issues
<ul style="list-style-type: none"> - Remain competitive in a highly competitive world where the cost squeeze is huge. - Pursue the exploration of new markets and market niches so as to stay ahead of the competition. - Constant R&D needs in order to compete. - Foreign currency fluctuations are making the situation increasingly difficult (risk of losing contracts).
Development of strategic capabilities
<ul style="list-style-type: none"> - Pursue their foreign marketing activities / increase clientele to avoid being dependent on one major client. - Develop new products / acquire new equipment. - Funding requirements to manage the growth of their enterprise (machinery purchases, hiring).
Human resources
<ul style="list-style-type: none"> - Shortage of qualified or specialized workers / problems finding specialized workers in the region. - Difficult to keep knowledge in the company as researchers age and retire. - Need to raise public awareness of the fact that there are high-quality jobs available in the region (in order to attract qualified workers).

A few observations can be drawn from the analysis of the case studies. First of all, it is clear that the economic situation has an impact on future needs.

- Faced with a changing environment, NPOs need to continually adjust their business models. For example, in terms of market development, globalization has a direct impact on Quebec companies. These companies need to diversify their export markets and target other markets besides the US. However, access to some of these markets, especially markets in emerging countries, may be much more complex, and adjustments to the service offer may be required.
- In addition to globalization and the increased competition that ensues, enterprises' access to funding, following the recession, is another factor that affects certain industry sectors covered by the NPOs being evaluated.
- Finally, the level of international competition is very high with respect to foreign direct investment. As a result, strategies and service offers need to be continually adjusted to attract or retain foreign direct investment and major international organizations.

3.1.3 Is there still a need for the Business and Regional Growth program?

The purpose of the program, namely to enhance conditions conducive to sustainable growth and the competitive positioning of SMEs and the regions, is still relevant. The components of the BRG program address numerous widespread and complex competitiveness issues that will be ongoing over the long term in all regions of Quebec. SMEs still need assistance.

Economic situation

Recent statistics collected by Industry Canada show the importance of SMEs to the economies of Canada and Quebec.

- In 2010, there were 2.4 million SMEs in Canada (496,463 in Quebec), accounting for almost 6.8 million employees. Approximately 5 million people, or 48% of the overall private sector workforce, were employed in small enterprises (those with fewer than 100 employees). In Quebec, in 2009, small enterprises accounted for 30% of the province's GDP.²¹

A few more observations can be drawn from Table 12:

- The labour market is still volatile. After falling to an all-time low of 6.8% in January 2008, the unemployment rate inched up to 8.4% in December 2009. In 2010, Quebec's average annual unemployment rate stood at 7.9%. Most of the job losses during the recession were in the manufacturing sector (-20,000 jobs). The employment rate dropped from 61.0% in 2007 to 59.7% in 2009, the same level as that recorded in 2002.
- Although Quebecers' standard of living (disposable income) rose from \$31,008 in 2006 to \$33,603 in 2009, it is still below the Canadian average (\$36,429 in 2009).
- GDP was up in 2010, after taking a sharp dive in 2008 and posting a negative outcome (-0.4%) in 2009, when it dropped by \$1.16 billion.

Table 12 Changes in Quebec's key economic indicators (2006–2009)

Economic Indicators ¹	Before the Implementation of the BRG Program	After the Implementation of the BRG Program
Unemployment rate (population 15 and older)	7.2% (2007)	8.5% (2009)
Employment rate (population 15 and older)	61.0% (2007)	59.7% (2009)
Per capita income	\$31,008 (2006)	\$33,603 (2009)
Change in GDP	5.8% (2007/2006)	-0.4% (2009/2008)

1. Source: *Institut de la statistique du Québec*

Short- and long-term issues

The Quebec economy is facing various short- and long term issues that have an impact on the four program components, namely

- Development of Enterprises' Capabilities (subcomponents: market development, innovation management and value chain management, including productivity);
- Strategic Enterprises;

- Competitiveness Poles; and the
- International Promotion of Regions.

CAD Dollar	<ul style="list-style-type: none"> • The volatility of the Canadian dollar makes it difficult to plan investments and has reduced the competitiveness of Quebec's manufacturing sector. • The strength of the dollar also affects exports. The value of exports was down in 2009 (-7.8%). Exports also have a major impact on employment. Over 1.1 million jobs were directly or indirectly linked to goods and services exports (2007). Exports are still highly dependent on the US market.
Funding Issues	<ul style="list-style-type: none"> • Access to funding, a decisive factor for enterprise creation and expansion, is more difficult because of the tightening of credit conditions.²² A Business Development Bank of Canada (BDC) survey corroborates this finding. In fact, the Quebec SMEs contacted in this study identified access to funding as one of the main obstacles to making investments²³ and their ability to innovate.²⁴ • Recognized for their job creation potential, SMEs are facing challenges with respect to investment in R&D, the recruiting of experts and talented individuals and their ability to market and export products and services.
Competitiveness Issues	<ul style="list-style-type: none"> • Productivity growth in Canada has been declining, particularly relative to that of the US, and Canada continues to lag behind in relation to its main competitors²⁵ Productivity in Quebec is lower than the Canadian average. Enhancing business productivity—and SME productivity in particular—is a key issue for the Quebec economy. • Industry sectors and regional economies are also facing a number of different challenges and issues. The manufacturing sector (19% of Quebec's GDP in 2006), which accounts for 90% of exported products, is directly threatened by competition from emerging countries. Certain sectors, such as the forestry industry, are experiencing competitiveness problems, while some regional economies are heavily dependent on declining industries. • In relation to the rest of Canada, Quebec SMEs are lagging behind in terms of innovation commercialization.²⁶ This gap highlights the constant need to consolidate innovation and commercialization capabilities in general and, consequently, the need to consolidate growth poles. In this respect, recent research pertaining to innovation points to the importance of working with the various key players in the innovation system, namely knowledge institutions, enterprises, enterprise incubators and organizations that provide technology transfer services. Clusters and networks contribute to knowledge sharing (this is referred to as "open innovation"²⁷). SMEs benefit from these exchanges—both in terms of knowledge and the transfer of new technologies—which allow them to develop specific competencies and enhance their production methods and, ultimately, their performance. • Finally, competition to attract new foreign direct investment or encourage reinvestment by foreign companies is becoming increasingly fierce. Foreign investment is seen as a source of development and prosperity. OECD (Organisation for Economic Co-operation and Development) studies conclude that, at the international level, foreign investment is generally beneficial. It fosters technology transfers, exports and enhanced productivity and leads to increases in wages and employment. Even though the vitality of local enterprises and entrepreneurs remains the main source of economic growth in a city or a region, the ability to attract investors from outside the region is a vital development component.

The main socio-economic conditions that were in place when the program was created still exist and, in some cases, have even worsened (see Table 13). The globalization of markets and competitive pressure from emerging economies are exacerbating issues relating to productivity, innovation, market development, the startup of new enterprises or the expansion of existing enterprises, and the ability of businesses to attract foreign direct investment.

Table 13 summarizes changes to the key issues associated with each of the BRG program components.

Table 13 Continuation and evolution of socio-economic issues

The issues identified in 2007	are still present	and have evolved.
Market development	The economy is increasingly open and globalized.	Diversification of markets besides the US.
Innovation	Key competitiveness factor.	Innovation commercialization. All types of innovation are considered.
Productivity	Under-investment in machinery, equipment and technology. Business models need to be modernized. Integration into global value chains.	Productivity gap between Quebec and Canada is still present.
Entrepreneurship	The rate of entrepreneurship is on the decline.	Credit crunch. Next generation of entrepreneurs is insufficient; scarcity in some regions.
Foreign direct investment (FDI)	Proportionately, Quebec attracts little foreign investment.	Increased competition. Issues of attraction and retention.

As concerns the Agency's activities, five case studies were carried out by an external firm. These case studies of organizations that had received Agency funding allowed for a better documentation of the continued need for each activity component. The continued need for each component was documented for each player interviewed.

3.2. Alignment with government priorities

Summary

To what extent are the objectives and expected outcomes of the *Business and Regional Growth* program still in line with the government’s current priorities?

- Based on an analysis of the most recent priority documents, including the latest Speech from the Throne and the 2011 Budget, it can be concluded that, in general, the two components of the BRG program are in line with government priorities pertaining to employment and growth.
- The review of the most recent Government of Canada priority documents reveals that, in terms of economic development, the government’s priority is to foster growth and prosperity in the economy of tomorrow. This includes focusing on innovation.

Based on an analysis of the most recent priority documents, including the latest Speech from the Throne and the 2011 Budget, it can be concluded that, in general, the two components of the BRG program are in line with government priorities pertaining to employment and growth.

3.2.1 Competitiveness of SMEs: Development of Enterprises’ Capabilities and Strategic Enterprises

As has already been mentioned, the goal of the first component of the BRG program—*Development of Enterprises’ Capabilities*—is to foster the increase or enhancement of management capabilities, in particular those that target innovation, market development and integration into global production chains. This component also helps support organizations that provide services aimed at enhancing SMEs’ management capabilities. The goal of the second program component, *Strategic Enterprises*, is to help new businesses and investments consolidate the economic bases of the regions. These two program components contribute to the *Enterprises are competitive* final outcome.

Ever since the implementation of the BRG program, economic competitiveness has been a recurring theme in the various priority statements. Already in 2006, the *Advantage Canada* economic strategy set out the role the government was expected to play in creating the ground rules for competition in Canada, in order to “drive and foster innovation, investment and efficiency that grow productivity and competitiveness.”²⁸ In successive budgets, the government expressed its commitment to “remove unnecessary, job-killing regulation and barriers to growth.”²⁹ The government also pledged to invest in enterprise competitiveness through R&D and an SME Innovation Commercialization Program.³⁰ In the 2011 *Speech from the Throne*, the government stated that it would continue to look for “ways to support innovation while ensuring that federal investment in research and development is effective and maximizes results for Canadians.”³¹ The 2011 *Budget Plan* states that “to create high-value jobs, Canadian businesses need to invest in promising ideas and innovations that move new products and services into the market.”³²

The objectives of these two program components and the *Enterprises are competitive* outcome remain priorities, as is confirmed in the *Speech from the Throne* (June 2011), in which the government states that “jobs and growth remain our top priority.”³³

3.2.2 Competitive positioning of sectors and regions: Competitiveness Poles and the International Promotion of Regions

Another of the government's priorities is to help ensure that the regions of Quebec can "fully participate in the economy of tomorrow."³⁴ This is in line with the objectives of the *Competitiveness Poles* and *International Promotion of Regions* components.

The objective of the *Competitiveness Poles* component is to develop and consolidate these networks by intensifying links among innovation players. In its 2010 *Budget Speech*, the government pledged to promote the creation of "clusters of great new jobs on the frontiers of knowledge."³⁵

The *International Promotion of Regions* component has been a government priority for several years. The 2006 *Advantage Canada* report states that "foreign direct investment [in Canada] provides additional capital to fuel [Canadian] firms' growth"³⁶ and the 2008 Budget Speech comes to the same conclusion, noting that "steps must be taken to encourage investment and sharpen our competitive edge."³⁷ This priority is still relevant. In its 2010 Budget Plan, the government stressed the importance of foreign direct investment for the competitiveness of SMEs.³⁸ Finally, in the 2011 *Speech from the Throne*, the government states that it "understands the importance of attracting foreign investment to our economy" and "will continue to welcome foreign investment that benefits Canada."³⁹

Table 14 summarizes the findings of the literature review as concerns the alignment of BRG program components with government priorities.

Table 14 Summary of the alignment of BRG program components with government priorities

	Advantage Canada (2006)	Speech from the Throne	Budget Speech	Budget Plan
Competitiveness of enterprises				
Enterprises' strategic capabilities	Mention	Mention (2008, 2010, 2011)	Mention (2008, 2010)	Mention (2010, 2011)
Strategic Enterprises	Mention	Mention (2008, 2010, 2011)	Mention (2008)	Mention (2010, 2011)
Competitive positioning of sectors and regions				
Growth poles	No mention	Mention (2010, 2011)	Mention (2010)	Mention (2011)
International Promotion of Regions	Mention	Mention (2010, 2011)	Mention (2008)	Mention (2010, 2011)

Mention in the priority documents of Government of Canada

3.3. Alignment with federal roles and responsibilities

Summary

Is support for the competitiveness of enterprises and the competitive positioning of sectors and regions in line with the federal government's roles and responsibilities?

- CED's role in the economic development of the regions of Quebec is clearly defined in its enabling legislation.
- Other players are also involved in the development of the regions; however, their activities complement those of CED, since there is sufficient need and the programs are flexible. CED is often the only federal player.

3.3.1 CED's role with respect to business and regional growth

CED's role in the economic development of the regions of Quebec is clearly defined in its enabling legislation.

The literature review confirms the Agency's role in terms of supporting business and regional growth. Furthermore, in its mission statement, the Agency pledges to "take such measures as will promote cooperation and complementarity with Quebec and communities in Quebec."⁴⁰ In Quebec, there are a number of players involved in business and regional growth projects. The participation of numerous funding partners for each program component could indicate a potential for overlapping, particularly with the *Ministère du Développement économique, de l'Innovation et de l'Exportation* (MDEIE), *Investissement Québec* (IQ), the *Ministère des Affaires municipales, des Régions et de l'Occupation du territoire* (MAMROT), and municipalities. However, according to a benchmarking study from 2009 that focused on regional development organizations and programs at the provincial, national and international levels, of all the departments and agencies that work with SMEs and NPOs in Quebec, "only CED and tax-advantaged funds have the promotion of regional development as their sole mission."⁴¹

Because of the mandate entrusted to the organization through its enabling legislation, CED has added value and plays a unique role among the government organizations that support the economic development of the regions of Quebec.

3.3.2. Complementarity of CED activities

Other players are also involved in the development of the regions; however, their activities complement those of CED, since there is sufficient need and the programs are flexible.

A comparative analysis reveals that, in Quebec, "needs are sufficiently strong, or else programs are flexible enough that the programs overlap in theory only."⁴² This study also finds that provincial departments have many programs that often have very specific objectives and target a very limited clientele (often businesses or regions). CED has only three regular programs, one of which is the BRG program. These programs can support different types of projects and recipients.

Focus group participants stated that they liked the BRG program because of

- its eligibility conditions, which they found more flexible than those of other funding agencies;

- the nature of the projects supported by CED (participants who had obtained support from funding partners other than CED were more inclined to believe that CED was the only lender that could fund certain types of projects, e.g., projects involving equipment purchases or marketing and commercialization activities);
- the terms and conditions of the contribution agreements (CED awarded more substantial sums of money than other funders, did not require a guarantee from a financial institution, and offered more flexible repayment conditions than other lenders, i.e., no interest and a two-year repayment moratorium); and
- the obligation to achieve results, and the fact that the contributions were repayable (some participants felt that this helped ensure that proponents assumed responsibility for their projects).

Finally, as concerns co-operation among the various funding agencies, some proponents who had carried out projects with several funding partners noted the overall sense of co-operation between CED and the other funders. A few participants agreed that CED's participation encouraged other partners to provide financial support for their projects.

The case studies also allow for a documentation of how CED's role is perceived by the various local and regional stakeholders. In general, the various organizations were satisfied with the level of co-operation between CED and other funding agencies. Furthermore, these organizations considered Agency support essential for their project financing packages. Without ongoing Agency support, the financial participation of some government partners could be called into question.

The analysis of administrative data in the Hermès system makes it possible to identify the key financial partners in the projects funded by CED under the four BRG program components (see Table 15). These partners are grouped together under various categories: federal departments and agencies, provincial departments and agencies, local and regional organizations, financial institutions, etc. As seen in Table 15, the types of funders vary from one component to the next.

Competitiveness of enterprises

- The two main government funders for the *Development of Enterprises' Capabilities* and *Strategic Enterprises* components are two Quebec departments: MDEIE and Investissement Québec. These two organizations were financially involved in 295 of the 666 BRG program projects, and provided a combined financial contribution of \$102.5 million, or 11.8% of the total project costs for these two components. In contrast, CED's contributions accounted for over 20% of the total costs.
- The Business Development Bank of Canada (BDC) is the only federal partner. BDC was involved in financing packages for 52 projects (\$18.7 million).
- CED was the only source of government funding for 226 projects, of which 215 were SME projects. Almost all of these projects fell under the *Enterprises' Strategic Capabilities* component.

Competitive positioning of sectors and regions

- In the case of the *Competitiveness Poles* and *International Promotion of Regions* components, MDEIE remains the principal source of funding. It was involved in 43 of the 70 projects under these two components, providing a total financial contribution of \$45.8 million (21.5% of the total costs).
- Industry Canada was involved in three projects under the *Competitiveness Poles* component, providing a total contribution of \$13 million. It was the only federal partner.

- Under the *International Promotion of Regions* component, MAMROT supported four projects (\$4 million) and MDEIE supported three projects (\$3.5 million).
- Finally, CED's total contribution under these two BRG program components accounted for over 25% of the total project costs.

Table 15 Main funding bodies by BRG program component, 2007–2010

Competitiveness of Enterprises					
Development of Enterprises' Capabilities CED: 543 projects / \$136 million (Total costs = \$620.31 million)			Strategic Enterprises CED: 83 projects / \$42 million (Total costs = \$249.53 million)		
Funding Body	No. of Projects	Million \$	Funding Body	No. of Projects	Million \$
Equity	403	144.045	Equity	67	89.532
Banks	119	93.987	Other	17	27.607
Investissement QC	90	40.983	Investissement QC	17	19.062
Other lenders	42	34.719	Desjardins	10	17.007
MDEIE	160	31.195	MDEIE	28	11.281
Other ⁴³	72	28.809	MTQ	1	9.500
BDC	52	18.699	Banks	16	5.425
Desjardins	47	18.108	Municipalities	6	3.640
Fonds FTQ	3	8.352	Other lenders	11	3.639
Other prov. partners	10	7.451	FIER	10	2.840
Competitive Positioning of Sectors and Regions					
Competitiveness Poles CED: 63 projects / \$47.6 million (Total costs = \$177.07 million)			International Promotion of Regions CED: 7 projects / \$6.45 million (Total costs = \$35.82 million)		
Funding Body	No. of Projects	Million \$	Funding Body	No. of Projects	Million \$
MDEIE	40	42.207	Other grants	2	10.005
Equity	45	28.695	Other	4	5.401
Other	28	23.413	MAMROT	4	4.040
Industry Canada	3	13.075	MDEIE	3	3.559
Educational institutions	12	3.557	Municipalities	5	1.935
Municipalities	10	3.054	Other prov. partners	2	1.775
NBC	2	2.550	Equity	4	1.303
Other lenders	1	2.051	SODEC	2	415
CRÉ	17	1.767	AEC-CAF	1	336
Other grants	7	1.509	MCC	1	200

Source: Hermès system database - Authorized BRG program projects from April 1, 2007, to March 31, 2010.

3.3.3 Incentive nature of the assistance for financial institutions or public organizations

CED assistance helps proponents obtain financial assistance from other funding bodies.

As shown by the data gathered from project proponents through the Agency's Annual Survey (Table 16), one out of two respondents (49.6%) receiving funding under the BRG program said they would not have been able to obtain financial assistance from financial institutions or government departments or agencies without CED's assistance.⁴⁴

The incentive nature of the assistance was higher for *Competitiveness Poles* program respondents (72.2 %), basically NPOs, than it was for *Strategic Enterprises* and *Enterprises' strategic capabilities* component respondents (66.7%), primarily enterprises.

Table 16 Annual Survey responses to the question: *“Without Canada Economic Development's financial assistance, would you have received financial assistance from those financial institutions or governments and public agencies?”*

Projects by component	Number of Respondents	Yes (%)	No (%)	Don't Know (%)
Developing Enterprises Capabilities	114	53.5	35.1	11.4
Strategic Enterprises	3	33.3	66.7	-
Competitiveness Poles	18	27.8	72.2	-
Total	135	49.6	40.7	9.6

Source: 2009–2010 Annual Survey

4. Findings regarding BRG program performance

4.1 Introduction

The *Policy on Evaluation* (2009) requires that program performance be demonstrated. Performance is measured through the achievement of expected outcomes and the demonstration of efficiency and economy.⁴⁵

Table 17 Core issues relating to performance, as set forth in the *Directive on the Evaluation Function*

Achievement of expected outcomes

- Assessment of progress toward expected outcomes (including immediate, intermediate and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcome.

Demonstration of efficiency and economy

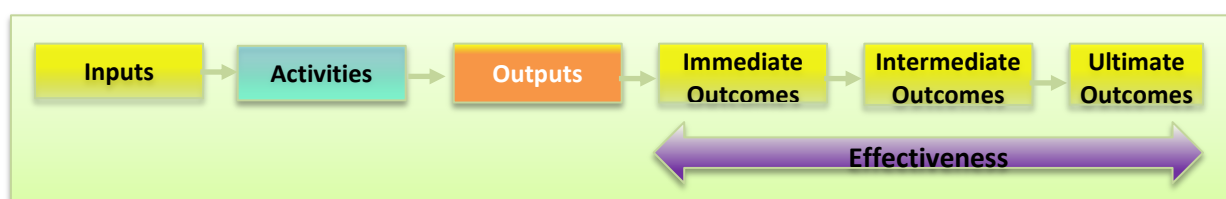
- Assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes.

Source: *Directive on the Evaluation Function*

The evaluation of effectiveness was based on the performance measurement framework adopted and implemented by CED, which allows for information regarding project outcomes to be captured in the Hermès management system. The evaluation of efficiency and economy, on the other hand, is a new requirement under the *Policy on Evaluation*. Since these issues had been given little attention in the past, the evaluation approach focused on the establishment of an overview of human resource use based on data available in the AIS (see Section 4.4).

4.2. Effectiveness (achievement of expected outcomes)

The achievement of each immediate and intermediate outcome is measured using various indicators. When a contribution agreement is being drafted, the indicators that are most relevant in terms of the nature of the expected outcomes are selected, and target outcomes are established for each indicator. The Business Office and the proponent agree on the expected outcomes for each financial assistance project. The analysis in this section of the report is based on performance monitoring data for approved BRG program projects.



Immediate outcome indicators are usually monitored when the recipient requests a payment from the Agency. In the case of intermediate outcomes, indicators are generally monitored on an annual basis. Hence, if CED has not made a payment for a project, no monitoring will have taken place. This factor explains the variances between the number of projects approved during the reference period and the number of projects for which performance measurement data are available.

In order to ensure an overall analysis of the outcomes of the projects supported by the program, the evaluation team only analyzed those indicators that were used in a significant number of projects. In addition, some projects used the indicators selected for this analysis, but did not have any performance data or data on the target values in question. If either of these types of data was missing, the project was not included in the analysis base. These different situations explain the variances between the performance monitoring database for projects involving payments, and the projects covered by the outcome analysis.

4.2.1. Immediate outcomes

Summary

What are the key immediate outcomes achieved by the BRG program?

The analysis of performance monitoring data shows that, in general, the projects supported by CED attained their targeted outcomes, or are in the process of doing so. Many projects are still under way, including multi-year NPO projects; these projects are expected to achieve their targeted outcomes. These targeted outcomes are established by the advisor and the proponent when the contribution agreement is drawn up.

Component 1: Development of Enterprises' Capabilities

- The majority of the SME projects, including projects involving innovation and value chain management, achieved their targets.

Component 2: Strategic Enterprises

- The majority of the projects under the *Pre-startup and startup* and *Expansion and modernization* subcomponents achieved or even exceeded their key indicator targets, resulting in the creation of over 100 new enterprises.

Component 3: Competitiveness Poles

- The majority of the projects under these three subcomponents achieved or even exceeded their targets, with the result that almost 2,200 enterprises were able to take part in networking activities, applied research or technology transfers. The only outcome that fell below set expectations was the number of SMEs that adhere to development plans under the *Networking and clusters* subcomponent.

Component 4: International Promotion of Regions

- Projects under the *Investment opportunities* and *International organizations* subcomponents did not achieve their targeted outcomes.

4.2.2 Competitiveness of enterprises

4.2.2.1 Component 1: Development of Enterprises' Capabilities

The first component of the BRG program—*Development of Enterprises' Capabilities*—fosters an increase or the enhancement of capabilities in strategic management, innovation, management, the adoption of cutting-edge technology, market development and integration into global production chains, and supports organizations dedicated to improving the strategic capabilities of SMEs. During the reference period, the Agency mainly supported projects involving market development and innovation and value chain management.

Strategic management

Agency support under the *Strategic management of enterprises* component targets both enterprises and intermediary groups (NPOs) that assist enterprises. CED granted \$3.6 million to 10 projects; over half of this assistance (55.2%) had been spent as at March 31, 2010.

- The two supported SMEs have developed strategies or plans to improve their decision making.
- 418 SMEs received management services from the five supported NPOs. The achievement rate (44%) is below the set objective (940 SMEs).

Table 18 Strategic management of enterprises subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate
O1: Entrepreneurs are equipped to make the best decisions about the future of their enterprises	
2 SMEs developed strategies or plans to improve their decision making (Assistance for SMEs)	100%
418 SMEs received strategic management services (Assistance for NPOs)	44%

Market development

CED provided \$42.5 million for 169 projects. As at March 31, 2010, less than 50% (49.1%) of the assistance had been spent.

- The activities allowed enterprises to take steps to enhance their market development capabilities by developing plans or strategies (O1). Having obtained services from an NPO, 127 SMEs developed strategies or plans for enhancing their market development capabilities. The achievement level was lower than expected (40%); however, a number of projects are still in progress.
- CED's support also allowed enterprises to enhance their market development capabilities (O2) through the implementation of 70 commercialization plans and strategies and the marketing of 17 products or services. The achievement rate was 61%.
- Finally, other enterprises obtained market development services (O3). A total of 2,476 enterprises received market development services, including via ORPEX. This represents over 100% of the established target. Services provided by NPOs also contributed to the emergence of 151 new export enterprises (79%).

Table 19 Market development subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate*
O1: Enterprises are committed to improving their market development capabilities	
1 SME developed strategies or plans for improving its market development capabilities (Assistance for SMEs)	100%
127 SMEs developed strategies or plans for improving their market development capabilities (Assistance for NPOs)	40%
O2: Enterprises have better market development capabilities and opportunities, which helps them increase their international sales (Assistance for SMEs)	
70 commercialization plans or strategies were implemented	91%
17 products or services were commercialized	61%
O3: Enterprises have a market development service offering, which helps increase their international sales	
2,476 SMEs received market development services	100%
492 SMEs took part in market development activities	76%
151 w exporting SMEs	79%

*Some projects are still being monitored

Innovation management

As at March 31, 2010, CED had allocated \$27.4 million for 116 projects, and less than 50% (49.1%) of this assistance had been spent.

- Outcome targets with respect to the number of enterprises engaged in a process of enhancing their R&D and innovation capabilities (O1) exceeded expectations: 25 SMEs, compared with a target of 14 (179%).
- The Agency is meeting its targets pertaining to the increase in in-house R&D and product/process innovation activities (O2): 40 enterprises received support for the implementation of an innovation commercialization plan or strategy.
- The Agency is in the process of achieving its targets for the number of enterprises that obtained innovation management services (O3): 254 enterprises have received innovation management services out of an expected total of 347 (73%). The services obtained also helped 56 enterprises develop new products or processes (59% achievement rate).

Table 20 Innovation management subcomponent immediate outcome achievement rate

<i>Immediate Outcome / Indicator</i>	<i>Achievement Rate*</i>
O1: Innovative enterprises are engaged in a process of enhancing their R&D and innovation capabilities	
3 SMEs developed strategies and plans for enhancing their innovation management or commercialization capabilities (Assistance for SMEs)	100%
25 SMEs developed strategies and plans for enhancing their innovation management or commercialization capabilities (Assistance for NPOs)	179%
O2: Innovative enterprises increase and commercialize their in-house R&D and product/process innovation activities. (Assistance for SMEs)	
40 strategies implemented	93%
16 new or significantly enhanced products and processes	100%
O3: Enterprises have an innovation-management service offering, which results in the adoption or commercialization of new products and processes (Assistance for NPOs)	
254 SMEs obtained innovation management services	73%
56 SMEs developed new products or processes	59%
25 new or significantly enhanced products or processes	109%

* Some projects are still being monitored

Value chain management

CED allocated \$48.2 million for 175 projects. As at March 31, 2010, close to three quarters (72.2%) of the assistance had been spent.

- There was little performance data available regarding the engagement of enterprises in the process of enhancing the management of their production (including productivity), supply, and distribution logistics (O1).
- Close to 100 of the enterprises receiving support are in the process of improving their value chain management and increasing productivity through the adoption of technology and new processes or the acquisition of new equipment (O2). Agency assistance allowed 14 enterprises to integrate into supply (or value) chains.
- Almost 2,000 SMEs obtained value chain management services (O3). Performance monitoring data comes from a single project. A number of projects were still in progress.

Table 21 Value chain management subcomponent immediate outcome achievement rate

<i>Immediate Outcome / Indicator</i>	<i>Achievement Rate</i>
O1: Enterprises are in the process of enhancing the management of their production (including productivity), supply, and distribution logistics	
2 SMEs developed value chain enhancement strategies or plans (Assistance for SMEs)	100%
0 SMEs developed value chain enhancement strategies or plans (Assistance for NPOs)	0%*
O2: Enterprises are improving their value chain management and increasing productivity (and sales) through the adoption of technology and new processes or the acquisition of new equipment (Assistance for SMEs)	
98 SMEs enhanced their productivity in one or more of their value chain functions	99%
14 SMEs were integrated into value chains	100%

O3: Enterprises have a value chain management service offering, which ensures greater operational efficiency, including higher productivity (Assistance for NPOs)

1,980 SMEs received value chain management services

99%

*One project is still being monitored

4.2.2.2 Component 2: Strategic Enterprises

The basic objective of the second BRG program component, *Strategic Enterprises*, is to support the startup and initial expansion phases of enterprises in economic activities considered strategic. This component has two subcomponents. The first of these provides assistance for the pre-startup and startup of innovative enterprises; the second supports enterprise expansion and modernization. The objective of these two subcomponents is to consolidate regional economic bases by fostering the establishment of new enterprises and encouraging investment by existing enterprises.

Pre-startup and startup of innovative enterprises

The *Pre-startup and startup of innovative enterprises* subcomponent provides direct support for SMEs or intermediary groups (NPOs), such as incubators, in order to help new enterprises get started. To achieve this goal, CED has allocated \$16.3 million for 60 projects. As at March 31, 2010, two thirds (65.3%) of the assistance had been spent.

- A total of 25 enterprises are currently in the pre-startup or startup phase, for an achievement rate 81%.⁴⁶
- NPO projects supported the pre-startup and startup of 73 enterprises (114%), which is higher than the established target.

Table 22 Pre-startup and startup of innovative enterprises subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate
O1: Innovative enterprises are established	
Pre-startup and startup of 25 innovative enterprises (Assistance for SMEs) ¹	81%
Pre-startup and startup of 73 innovative SMEs (Assistance for NPOs)	114%*
Total investment of \$31.4 million by the enterprises supported (Assistance for SMEs)	99%

*Four projects are still being monitored

SME projects (breach of contract or have been written off) were included in the outcomes of SME assistance projects in order to have a true project success rate. These projects involve innovative SMEs for which the pre-startup and startup did not take place as planned

Expansion and modernization

The objective of the *Expansion and modernization* subcomponent is to ensure that investment has an impact on job creation and the net sales of the enterprises receiving assistance.

There was only one immediate outcome. CED allocated \$19.6 million for 7 projects. As at March 31, 2010, almost half of the assistance (48.8%) had been spent.

¹ .

- Of the projects for which the monitoring was completed, only one of the three⁴⁷ enterprises funded is still in operation.

Table 23 Expansion and modernization subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate*
O1: investments have a major impact on job creation and the sales of enterprises receiving assistance (Assistance for SMEs)	
1 large enterprise received support	33%
Total investment of \$13.4 million	79%

4.2.3 Competitive positioning of sectors and regions

4.2.3.1 Component 3: Competitiveness Poles

The third component—*Competitiveness Poles*—is based on the approach that competitiveness depends on the strength of the synergy between the SMEs and other players, such as training and research centres, other businesses and prime contractors. The objective of this component is to develop and strengthen poles of regional expansion and poles of competitive excellence with worldwide outreach by strengthening productive links among innovation stakeholders. This should, in turn, help enhance the performance and reach of innovation commercialization activities. Exceptionally, this component targets three intermediate outcomes.

Networking and clusters

The *Networking and clusters* subcomponent provides support for intermediary groups (NPOs) that help SMEs. Two immediate outcomes were targeted. As at March 31, CED had allocated \$7.5 million to 25 projects, and almost three quarters (73.5%) of this assistance had been spent.

- The Agency did not attain the expected outcomes with respect to adhesion by the various stakeholders from the same sector or region (O1). The funded projects helped 135 SMEs adhere to pole development plans (22%).
- As concerns the participation of SMEs in networking and cluster activities, the targets were achieved: 943 SMEs became part of a network (O2), which was higher than expected (111%).

Table 24 Networking and clusters subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate*
O1: Enterprises and other organizations from the same sector/region are part of a network and implement a shared development plan (Assistance for NPOs)	
135 SMEs adhere to the pole development plan	22%
O2: Through their participation in networks and clusters, enterprises are integrated into sectoral or regional supply chains, and thus improve their performance.	
943 SMEs are part of a network	111%

* Some projects are still being monitored

As at March 31, 2010, CED had allocated \$7.5 million for 25 projects, and almost three quarters of this assistance (73.5%) had been spent.

Applied research

The goal of the *Applied research* subcomponent is to provide support for NPOs in order to increase applied research in conjunction with enterprises that are involved in research projects or the transfer of research findings to enterprises. Two immediate outcomes are targeted. CED allocated \$28.7 million to 13 projects. As at March 31, 2010, almost three quarters (71.7%) of this funding had been spent.

- Targets pertaining to the number of research projects and the number of enterprises involved in research projects were almost achieved or were exceeded (O1). The projects that received funding contributed to the implementation of 114 applied research projects, which is higher than expected (154%). Finally, over 600 SMEs are involved in research projects (97%).
- A total of 287 enterprises are involved in activities related to the transfer of research findings (O2), which is well above expectations (378%). In the case of these projects, given the significant variance, the target may have been under-estimated.

Table 25 Applied research subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate*
O1: Applied research conducted in conjunction with enterprises is intensified (Assistance for NPOs)	
114 applied research projects	154%
601 SMEs involved in applied research projects	97%
O2: Research findings are transferred to enterprises	
287 SMEs participated in transfer activities	378%
42 research transfer activities carried out	114%

* Many projects are still being monitored

Services and technology transfers

The *Services and technology transfers* subcomponent supports intermediary groups (NPOs) with a view to providing SMEs with technology transfer services. CED has allocated \$10.2 million for 20 projects that have incurred expenditures. As at March 31, 2010, over half of the assistance (56.3%) had been spent.

- CED's assistance helps meet the needs of businesses as concerns technology services and transfers. The targets established by NPOs are in the process of being met: 541 SMEs have participated in technology transfer activities, out of a target of 574 SMEs (94%).

Table 26 Services and technology transfers subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate*
O1: Services and technology transfers meet the needs of enterprises	
173 technology transfer activities carried out	84%
541 SMEs are taking part in transfer activities	94%

* Many projects were still in progress

2.3.2 Component 4: International Promotion of Regions

The fourth component of the BRG program aims to promote the assets of a region in order to attract foreign investors. The objective of this component is to make regions more competitive internationally through the concerted promotion of locational factors in order to attract foreign direct investment and promote reinvestment by foreign companies established in Quebec. It also aims to attract new international organizations.

Investment opportunities

The *Investment opportunities* subcomponent supports NPOs and targets a single immediate outcome. CED has allocated \$5.1 million to four projects targeting this outcome. As at March 31, 2010, 57.6% of the funding had been spent.

- The only available indicator—the number of international promotion initiatives carried out—is below the established target, posting an achievement rate of 22%. These initiatives involve various activities, such as foreign direct investment prospecting and promotional activities. The two projects are still in progress.⁴⁸

Table 27 Investment opportunities subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate
O1: Plans are developed and implemented to showcase locational factors, in conjunction with partners from Quebec and Canada, in order to attract foreign direct investment	
14 international promotion initiatives carried out	22%*

*The two projects are still being monitored

International organizations

The *International organizations* subcomponent supports NPOs and targets two immediate outcomes. As at March 31, 2010, CED had allocated \$1.2 million to two projects, for which over two thirds of the assistance (68.3%) had been spent.

- For this subcomponent, the Agency did not support any projects targeting the first outcome. This outcome is shared with the *Investment opportunities* subcomponent.
- During the reference period, 50 international organizations were involved in negotiations, out of a target of 65 (77%) [O2]. Some of these organizations could eventually set up business in Quebec. The data comes from one project, which was still being monitored.

Table 28 International organizations subcomponent immediate outcome achievement rate

Immediate Outcome / Indicator	Achievement Rate
O1: Plans are developed and implemented to showcase locational factors, in conjunction with partners from Quebec and Canada	
No. of plans defining and showcasing a region's locational factors	N/A
O2: International organizations are attracted to Quebec and set up business in the province	
50 international organizations are involved in negotiations for the purpose of setting up business in Quebec	77%*

*The project is still being monitored

4.3 Intermediate outcomes

Summary

To what extent has the *Business and Regional Growth* program contributed to the achievement of expected intermediate outcomes?

Given the lack of program targets, it is difficult to conclude that the BRG program has achieved the expected intermediate outcomes.

The BRG program was, for the large part, implemented within a context of recession (2008) and economic recovery (late 2009). Despite this particular economic context, the enterprises supported by CED under the *Development of Enterprises' Capabilities* and *Strategic Enterprises* components have generally performed well, if one is to judge by data pertaining to growth in net sales (9.6%), overall international sales (6.5%) and in products and services resulting from R&D (144%) for projects whose monitoring is completed. Many enterprises that obtained services provided by NPOs are also in the process of enhancing their strategic capabilities.

The Statistics Canada study bears witness to this solid performance. It shows that businesses supported by CED during the period from 2002 to 2009 are doing better than a group of comparable businesses in terms of growth in sales, productivity (sales per employee) and their survival rate.

Given the fragmentary nature of the quantitative data gathered, it is impossible to determine the extent to which the *Competitiveness Poles* and *International Promotion of Regions* components contributed to the expected outcomes. However, the three case studies allow for a better documentation of how the NPOs supported by CED and other funding providers made a positive contribution, through their activities (technology transfers, networking and the development of competitiveness poles, and the International Promotion of Regions), to the development of poles or sectors.

In this regard, the performance measurement strategy appears to be better suited to SME projects than to projects carried out by NPOs. More performance data was gathered for SME projects than for NPO projects.

The analysis of intermediate outcomes is based on one approach: variance rate. The variance (or growth) rate is calculated using the reference data (before) and the observed value (after).⁴⁹ This variance rate is primarily used for projects carried out by businesses.

The analysis of projects carried out by businesses was based on three indicators: net sales, total international sales and sales generated by R&D (see Table 29). For each indicator, the variance rate was calculated based on the data gathered when the contribution agreement was approved (as well as data gathered at the time of the final monitoring). In short, the reference or prior situation (e.g., net sales, or T_1) is compared with the situation observed afterwards (T_2). The variance rate is presented from the point of view of different analysis angles.

The results are presented based on the status of the performance monitoring (completed or in progress). This allows for a comparison of more “mature” projects (projects whose monitoring is completed) with the preliminary results of more recent projects, for which the monitoring period has not yet been completed.

Reference data and observed data were not always available at the time of the evaluation. As a result, there is a discrepancy between the authorized projects and the projects that were able to be used for

the purposes of the analysis. For example, some projects were too recent for it to be possible to measure the achievement of the intermediate outcome, since the monitoring had not been completed at the time of extraction from the database. Finally, the program did not have any targeted outcomes. Targets were established for the projects.⁵⁰

4.3.1 Competitiveness of enterprises

4.3.1.1 Component 1: Development of Enterprises' Capabilities

Table 29 presents the various immediate outcome statements that contribute to the two intermediate outcomes of the *Development of enterprises' strategic capabilities* component.

Table 29 Alignment of immediate outcomes, intermediate outcomes and indicators for the *Development of enterprises' strategic capabilities* component

Immediate Outcomes by Component	Intermediate Outcomes / Indicators
Strategic management of enterprises - Entrepreneurs are equipped to make the best decisions about the future of their enterprises.	
Market development - Enterprises are committed to improving their market development capabilities. - Enterprises have better market development capabilities and opportunities, which helps them increase their international sales. - Enterprises have a market development service offering, which helps increase their international sales.	Funded businesses use their strategic capabilities <ul style="list-style-type: none"> • Net sales • Overall international sales
Value chain management - Enterprises are in the process of enhancing the management of their production (including productivity), supply, and distribution logistics. - Enterprises are improving their value chain management and increasing productivity (and sales) through the adoption of technology and new processes or the acquisition of new equipment. - Enterprises have a value chain management service offering, which ensures greater operational efficiency, including higher productivity.	
Innovation management - Innovative enterprises are engaged in a process of enhancing their R&D and innovation capabilities. - Innovative enterprises increase and commercialize their in-house R&D and product/process innovation activities. - Enterprises have an innovation management service offering, which results in the adoption or commercialization of new products and processes.	Products and services resulting from R&D are marketed <ul style="list-style-type: none"> • Sales resulting from R&D • Net sales

Through its support for the development of strategic management capabilities, market development and value chain and innovation management, the Agency aims to achieve the following intermediate outcome: “Funded businesses use their strategic capabilities.” The two indicators used to measure the achievement of this intermediate outcome are variation in net sales and variation in total international sales. It can be assumed that the use of strategic capabilities by enterprises supported by CED should be reflected in an increase in the enterprises’ net sales and exports.

O1 Funded businesses use their strategic capabilities

Net sales

The Agency’s activities help the enterprises receiving assistance increase their net sales. The increase was greater for projects whose monitoring was completed, for activities targeting innovation management, and for enterprises located outside the 7/21 areas

For projects whose monitoring was completed, annual sales rose by 15.6%, which represents an increase of almost \$110 million. In the case of projects still in progress, annual sales were up 5.7% (\$63.7 million). For the group of projects approved in fiscal 2009–2010, the rate was negative (-4.8%), representing an overall drop in their annual sales of more than \$21 million.

In terms of outcomes associated with CED financial assistance granted to NPOs, it can be seen that this funding enabled the enterprises using their services to increase or maintain their net sales; however, the targeted results fell below expectations.

- 12 SMEs that received support from NPOs (n=3) increased their net sales. The target was 35 SMEs (achievement rate = 34%).

Overall international sales

The Agency's activities help the enterprises receiving assistance increase their overall international sales (OIS). The increase was higher for projects whose monitoring was completed, for activities targeting innovation and value chain management, and for enterprises located outside the 7/21 areas.

- For projects whose monitoring was completed, OIS were up 8.7% (almost \$14 million). In the case of projects still in progress, OIS rose by 5.5% (\$18.8 million). For the group of projects approved in fiscal 2009–2010, and which are still being monitored, the rate was even negative (-5.2%), representing an overall drop of almost \$9 million.

In terms of outcomes associated with CED financial assistance granted to NPOs, it can be seen that, even though this funding enabled the enterprises using their services to increase or maintain their OIS, the targeted results were below expectations.

- 57 SMEs increased their OIS (10 NPO projects). The target was 115 SMEs (achievement rate = 50%). However, unlike the data on performance monitoring of projects carried out by the enterprises, the available data do not provide information about sales in foreign markets.

A case study was conducted to document the outcomes of enterprises that used the services of a regional export promotion organization (ORPEX). The main finding was that the various awareness and training activities allowed a large number of enterprises to be reached, and mainly helped “prepare” the enterprises to define their market development projects and assist them in seeking funding to carry out their commercialization strategies or plan, after which they could subsequently obtain funding to implement their commercialization plan or strategy. This was the approach adopted by the four enterprises in the case study. Outcomes in terms of increases in their international sales are not directly attributable to their participation in the NPO's activities.

Statistics Canada study on the economic impact of the Agency's activities

Further to the coming into force of the *Policy on Evaluation*, which recommends the use of some of the most stringent evaluation methods, the Agency entered into an agreement with Statistics Canada, which was given a mandate to conduct a comparative or quasi-experimental study⁵¹ so as to be able to better demonstrate the impact of activities targeting SMEs.⁵² One of the recognized methodological approaches for isolating a net impact involves comparing client enterprises with non-client enterprises that have similar features. Since the enterprises carry out their activities in the same socio-economic environment, all of the external factors are the same for all the enterprises, and hence the difference can be attributed to the activity.

This quasi-experimental approach allows for the measurement of the net impact of the Agency's activities, which in turn can be used to demonstrate that the enterprises receiving funding perform better and are more competitive than those that have not received assistance. Naturally, like any method, this approach has certain limitations, one of which is the fact that it is impossible to avoid selection bias.⁵³

METHODOLOGICAL NOTE

The study focused on 1,199 enterprises that received funding from CED between 2002–03 and 2007–08, and which could be linked to various Statistics Canada databases (Business Register, T2 Corporation Income Tax Return [CRA], General Index of Financial Information and the Statement of Account for Current Source Deductions [ARC]). For the purpose of setting up a control group, the enterprises were matched based on the following criteria:

- Sales
- Number of employees
- Operating margin
- Total assets
- Debt ratio
- NAICS (industrial classification system)

The tax data used by Statistics Canada cover projects authorized between 2002 and 2008. This period includes projects approved under the IDEA-SME program, as well as the first year of the BRG program. The IDEA-SME program, like the BRG program, supported projects targeting market development, innovation and productivity.

Key findings

For the period from 2002 to 2009, enterprises that received financial assistance from CED outperformed, in terms of sales growth, average salary, jobs and survival rate, a control group made up of comparable enterprises that had not received CED support.

Impact on sales growth

Sales at enterprises supported by CED in 2002 grew by almost 75% in 2009, compared with close to 50% for enterprises that did not receive CED assistance (see Chart 1).

- Sales at CED client enterprises rose from \$2.9 million in 2002 to \$5 million in 2009, whereas sales at enterprises that did not receive assistance rose from \$3.8 million to \$5.6 million over the same period.

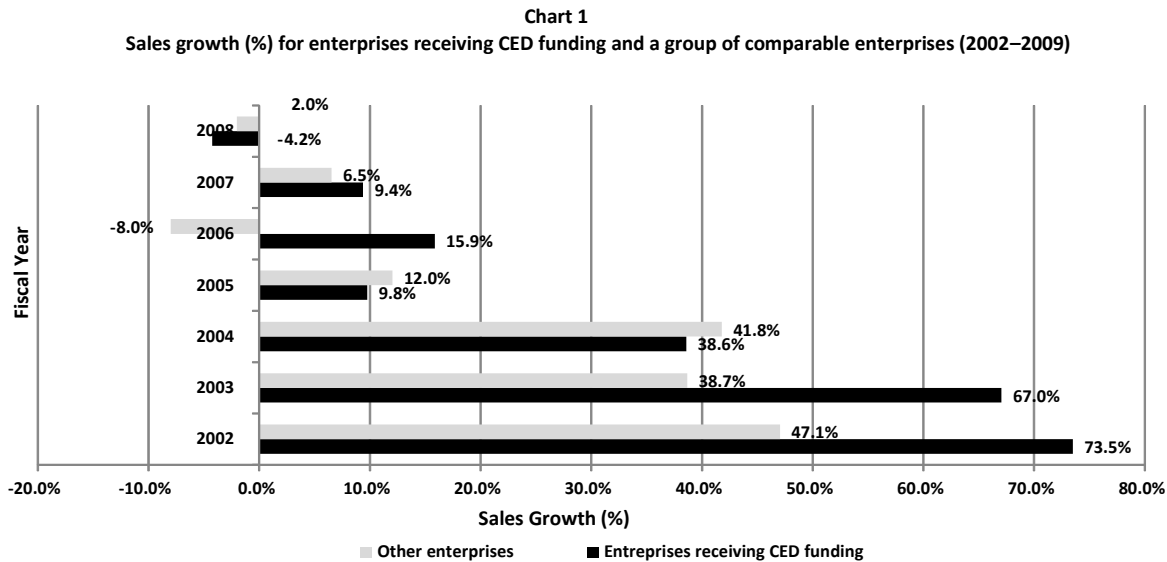
Impact on growth in sales by employee

Growth in sales per employee, an indicator of productivity, was more substantial among the enterprises that received funding than among those in the control group.

- Among funded enterprises, sales per employee grew by over 46.3%, increasing from \$95,415 in 2002 to \$154,178 in 2008. Average growth for the control group enterprises was 29.2%.

Impact on the average salary per employee

- For the enterprises receiving CED assistance, the average salary per employee rose from \$32,898 in 2002 to \$44,863 in 2009, an increase of 36.4%. In comparison, the average salary among the comparable enterprises grew by 17.2% over the same period, from \$31,588 to \$37,024.



Impact on jobs

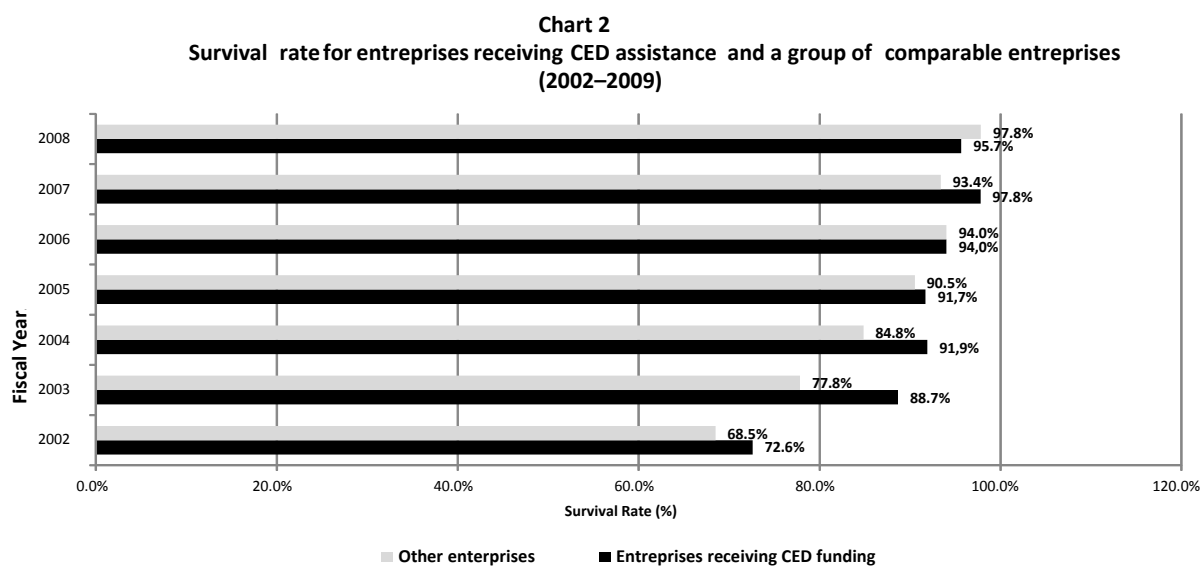
During the reference period, both groups of enterprises recorded a decline in the number of jobs. However, the enterprises supported by CED had a higher employee retention rate than the group of comparable enterprises.

- The enterprises receiving CED assistance employed 4,114 people in 2002, compared with 2,961 in 2009, a decrease of 1,153 employees (-28%). In the control group, the number of employees fell from 3,899 in 2002 to 2,447 in 2009, a loss of 1,452 employees (-37.2%).

Impact on the survival rate

Finally, the enterprises funded by CED also recorded a higher survival rate than the comparable enterprises.

- Close to three quarters of the enterprises that received assistance in 2002 were still in operation seven years later (2009), compared with 68.5% for the control group enterprises (see Chart 2 below).



O2 Products and services resulting from R&D are marketed

The second targeted intermediate outcome under the *Development of Enterprises' Capabilities* component involves providing assistance for the marketing of products and services resulting from R&D, which was also one of the priorities mentioned in the recent *Speech from the Throne*. This outcome is achieved through activities targeting the development of innovation management capabilities.⁵⁴ The sale of products and processes resulting from R&D is one of two key indicators for measuring the achievement of this outcome; the other is variance in net sales.

Overall, CED's activities contribute significantly to sales resulting from R&D and the net sales of the enterprises receiving funding. It is often the first time that the enterprises are marketing the products and services that have been developed or upgraded. On average, overall sales resulting from R&D totalled \$314,000 per enterprise, which represents a variance of 143.9%. As concerns the second indicator, namely variance in net sales, the 17 projects under the *Innovation management* subcomponent reported a net sales variance of over 45%. This represents an average increase of \$526,043 per project.

In terms of the outcomes linked to CED financial assistance granted to NPOs, it can be seen that the enterprises receiving funding

- increased or maintained their sales of products and processes resulting from R&D: 26 SMEs increased their R&D sales through three NPO projects, compared with a target of 29 SMEs (achievement rate = 90%); and
- as concerns the projects with NPOs, two of the three projects achieved their targets. This allowed the SMEs to increase their sales of products and processes resulting from R&D; however, the data do not provide any information about these sales.

4.3.1.2 Component 2: Strategic Enterprises

The objective of the *Strategic Enterprises* component is to consolidate the economic bases of the regions by supporting the startup and initial expansion phases of enterprises in economic activities considered strategic in terms of a region's development.

Table 30 presents the various immediate outcome statements that contribute to the intermediate outcome of the *Strategic Enterprises* component. There is only one available indicator—Employment variance (FTEs)—to measure the *New enterprises and investments consolidate regional economic bases* intermediate outcome.

Table 30 Alignment of immediate outcomes, intermediate outcomes and indicators for the *Strategic Enterprises* component

Immediate outcomes	Intermediate outcome / Indicator
Pre-startup and startup of innovative enterprises - Innovative enterprises are established.	New enterprises and investments consolidate regional economic bases.
Expansion and modernization - The investments have a major impact on job creation and the sales of enterprises receiving assistance.	- Employment variance (FTEs)

O1- New enterprises and investments consolidate regional economic bases

The projects supported by CED under the *Strategic Enterprises* component and, primarily, under the *Pre-startup and startup of innovative enterprises* subcomponent, generated jobs, thus contributing to the consolidation of regional economic bases, including in the 7/21 areas.

- According to information submitted by SME proponents, CED's activities resulted in an increase of 316 FTEs in the regions of Quebec, which represents a 17.2% variance. The total number of jobs increased from 1,839 to 2,155, for an average increase of 6.2 FTEs per enterprise.
- For the NPO projects under the *Pre-startup and startup of innovative enterprises* subcomponent (e.g., incubators), more than 300 full-time jobs (n=4 projects) and 14 part-time jobs (n=3 projects) were created in the enterprises receiving assistance, according to the information submitted by the NPOs.

A case study of an incubator for innovative businesses (see Table 11.2, CQIB case study) was conducted. To date—the expected project end date is March 31, 2012—the project has helped create three new enterprises (compared with a target of seven) and 38 full-time jobs (target of 50). The case study also revealed certain benefits for the incubated enterprises: the services provided help ensure that the incubated enterprises were better prepared and, over the long term, they result in a higher survival rate for these enterprises, thus consolidating the economic base of the region and the life sciences sector as a whole.

4.3.2 Competitive positioning of sectors and regions

4.3.2.1 Component 3: Competitiveness Poles

The aim of the *Competitiveness Poles* component is to develop and strengthen poles of regional expansion and poles of competitive excellence with worldwide outreach by strengthening productive

links among SMEs and other sectors, including teaching and research institutions, other businesses and prime manufacturers. This is expected to improve the performance of innovation commercialization efforts. There are three targeted intermediate outcomes.

Table 31 presents the various immediate outcome statements that contribute to the three intermediate outcomes for this component.

Table 31 Alignment of immediate outcomes, intermediate outcomes and indicators for the *Competitiveness Poles* component

Immediate outcomes	Intermediate outcomes / Indicators
Networking and clusters - Enterprises and other organizations from the same sector/region are part of a network and implement a shared development plan. - Through their participation in networks and clusters, enterprises are integrated into sectoral or regional supply chains, and thus improve their performance.	1. Clusters and networks of enterprises from the same sector/region are better structured. 2. Competitiveness Poles are developed and consolidated. - Number of SMEs that increased their net sales.
Applied research - Applied research conducted in conjunction with enterprises is intensified. - Research findings are transferred to enterprises.	3. The innovation marketing process generates medium- and long-term social and economic spinoff. - Number of licences obtained - Number of spinoff SMEs
Services and technology transfers - The service offer and technology transfers meet the needs of enterprises.	

Table 32 shows the intermediate target achievement rate for the *Competitiveness Poles* component.

O1a: Competitiveness Poles are developed and consolidated

O1b: Clusters and networks of enterprises from the same sector/region are better structured

It is impossible to determine the extent to which these two intermediate results have been attained. As concerns the increase in net sales, the achievement of targets was lower than expected. A number of projects were still in progress (see Table 32).

- Two NPO projects contributed to an increase in the net sales of two SMEs, out of an established target of 20 enterprises (10% achievement rate). These two projects were still in progress at the time of the analysis.

O2 The innovation marketing process generates medium- and long-term social and economic spinoff

In the case of projects for which data are available, the target achievement rate was lower than expected. A number of projects were still in progress.

- Two spinoff SMEs were created, out of a target of 14 (7 of the 8 projects were still in progress).
- In addition, two SMEs obtained licences, out of a target of 20 SMEs. These data come from six projects currently under way.

Given the fragmentary nature of the data pertaining to the two indicators used, it is difficult to assess progress made in terms of the achievement of this intermediate outcome.

Table 32 Intermediate outcome target achievement rate

Indicator	Achievement Rate	No. of Projects that Achieved their Target
Outcome 1a: Competitiveness Poles are developed and consolidated		
Outcome 1b: Clusters and networks of enterprises from the same sector/region are better structured		
2 SMEs increased their net sales	2/20 = 10%	0/2 projects = 0% (2 projects – 2 projects currently being monitored)
Outcome 2: The innovation marketing process generates medium- and long-term social and economic spinoff		
2 spinoff SMEs	2/14 SMEs = 14%	0/8 projects = 0% (8 projects – 7 projects currently being monitored)
2 SMEs obtained licences	2/20 SMEs = 10%	2/6 projects = 33% (6 projects – 6 projects currently being monitored)

Source: Performance monitoring database. Data extracted in November 2010.

The two case studies illustrate the contribution of NPOs to the development of technology enterprises' capabilities, as well as to the development of a competitiveness pole in the marine niche.

The analysis of the results of the NPO funded under the *Networking and clusters* subcomponent reveals that, in addition to the activities relating to networking and the creation of clusters, this project provided a range of services in the areas of market development, innovation and value chain management, and the pre-startup and startup of innovative enterprises.

In terms of outcomes, in addition to the organization's "growth-generating and unifying" effect identified by the various stakeholders interviewed, the organization also carried out activities aimed at building networks of enterprises in various fields: defence and security, geospace, optics/photonics and information and interactive entertainment technology. Over 200 enterprises participated in these various activities. According to the enterprises interviewed, the activities provided them with an opportunity to discuss common concerns and share strategies and solutions that applied to their respective businesses. Within the framework of the project, they also allowed technology enterprises to take part in training activities in order to develop their market development and innovation management capabilities or enhance their productivity. The rate of achievement of targets varied: in a few cases, expectations were exceeded, whereas in other cases, the targets were not reached. These variances can be explained by organizational changes pertaining to governance and personnel made during the period.

For the NPO whose activities fall under the *Services and technology transfers* subcomponent, the key outcomes are related to the participation of some 100 or so enterprises in technology transfer activities, the creation of two new spinoff enterprises, and the acquisition of licences. These outcomes exceed, or are in the process of attaining, the established targets. From a qualitative standpoint, the stakeholders interviewed agreed that the organization plays a key role in the development of the emerging marine biotechnology sector and in the structuring of the marine cluster. There was also an unforeseen impact, namely the setting-up of a business in the region.

4.3.2.2 Component 4: International Promotion of Regions

The *International Promotion of Regions* component aims to promote a region's assets in order to attract foreign investors. The objective of this component is to make regions more competitive internationally through the integrated promotion of positive localisation factors in order to attract foreign direct investment and promote reinvestment by foreign companies established in Quebec. This component also focuses on attracting new international organizations.

Table 33 presents the various immediate outcome statements that contribute to the three intermediate outcomes for the *International Promotion of Regions* component.

Table 33 Alignment of immediate outcomes, intermediate outcomes and indicators for the *International Promotion of Regions* component

Immediate Outcomes	Intermediate Outcomes
Investment opportunities - Plans are developed and implemented to enhance locational factors, in conjunction with partners from Quebec and Canada, in order to attract foreign direct investment.	1. Competitive regions attract foreign direct investment and international organizations. - Number of jobs created in Quebec linked to new foreign direct investment.
International organizations - Plans are developed and implemented to promote locational factors, in conjunction with partners from Quebec and Canada. - International organizations are attracted to Quebec and set up business in the province.	2. The locational factors of Quebec regions are recognized. - Number of international organizations established in Quebec.

O1- Competitive regions attract foreign direct investment and international organizations

The funded projects achieved the established job creation targets.

- 10,128 person-years of employment created in Quebec (target of 9,898 jobs = 102% achievement rate - 2 projects) linked to the new foreign direct investment (establishment of international organizations and foreign businesses or the expansion of those already set up in Quebec, and the arrival of foreign TV and movie productions).

O2- The locational factors of Quebec regions are recognized

The achievement rate for targets pertaining to the establishment of international organizations was lower than expected.

- The project contributed to the establishment of two international organizations, compared with a target of 10 organizations (20% achievement rate). A number of files are currently under negotiation.

The case study reveals that NPO activities have a positive impact on the reputation of the Montreal region. These activities take place within a context of intense international competition in terms of attracting and retaining international organizations. For the representatives of the enterprises and organizations interviewed, NPOs primarily played the role of facilitator for the enterprises or international organizations.

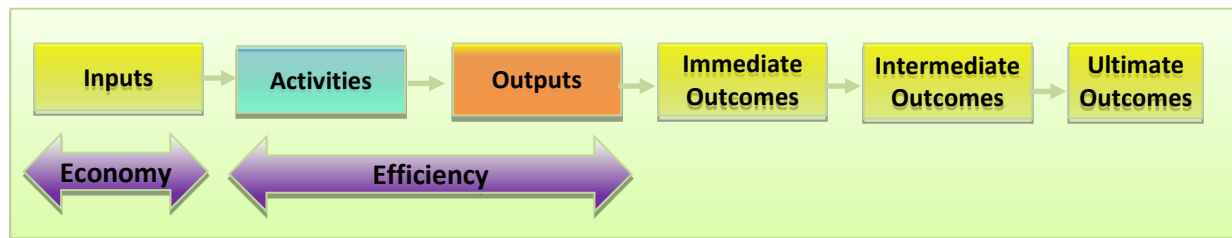
The project exceeded most of the foreign direct investment outcome targets, but fell short in terms of the attraction of new international organizations and the resulting new jobs. A number of files are currently under negotiation. Finally, the projects are also generating other positive repercussions.

4.4 Demonstration of efficiency and economy

The *Policy on Evaluation* calls for a demonstration of efficiency and economy. The evaluation of program economy focuses primarily on the cost of resource acquisition (inputs), whereas efficiency is defined as the use of these resources to produce outputs. For the Agency, the evaluations of the CD and BRG programs are the first summative evaluations since the implementation of the *Policy on Evaluation* in 2009. These two evaluations aim to answer the following questions:

- To what extent is efficient use made of the human and financial resources allocated to the CD and BRG programs?
- Could the same results be achieved through other means at a lesser cost?

The evaluation of efficiency and economy covers the following aspects: grants and contribution project management practices, the use of resources, and client satisfaction with the services provided.



This section, therefore, attempts to address the issues of efficiency and economy for both the CD and the BRG programs. These responses include certain limitations or restrictions, namely

- the lack of specific directives and evaluation methods for demonstrating the efficiency and economy of government programs;
- the lack of data regarding the various costs, and the challenge of attributing the costs of specific resources to either one of the two programs;
- the scope of AIS data: these data refer solely to the time spent by business offices, and do not include human resources in other directorates and internal divisions; and
- the lack of cost targets or, failing this, of comparable data from other departments. The outcomes of the two programs, therefore, were used for mutual comparison.

Summary

To what extent does the Agency make efficient use of its human and financial resources allocated to the CD and BRG programs? Could the same results be achieved through other means at a lesser cost?

Notwithstanding the limitations identified and the lack of intermediate outcome and cost targets, the financial resources appear to have been used efficiently. Financial assistance was granted to projects that would not have been able to go ahead without CED's support. Furthermore, the Agency ensures that the nature of the assistance is in line with the enterprises' financial capacity. In terms of human resource management, the introduction of an innovative practice, the Activity Information System (AIS), allows the Agency to monitor the use of human resources in the business offices for financial and non-financial activities. In this regard, certain management aspects could be explored at greater length with a view to identifying potential efficiency gains.

Management of financial resources

- More than half (53.4%) of Agency assistance (\$251 million) awarded during the period from April 2007 to March 2010 was in the form of non-repayable contributions. Over 93% of the Agency's non-repayable contributions for the period from April 2007 to March 2010 went to NPOs (463 projects); the rest, \$18 million, went to SMEs (93 projects).
- Recipients of CED funding were able to obtain funding from other sources. Each dollar invested by CED generated \$3.93 in funding from proponents and other funding bodies.
- Three out of four SME respondents stated that they would have been unable to carry out their projects without CED financial assistance.

Management of human resources

- 158 full-time equivalents (FTEs) per year were employed to carry out activities relating to the Agency's programs in the various business offices.
- It took an average of 82.5 hours (88.4 for the BRG program and 78.3 for the CD program) to process a project at a business office, from the preparation of the application for financial assistance to the monitoring of claims. However, the time required for each project varies according to the size of the contribution.

4.4.1 Review of management practices for grants and contribution programs

Management practices have been improved over the years and have helped generate efficiency gains. The leverage effect, the incentive nature of the assistance and the use of different types of contributions all bear witness to continuous efforts to improve the efficiency and economy of program management.

Management practices

The Agency has introduced a number of mechanisms to ensure the continuous review of its program management practice. In 2007–2008, CED set up a performance management framework, along with a database (Hermès), which allowed it to compile and analyze program outcomes. The Agency also prepared a *Program Management Manual* and a *Manual on Program Performance Measurement*, and introduced a quality management system (ISO 9001).

In addition, the Agency implemented the AIS, a tool that makes it possible to enter time spent on activities generally associated with a specific project, with a view to identifying trends and extracting statistics required for resource planning. This tool was a key element in the analysis of efficiency and economy.

Leverage effect

At the Agency, the leverage effect is the ratio between the amount invested by CED and the amount of money from other sources. The overall leverage effect of CD and BRG program activities is high. Every dollar invested by CED generates a direct investment of \$3.93 by proponents and other funding bodies. The leverage effect is higher for the CD and BRG programs than it was for previous CED programs (IDEA-SME and RSI), whose leverage effect was \$3.81 and \$2.70, respectively. More specifically, the leverage effect was analyzed by program, subcomponent, beneficiary and type of region. The findings are as follows:

- There is little difference between the leverage effects of the two programs—\$4.19 for the CD program and \$3.67 for the BRG program.
- Certain subcomponents of the two programs have higher leverage effects. In the case of the CD program, it is the *Local and regional enterprises* (\$5.00) and *Tourism* (\$4.77) subcomponents. For the BRG program, the two subcomponents are *Value chain management* (\$4.74) and *Pre-startup and startup of innovative enterprises* (\$4.62).
- Differences were also noted in terms of the type of recipient. The leverage effect was higher for SMEs (\$4.26) than it was for NPOs (\$3.67).
- The leverage effect also varied according to the type of region. Projects carried out in non-7/21 areas had a higher leverage effect than those in 7/21 areas (\$5.18, compared with \$2.59). This difference can be attributed to the stronger presence of funding bodies in the case of projects carried out in non-7/21 areas, which tend to be more urban.

Incentive nature of the assistance

Given the limited budget and the fact that access to funding is unequal among the various regions and sectors, and with a view to optimizing resources, the Agency supports projects that would be unable to go ahead without its financial contribution. This aspect is one of its project selection criteria. The Agency also measures this aspect in its annual survey.⁵⁵

According to data from the 2008–2009 survey, only 3.7% of SME respondents stated that they would have been able to carry out their projects, on the same scale and within the same time frame, without CED's assistance.

Type of contribution

CED supports various types of recipients by providing assistance in the form of non-repayable and repayable contributions and grants.

- During the evaluation reference period, 53.4% (\$251 million) of Agency assistance took the form of non-repayable contributions; the main recipients were NPOs, which received 93% of this assistance, or \$233 million.
- According to the *Policy on Transfer Payments*, non-repayable contributions can be granted to SMEs on an exceptional basis,⁵⁶ often justified by the businesses' inability to reimburse the funding. A total of \$18 million in non-repayable contributions was granted to 93 SME projects, accounting for 11% of all SME projects supported under the CD and BRG programs. Of these projects, 91 received a contribution of \$100,000 or less. The majority of these projects were approved under the CD program and involved enterprises set up in devitalized regions.
- The analysis of the outcomes of SME projects whose performance monitoring had been completed shows that the increase in net sales was similar, regardless of whether the enterprise received a non-repayable or repayable contribution.

4.4.2 Overview of human resource use in the business offices

Almost half of all the hours worked by business office staff are spent on delivering services to recipients. The application preparation phase and the project claim processing and monitoring phase account for almost all of the time spent managing a grants and contribution project. Differences were noted regarding the use of various occupational groups for the same activity from one business office to the next. Some of these aspects could be explored at greater length with a view to identifying potential efficiency gains.

Breakdown of time spent by category of financial and non-financial activities

Business office staffs make up the primary resource required for the delivery of services to clients. As a result, the analysis of human resource management focuses on the time spent on financial and non-financial activities and on the management of grants and contribution projects (from the preparation of the application for financial assistance to the monitoring of claims).

Between November 2008 and October 2010, 158 full-time equivalents (FTEs) per year were employed in the various business offices, including 146 FTEs specifically dedicated to the delivery of the CD and BRG programs. Their work can be broken down into four broad categories of financial and non-financial activities:

- financial activities associated with preparing applications for financial assistance with recipients (SMEs and NPOs);
- development activities (project lobbying);
- activities related to the management and administration of projects and the offices themselves;
- support for the head office (HO), and other activities.

According to AIS data:

- 47% of the time entered was related to financial activities associated with preparing applications for financial assistance with recipients, and to development activities, i.e., time directly linked to the delivery of services for recipients;
- 42% of the time entered was spent on management (13%) and administrative (29%) activities; and,
- Almost 12% of the time was spent on other activities (support for head office, travel and training).

Given the lack of data from comparable departments or agencies, it is impossible to assess the breakdown of time among these four categories. It should also be noted that the analysis focused solely on the broad categories of activities in the Activity Information System. The *Management Activities* category, for example, has four subcategories: *Office Management*, *Human Resources*, *Planning and Reporting*, and *Administration / clerical activities*. Furthermore, some subcategories include activities that could be considered more as support for head office than as office management or administration: corporate projects, ad hoc reports, responding to auditors, internal consultations, etc. At the moment, time spent by CO-2s on office management is classified as administration, since it is not management in the strict sense of the term. The current design of the AIS may result in an increase in the time entered under certain *Administration* and *Office Management* categories.

Breakdown of the type of activity by personnel category

AIS data provide an overview of the typical activities for each personnel category.

- Of the total time spent on development activities by business office staff, 70% involved business office advisors. In addition, business office advisors accounted for 72% of all time spent on financial assistance applications and 61% of time devoted to claims and monitoring.
- Of the total time spent on management, 46% involved business office directors; in terms of time spent on administration, 56% involved administrative assistants.
- Senior advisors were involved in all activities in similar proportions, with an emphasis on management duties, for which they accounted for 54% of the overall time.

Although the distribution of human resources among the various activities appears to be similar for the two programs, AIS data reveal significant variations from one business office to the next in terms of the use of various professional groups for a given activity (for example, in one office, assistants accounted for 1% of the time spent on claims, whereas in another office, they accounted for 33% of the total time spent on this activity). Some of the case studies also confirm that work organization varies from one business office to the next. Business office best practices with respect to work organization could therefore be documented and applied in other offices.

Cost of delivering authorized grants and contribution projects

Human resources account for the major part of the costs incurred by the Agency for the delivery of its services. Each project requires an average of 82.5 hours of processing, from the preparation of funding applications to the claim monitoring phase. The average number of hours spent managing a project was higher for the BRG program (88.4 hours) than it was for the CD program (78.3 hours).

The time devoted to projects was analyzed by the amount of the CED contribution, the type of program, the type of clientele and the project processing phase. A number of observations were made. The variance is primarily attributable to the claim and monitoring phase during the course of the projects.

The amount of the financial contribution has an impact on the average time required for the various project management phases. For example, the preparation of the funding application is the phase that requires the most human resources :

- The average processing time for contributions of less than \$100,000 was 42.7 hours.
- For contributions between \$100,000 and \$249,000, the average processing time was 51.3 hours.
- For contributions of \$250,000 or over, it took an average of 66.7 hours to process a project.

In terms of the processing phases, two phases accounted for almost all of the time spent managing grants and contribution projects.

- Preparing funding applications and processing claims and monitoring during the course of the projects accounted for over 91.7% of the total time devoted to the projects (an average of 75.6 hours per project).
- As concerns the phase involving the processing of claims and monitoring during the course of the project, which accounted for the second-highest number of hours per project (an average of 22.5 hours), the time spent also varied according to the amount of the funding provided by CED, as well as the type of client and the program subcomponent. However, the time spent on this phase could be underestimated, since a very small proportion of the CD and BRG program projects had reached the contribution repayment step. This limitation also means that more time could actually be spent on monitoring after the final payment than the data suggest.

4.4.3 *Client satisfaction with the quality of services and the administrative process*

The majority of the respondents said they were satisfied with the quality of the services received, and considered the administrative red tape to be minimal or reasonable.

Service quality

CED has implemented various mechanisms for ensuring the efficiency of its services. Management reviews of the ISO 9001 certified quality management system are conducted on a regular basis. The Agency's business offices and support services have had ISO certification for over 10 years.⁵⁷ Renewed in the winter of 2010, this certification supports efforts to improve the quality of CED's services. The Agency also conducts a telephone survey to gauge client satisfaction with respect to service quality.

CED pays particular attention to the quality of its client service. In its most recent survey, the Agency exceeded the objectives it had set regarding the key aspects of its client service (see Table 34).

- In 2008–2009, 93.1% of the respondents interviewed felt that the quality of CED's service in general was "very satisfactory" or "satisfactory,"⁵⁸ which is higher than the objective of 90% set by the Agency. The courtesy of personnel (97.5%), the competence of personnel (94.6%) and the clarity of the contribution agreements (91.1%) were the highest rated aspects.
- Almost 9 out of 10 clients (87.1%) said they were satisfied with the processing time for funding applications, which is higher than the objective set by the Agency. There is little difference between the two programs and the two types of recipients. In 2008–2009, 86% of CD program clients said they were "very satisfied" or "satisfied" with funding application processing times. The rate for the BRG program was 80%. Very few respondents said they were "dissatisfied" or "very dissatisfied" with funding application processing times (4% for the CD program and 10% for the BRG program).

Table 34 Rate of client satisfaction with the key aspects of the service

Key aspect of the service provided	Objective	Result
Quality of the service in general	90%	93.1%
Accessibility of the services	85%	88.8%
Coaching received during the process	85%	89.4%
Ability to respond to proponents' needs	85%	84.5%
Response time for financial assistance applications	70%	80%
Processing time for claims and reimbursement requests	80%	83.4%
Competence of personnel	90%	94.6%
Courtesy of personnel	95%	97.5%
Clarity of publications and informative brochures	N/A	86.4%
Clarity of the contribution agreements	N/A	91.1%

Source: 2008–2009 Annual Survey

In support of the survey data, the findings of the case studies carried out in the MRCs also show that the response time for funding applications is considered to be short and satisfactory. However, according to the benchmarking study,⁵⁹ CED processing times are twice as long as MDEIE's: the study notes that CED's policy in this regard is 25 to 46 days, whereas CED internal tools⁶⁰ target a response time of 35 to 65 days, depending on the scope of the project. The study also notes that CED respects its processing time commitment in 50% of cases.

Administrative red tape

The following question was included in the 2008–2009 Annual Survey in order to assess clients' perception of the administrative red tape associated with the processing of applications: *"Regarding the preparation of your financial assistance application, do you consider that Canada Economic Development's requirements concerning documents such as legal documents, business plan and, financial statements are minimal, reasonable or cumbersome."*

- The majority of the respondents for both programs (76% for the CD program and 78% for the BRG program) considered the documentation requirements to be "minimal" or "reasonable."
- Broken down by type of recipient (SMEs and NPOs), the difference was relatively insignificant.
- The perception of the administrative red tape seemed to remain the same throughout the course of the project, from the application for funding to the project monitoring phase.

The people interviewed as part of the case studies noted the speed and the simplicity of the agreement, the business approach and CED's open-mindedness to the projects being presented. The MRC case studies also revealed that the claim processing phase is sometimes perceived as inflexible, given the expense eligibility criteria, particularly for commercialization and marketing activities.

5. Recommendations and Management Response

Evaluation issue	Recommendations
Relevance	
Continued need for the program	<i>Yes - Recommendation 1</i>
Alignment with government priorities	<i>No</i>
Alignment with federal roles and responsibilities	<i>No</i>
Performance	
Effectiveness (achievement of expected outcomes)	<i>Yes – Recommendations 2 to 4</i>
Demonstration of efficiency and economy	<i>Yes – Recommendation 5</i>

Recommendations	Responsibility Centre	Management Response	Expected Completion Date
Issue: Relevance			
1. When developing a program or an initiative, the Agency should clearly document the needs to be met and the expected outcomes so that they can be rigorously measured and evaluated.	PRPB	<p>The Agency has reviewed and adjusted its strategic framework and Program Activity Architecture (PAA), which come to term on March 31, 2012. This process allowed the Agency to update its tools and practices by modernizing, tailoring and simplifying them, with a view to improving the organization's efficiency and effectiveness. Within the framework of its program renewal exercise, the Agency provided a well-documented account of the socio-economic issues and problems it planned to address. In this respect,</p> <ul style="list-style-type: none"> • Consultations were held among clients (NPOs and SMEs) as part of program evaluations, and among Agency employees and managers, to determine the needs and future challenges of SMEs and the regions of Quebec. • An analysis of the economic context in Quebec (e.g., trends, issues, challenges, etc.) was conducted as part of the development of the Strategic Framework (28 fact sheets were prepared dealing with various themes linked to potential CED activities). • The Agency's 2012–2017 Strategic Framework was renewed, in accordance with the organization's mandate and in line with government priorities. It presents the issues and challenges facing Quebec communities and entrepreneurs, and defines the scope of the areas of activity in which the Agency intends to intervene in order to contribute to business and regional development. • The relevance of the Agency's intervention and the identification of the needs it aims to meet through each of the targeted components (e.g., entrepreneurship, productivity, etc.) were analyzed. This information is included in the profiles of the nine program components. 	April 2012

Recommendations	Responsibility Centre	Management Response	Expected Completion Date
		<ul style="list-style-type: none"> The logical models for the program sub-activities include narrative exposés explaining how the activities will translate into the expected results, with a view to determining the best indicators for tracking progress toward the desired change. The Agency also developed an economic development index that will allow it to track regional development over the long term and provide an objective and comparable snapshot of the 104 MRCs. 	
Issue: Effectiveness			
2. The Agency should simplify performance measurement and reduce the number of indicators used. In the case of the summative evaluation, the performance analysis was based solely on a small number of the indicators used. The Agency should also develop and implement a performance measurement strategy in order to improve the monitoring of NPO project outcomes.	DPB	The Agency has undertaken a process aimed at simplifying its performance measurement. The performance measurement strategies of future programs will reflect the results of this process, and will also include a proposed strategy for better documenting the outcomes of projects carried out by NPOs.	April 2012
3. The Agency should establish outcome targets for its new programs. These targets would ensure better reporting of the programs' efficiency and effectiveness, and would meet the requirements of the Treasury Board Policy on Management, Resources and Results Structures.	PRPB	Within the framework of the development of results chains and the performance measurement framework linked to the new PAA, the Agency defined outcome targets for each of its program activities. These targets were established further to internal consultations, and are based on an in-depth analysis of available historical data, reports and studies, available budgets and potential future priorities.	April 2012

Recommendations	Responsibility Centre	Management Response	Expected Completion Date
4. The Agency should pursue, in co-operation with Statistics Canada, the study on the economic impact in order to measure the long-term benefits and determine the net effect of its activities targeting businesses.	DPB	The Agency plans to pursue the study on the economic impact of its activities. The timing and the frequency of the study will be determined when the program performance measurement strategy is developed.	April 2012
Issue: Efficiency and economy			
5. For its new programs, the Agency should develop an appropriate costing framework that establishes the value of the resources used to obtain an activity, output or outcome. The Agency should also include, in the performance measurement strategies for its new programs, a framework for analyzing efficiency, along with the associated indicators.	Financial Resources Branch / DPB	The Planning, Analysis and Resource Management (PARM) division, on behalf of the DFB, will develop an appropriate costing procedure that will allow the Agency to clearly identify the delivery costs associated with the initiative. Indicators relating to inputs (human and financial resources) will be established during the development of the performance measurement strategy.	April 2012

ENDNOTES

- ¹ Economic Development Agency of Canada for the Regions of Quebec Act (S.C. 2005, c. 26). Assented to 2005-06-23, art 6a. <http://laws.justice.gc.ca/eng/acts/E-1.3/page-1.html>. Web. February 16, 2012.
2. They replace the *Regional Strategic Initiatives* (RSI) program (1997 to 2007) and the IDEA-SME program (1995 to 2007).
3. Canada Economic Development, *Results-based Management and Accountability Framework and Risk-based Framework: Business and Regional Growth Program*, August, 2007, p. 3-4.
4. Ibid.
5. Every program is based on a program theory or a “theory of change” – a series of ideas describing how and why the program will produce the expected results. The theory connects the program’s activities with its goals. It is often based on knowledge and experience of the program, research, evaluations and best practices. See the Treasury Board Secretariat document entitled *Supporting Effective Evaluations: A Guide to Developing Performance Measurement Strategies*, Sept. 29, 2010. Web. January 16, 2012. <http://www.tbs-sct.gc.ca/cee/dpms-esmr/dpms-esmr02-eng.asp>.
6. In December 2009, the Agency adopted a simplified Program Activity Architecture (PAA). The *Development of enterprises’ capacities* component was renamed *Strategic business capabilities*.
7. The *Competitiveness Poles* component was renamed *Growth Poles* in the December 2009 simplified PAA.
8. To facilitate reporting, the evaluation is based on the so-called “operational” PAA, which is the basis for the Agency’s performance monitoring, and not on the simplified PAA introduced in December 2009.
9. Canada Economic Development for Quebec Regions, *Formative Evaluation of the Community Diversification and Business and Regional Growth programs*, November 15, 2010. Web. Jan. 16, 2012. <http://www.dec-ced.gc.ca/eng/publications/agency/evaluation/205/index.html>.
10. Canada Economic Development’s 2007–2008 (archived) and 2009–2010 *Report on Plans and Priorities*, March 26, 2009. Web. Jan. 16, 2012. <http://www.tbs-sct.gc.ca/rpp/2009-2010/inst/frd/frd00-eng.asp>.
11. This refers to the seven regions of Quebec experiencing slow economic growth. A total of 1.2 million people (14.6% of Quebec’s population) live in these seven regions. Besides these seven regions with slow economic growth (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie –Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean), there are other highly devitalized areas (MRCs) that also require special attention. A total of 510,000 people live in these 21 MRCs (6.7% of Quebec’s population). Canada Economic Development for Quebec Regions, *Departmental Performance Report* as at March 31, 2009, Appendix 1, Nov. 17, 2011. Web. January 16, 2011. <http://www.tbs-sct.gc.ca/dpr-rmr/2008-2009/inst/frd/frd04-eng.asp>.
12. Canada Economic Development, *Formative Evaluation of the Community Diversification and Business and Regional Growth programs*, January 2010, p.34.
13. Ibid., p.34.
14. *Ouverture de la programmation* (Presentation), March 25, 2009.
15. The *Program Management Manual* is the source of program management information for Agency advisors.
16. Canada Economic Development, *Formative Evaluation of the Community Diversification and Business and Regional Growth Programs*, January 2010. Web. January 16, 2012, <http://www.dec-ced.gc.ca/eng/publications/agency/evaluation/205/index.html>
17. At the same time, the evaluation team is also conducting a summative evaluation of the *Community Diversification* (CD) program. An evaluation framework specific to this program has been developed; however, the evaluation questions and methodology are common to the two evaluation frameworks.
18. Treasury Board Secretariat, *Directive on the Evaluation Function*, July 22, 2009. Web. Jan. 16, 2012. <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15681>.

19. Treasury Board Secretariat, *Standard on Evaluation for the Government of Canada*, March 24, 2009. Web. Jan. 16, 2012. <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15688>
20. Canada Economic Development, Departmental Performance Branch, *Program Management Manual*, March 2009.
21. In addition, in terms of exports, approximately 2% of Canadian SMEs exported goods and services in 2009, yet they accounted for over 40% of the total value of exports. Even though SMEs are a key segment of the economy, statistics show that the survival rate falls from 85% after one year to 51% after five years of operation. Industry Canada, *Key Small Business Statistics – July 2011*. Web. Jan. 16, 2012. <http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/rd02597.html>.
22. Industry Canada, Small Business and Tourism Branch, Enquête spéciale / special survey.
23. Business Development Bank of Canada, *Survey Conducted Among Angus Reid's Forum Panel for the October 2010 Small Business Week*, June 2010, Question on p. 8: What are the main obstacles to making your intended investments or preventing you from making such investments? http://www.bdc.ca/EN/about/sme_research/Pages/default.aspx
24. Ibid, Question on p. 15: What are the main difficulties that may hinder your ability to innovate? The second obstacle was a lack of time.
25. In 2006, Canadian labour productivity per hour worked was only 81.4 percent of U.S. levels, down considerably from 87.4 percent as recently as 2001. One contributing factor is an under-investment in machinery, equipment and technology, which are all important drivers in boosting productivity, because new technologies enhance efficiency while also spurring innovation and enabling the creation of new products and technologies. Competition Policy Review Panel, *Sharpening Canada's Competitive Edge* (Consultation Paper), Oct. 30, 2007. Web. Jan. 16, 2012.; [http://www.ic.gc.ca/eic/site/cprp-gepmc.nsf/vwapj/sharpening_e.pdf/\\$FILE/sharpening_e.pdf](http://www.ic.gc.ca/eic/site/cprp-gepmc.nsf/vwapj/sharpening_e.pdf/$FILE/sharpening_e.pdf); <http://www.ic.gc.ca/eic/site/cprp-gepmc.nsf/eng/00013.html>
26. Réjean Landry, *L'innovation, ses déterminants, sa commercialisation et ses mesures de soutien dans un contexte régional*, Université Laval, April 2010.
27. See Roy Luebke, *New Research Study Discovers Important Dynamics of Innovation and Collaboration Between Networks*, Open Innovation Resource Center, April 12, 2010. Web. Jan. 16, 2012. <http://www.innovationtools.com/weblog/innovationblog-detail.asp?ArticleID=1470>
Open innovation, i.e., working in co-operation and partnership with outside sources, allows companies to come up with ideas for new products and services that can be developed and sold for a profit on world markets.
Irena Vucic, *Cooperation and Cluster Strategies Within and Between Technology-Intensive Organizations: How to Enhance Linkages among Firms in Techno-Parks*, Ankara, TEKPOL, Science and Technology Policies Research Center, 2010.
28. Government of Canada, *Advantage Canada: Building a Strong Economy for Canadians*, 2006, pp. 9 and 81. Web. Jan. 16, 2012. <http://www.fin.gc.ca/ec2006/plan/pltoc-eng.asp>.
29. Government of Canada, *Speech from the Throne*, March 3, 2010.. Web. Jan. 16, 2012. <http://www.sft-ddt.gc.ca/eng/media.asp?id=1388>.
30. Government of Canada, *Budget Speech*, Feb. 26, 2008, p. 9. Web. Jan. 16, 2012. <http://www.fin.gc.ca/access/budinfo-eng.asp>.
Government of Canada, *Budget 2010: Leading the Way on Jobs and Growth*, March 4, 2010, pp. 83-84. Web. Jan. 16, 2012. <http://www.fin.gc.ca/access/budinfo-eng.asp>.
31. Government of Canada, *Speech from the Throne*, June 3, 2011, p. 4. Web. Jan. 16, 2012. <http://www.sft-ddt.gc.ca/eng/media.asp?id=1390>.

32. Government of Canada, *The Next Phase of Canada's Economic Action Plan—A Low-Tax Plan for Jobs and Growth: The Budget Plan*, June 6, 2011, p. 146. Web. Jan. 16, 2012. <http://www.budget.gc.ca/2011/plan/toc-tdm-eng.html>.
33. Government of Canada, *Speech from the Throne*, 2011 p. 3. Web. Jan. 16, 2012. <http://www.sft-ddt.gc.ca/eng/media.asp?id=1390>.
34. Government of Canada, *Budget 2010: Leading the Way on Jobs and Growth*, March 4, 2010, p. 85. Web. Jan. 16, 2012. <http://www.fin.gc.ca/access/budinfo-eng.asp>.
35. Government of Canada. *Budget Speech*, 2010, p. 10. Web. Jan. 16, 2012. <http://www.budget.gc.ca/2010/speech-discours/speech-discours-eng.html>.
36. Government of Canada, Department of Finance, *Advantage Canada: Building a Strong Economy for Canadians*, 2006, p. 9. Web. Jan. 16, 2012. <http://www.fin.gc.ca/ec2006/plan/pltoc-eng.asp>.
37. Government of Canada, *Budget Speech*, 2008, p. 8. Web. Jan 16, 2012. <http://www.fin.gc.ca/access/budinfo-eng.asp>.
38. Government of Canada, *Budget 2010: Leading the Way on Jobs and Growth* p. 206. <http://www.fin.gc.ca/access/budinfo-eng.asp>.
39. Government of Canada, *Speech from the Throne*, 2011 p.5. Web. Jan. 16, 2012. <http://www.sft-ddt.gc.ca/eng/media.asp?id=1390>.
40. As set forth in the *Economic Development Agency of Canada for the Regions of Quebec Act*, the Agency's mandate 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 where opportunities for productive employment are inadequate."
Economic Development Agency of Canada for the Regions of Quebec Act, subsection 10(2). (Assented to on June 23, 2005 and last amended on Oct. 5, 2005.). Web. Jan. 16, 2012. <http://laws-lois.justice.gc.ca/eng/acts/E-1.3/index.html>.
- ⁴¹. AECOM Tecsalt, *Analysis of Provincial, National and International Regional Development Organizations and Programs*, 2009, p. 20.
42. Ibid, p. 44.
43. The *Other* category often refers to money provided by the proponent or relatives.
44. The question was as follows: "Without Canada Economic Development's financial assistance, would you have received financial assistance from those financial institutions or governments and public agencies?"
45. Treasury Board Secretariat, *Directive on the Evaluation Function*, April 1, 2009. Web. Jan. 16, 2012. <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=15681>.
46. The other projects are either in breach of contract or have been written off.
47. Two projects were in breach of contract.
48. Given the small number of projects and the multi-year project agreements, only one indicator—the number of international promotion activities carried out—was sufficiently documented.
49. At the time of the contribution agreement, an enterprise's net sales totalled \$2 million; during the final monitoring, net sales had risen to \$2.5 million. The variance rate is 25%.
The achievement rate is calculated by grouping together, by indicator, all of the data compiled (e.g., the number of activities carried out = 500) divided by the expected outcome as defined when the contribution agreement was drafted (e.g., the number of activities planned = 1,000 activities).
50. In the case of indicators relating to the variance in net sales, overall international sales and sales resulting from R&D, project targets could not be used because of data gaps in several projects.

51. Statistics Canada, *Economic Development Agency of Canada for the Regions of Quebec: Economic Impact Study – 2002 to 2008*, July 2011.
52. To the best of our knowledge, in recent years, four federal departments and agencies have used this group comparison approach in partnership with Statistics Canada.
53. When setting up the control group, a number of variables were used to match the control group enterprises with the groups of enterprises receiving CED funding. The methodology basically involved matching the features of the enterprises in terms of the following variables: sales, number of employees, operating margin, NAICS, development stage, etc. However, one bias that could not be controlled, unless, for example, an experimental approach were to be conducted (random breakdown of recipients and non-recipients), was the enterprises' "motivation." Do enterprises that apply for CED funding perform better than those that do not apply? Or does CED select the top-performing enterprises ("skimming effect")?
54. Of the 41 projects for which data for this indicator was available, 12 had finished being monitored, whereas 29 were still in progress.
55. Question: "Without Canada Economic Development's help, would it have been possible for you to carry out your activities or start your project?"
56. Canada Economic Development, *Program Management Manual*, 2010.
57. Agency's intranet site.
58. Clients who received Agency services in 2008–2009.
59. AECOM Tecsalt, *Analysis of Provincial, National and International Regional Development Organizations and Programs*, June 2009, page 34.
60. Canada Economic Development, *Service Standards and Target Response Time*. Intranet. http://omidip.dec-ced.gc.ca/portal/page/portal/group_intranet/agen/agen_regl/agen_regl_norm/agen_regl_norm_6 (site consulted on August 23, 2011).