

Estimates

For the period ending March 31, 2005



Performance report

Handwritten signature of Jacques Saada.

Jacques Saada

Minister of the Economic Development Agency
of Canada for the Regions of Quebec

TABLE OF CONTENTS

SECTION 1 : AGENCY OVERVIEW AND DEPARTMENTAL PERFORMANCE	1
1.1 Message from the Minister	1
1.2 Management representation statement	3
1.3 Summary	5
1.3.1 Rationale	5
1.3.2 Strategic outcomes and planning and reporting framework	6
1.3.3 Agency action to foster regional development	9
What does the Agency do?	10
With whom?	10
What does it try to achieve?	12
How?	13
1.4 Departmental performance	18
1.4.1 Interpretation of results and reference bases for reporting	18
1.4.2 Performance context	20
1.4.3 Human and financial resources	24
1.4.4 Profile of intervention – Main outputs	25
1.4.5 Agency’s main results	27
1.4.6 Achievements with respect to commitments	31
SECTION 2 : ANALYSIS OF PERFORMANCE BY STRATEGIC OUTCOME	39
2.1 Strategic outcome #1: <i>Enterprises’ competitiveness</i>	39
2.1.1 Program activity: <i>Enterprise development</i>	39
2.2 Strategic outcome #2: <i>Vitality of communities</i>	46
2.2.1 Program activity: <i>Improvement of the economic environment of regions</i>	46
2.2.2 Program activity: <i>Improvement of community infrastructure</i>	51
2.2.3 Program activity: <i>Provision of special adjustment measures</i>	55
SECTION 3: ADDITIONAL INFORMATION	61
3.1 Information on the organization	61
3.2 Financial performance	62
3.2.1 Comparison of planned spending with actual expenditures	63
3.2.2 Program activities	64
3.2.3 Summary of voted and statutory appropriations	65
3.2.4 Net cost for the Agency during Fiscal Year (FY) 2004-2005	66
3.2.5 Sources of non-responsible revenue by program activity	67
3.2.6 Information on Transfer Payment Programs (TPPs)	68

3.3	Response to Parliamentary Committees, audits and evaluations for FY 2004-2005	69
3.4	Sustainable Development Strategy	72
3.4.1	Long-term contribution of goals, objectives and targets to attainment of the Agency's strategic outcomes	74
3.4.2	Adjustments made as a result of lessons learnt	74
3.5	Service Improvement Initiative	75
3.5.1	Programs and services targeted by an improvement plan	75
3.5.2	Establishment of base levels with respect to beneficiary satisfaction and progress accomplished with a view to attaining satisfaction-related objectives	76
3.5.3	Service standards for all key public services: establishment of standards and associated performance	77
3.5.4	Main achievements with respect to citizen-oriented service improvement	77
SECTION 4 : INITIATIVES LINKED WITH THE GOVERNMENT'S MANAGEMENT ACCOUNTABILITY FRAMEWORK		79
4.1	Governance and strategic policy	80
4.2	Risk management	80
4.3	Learning, innovation and change management	81
4.4	Public Service and people values	82
4.5	Citizen-centred services	84
4.5.1	Government On-Line	84
4.5.2	Official languages – Part VII – Section 41 of the <i>Official Languages Act</i>	85
APPENDIX 1: THE AGENCY'S REGIONAL DEVELOPMENT INTERVENTION TOOLS		87
	Guidance and advice	89
	Information and referrals	89
	Financial support	89
	Regular programming associated with the Agency's core mandate	90
	Dedicated programming under the Agency's core mandate	92
	Programming under mandates from the Government of Canada and other federal departments	92
APPENDIX 2: AGENCY PERFORMANCE MEASUREMENT METHODOLOGY		95
APPENDIX 3: MAIN CHANGES ASSOCIATED WITH THE NEW PROGRAM ACTIVITY ARCHITECTURE		99
APPENDIX 4: LIST OF ACRONYMS		101
APPENDIX 5: LIST OF CANADA ECONOMIC DEVELOPMENT BUSINESS OFFICES		103
APPENDIX 6: RESOURCE-PERSON AND STATUTES ADMINISTERED		105

Section 1

AGENCY OVERVIEW AND DEPARTMENTAL PERFORMANCE

1.1 Message from the Minister

Beyond figures and statistics there are women and men who, day in and day out, contribute to the development of their communities across Canada. Were it not for the tenacity and creativity of these entrepreneurs, researchers, workers and volunteers, the Government of Canada's initiatives, and more specifically those of the Economic Development Agency of Canada for the Regions of Quebec, which I head, would surely not have the same impact on the vitality of communities and the prosperity of our enterprises.

As we know, innovation, productivity, commercialization, entrepreneurship and the ability of community actors to take charge of local development are the foundation on which we build to ensure integrated regional development in Quebec. In my travels around Quebec, I have observed the numerous challenges and issues facing its regions. Against the backdrop of market globalization, the global village assumes its own specific meaning, which differs depending on whether you live in an urban environment, such as Montréal or Québec City, or in a resource region, like Abitibi-Témiscamingue or Gaspésie—Îles-de-la-Madeleine. Through the active presence of our 14 business offices covering the whole of Quebec, Canada Economic Development, in conjunction with its partners and community-based organizations, has over the years developed a closeness to, as well as an awareness and deep knowledge of, local and regional issues. Together, these attributes make all the difference with respect to regional development.

The results obtained by the Agency and presented in this performance report confirm that we are on the right track, that we are contributing fully to regional development in Quebec. In 2004-2005, the 2,100 development projects in progress supported by the Agency represented close to \$1 billion in investment for the development of Quebec's regions. When investment from other funding providers is added, the total value of these projects for that period stood at almost \$4 billion.

The results presented in this report are intimately linked with the efforts invested by our partners and by entrepreneurs to ensure Quebec's development. That is why I am proud to share them with business leaders and their employees, with the volunteers from our Community Futures Development Corporations (CFDCs) and with the different regional development agents. Among these, I would like to single out social economy enterprises with which my Agency has just begun to work in a coordinate fashion. This integration recognizes the ever-growing role played by the social economy in Canada, and especially in the revitalization of Quebec communities.

And the outlook is bright. With the adoption of Bill C-9, which gives the Agency autonomous status on the same basis as Canada's other regional development agencies, Canada Economic Development intends to provide active leadership, working with its partners, in co-ordinating federal intervention with respect to regional development in Quebec, and to pay particular attention to communities that are vulnerable or experiencing difficulties.

Finally, to intervene in a more integrated, targeted manner reflecting the different types of regions of Quebec, the Agency has developed strategic directions for the next five years (2006-2011) which speak to its vision of development by means of a more integrated approach. This approach is based on the need to move toward an integrated, multidimensional concept of regional development; and the need to invest in innovation, human capital and modern infrastructure as sources of competitive advantages in the 21st century.

Over the coming months and years, we will collectively have many challenges to meet in order to further the vitality and prosperity of Quebec's communities and SMEs. To achieve this, one ingredient in particular is essential: our ability to generate co-operation among all stakeholders, government, enterprises and communities. And the results we present in this report bear witness to our desire to invest in the development of the regions of Quebec so that those men and women who work for their communities' well-being can contribute to economic growth and to enhancing their quality of life.

A handwritten signature in black ink, appearing to read 'Jacques Saada', with a long horizontal line extending to the right from the end of the signature.

Jacques Saada
Minister of the Economic Development Agency of Canada
for the Regions of Quebec

I.2 Management representation statement

I submit, for tabling in Parliament, the *2004-2005 Departmental Performance Report* for the Economic Development Agency of Canada for the Regions of Quebec for the period ending March 31, 2005.

This document has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the preparation of 2004-2005 Departmental Performance Reports*:

- It adheres to the specific reporting requirements contained in the guide.
- It uses the Department's approved Program Activity Architecture.
- It presents consistent, comprehensive, balanced and accurate information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it.
- It reports finances based on approved numbers from the *Estimates* and the *Public Accounts of Canada*.

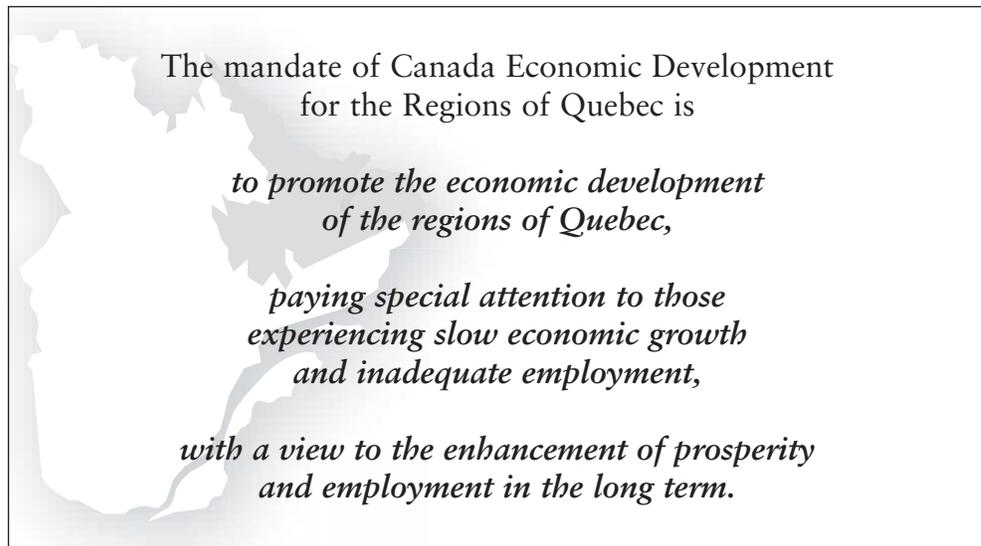


Michelle d'Auray
President

Date: 2005-10-06

1.3 Summary

1.3.1 Rationale



In fulfilling its mandate, Canada Economic Development helps the Government of Canada deliver on its commitment with respect to Section 36 of *The Constitution Act, 1982* to promote equality of opportunity for all Canadians in their pursuit of well-being and to further regional development in order to reduce disparity in opportunities.

In October 2004, the Minister responsible for the Agency tabled Bill C-9 in Parliament. The purpose of this draft legislation was to establish the Economic Development Agency of Canada for the Regions of Quebec by statutory means and give it a legal basis in its own right. On June 23, 2005, Bill C-9 received royal assent.

The new Act provides for the Agency to establish and maintain partnerships with the other federal departments in Quebec in order to play its role as co-ordinator of federal intervention in regional development. The Agency also has to continue to work in conjunction with the Government of Quebec and local and regional economic agents in order to ensure the development and diversification of the economy of Quebec's regions.



The new Economic Development Agency of Canada for the Regions of Quebec Act may be consulted at:
http://www.parl.gc.ca/PDF/38/1/parlbus/chambus/house/bills/government/C-9_4.PDF

1.3.2 Strategic outcomes and planning and reporting framework

The Agency targets strategic outcomes geared to the challenges of the global economy and associated with the adjustment and dynamism of the regions of Quebec, as follows:

- *Enterprises' competitiveness*
- *Vitality of communities.*

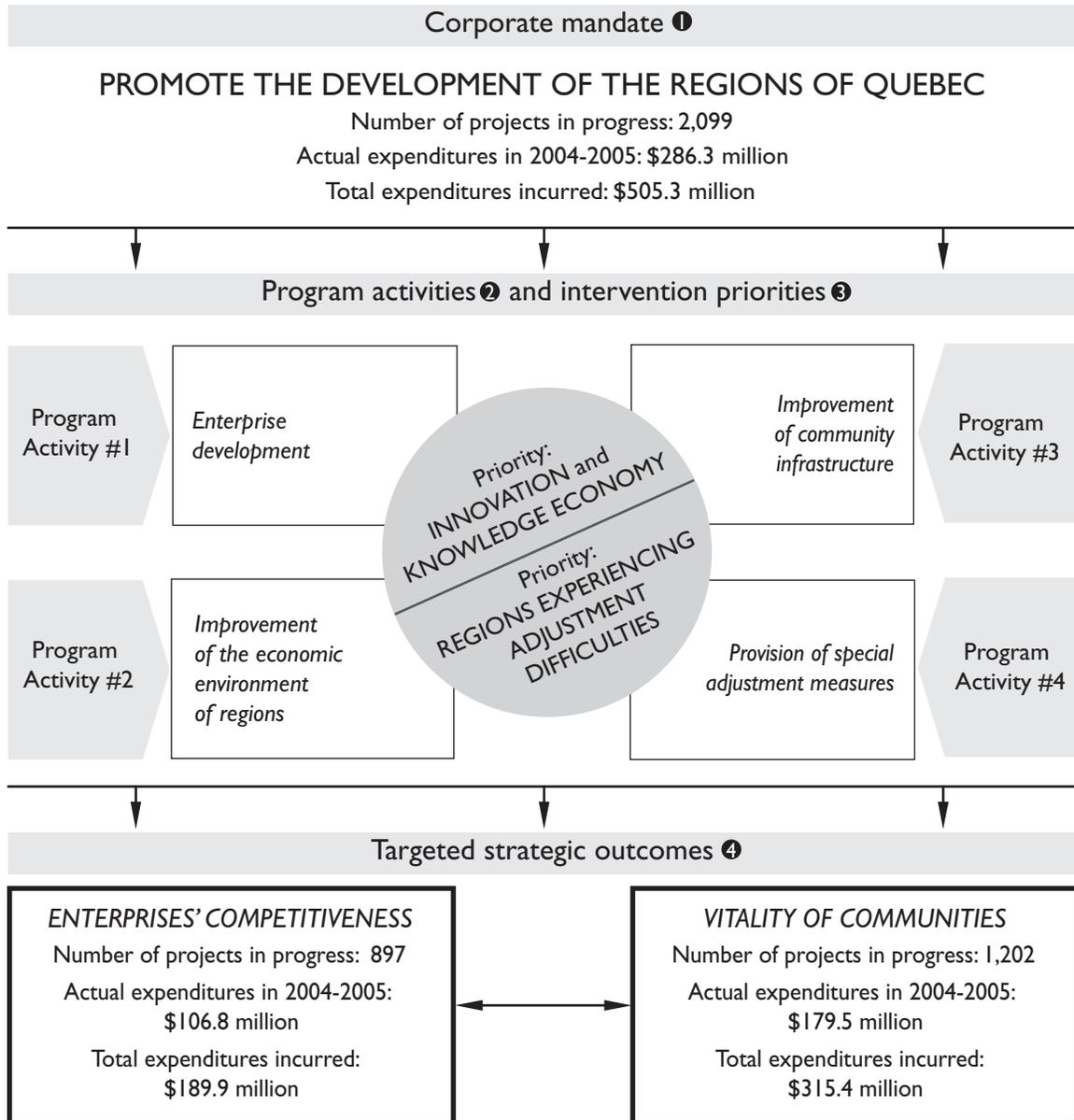
Like the other Government of Canada departments and agencies, the Agency adopted a new Program Activity Architecture in 2004-2005. The main changes made to the Agency's planning and reporting structure following the adoption of this new architecture are presented in Appendix 3.

For fiscal 2004-2005, while seeking to attain its strategic outcomes, the Agency had identified two intervention priorities:

- *Innovation—Knowledge economy*
- *Regions experiencing adjustment difficulties.*

The following diagram presents the Agency's planning and reporting framework based on its Program Activity Architecture and its intervention priorities.

MANDATE, STRATEGIC OUTCOMES, INTERVENTION PRIORITIES AND PROGRAM ACTIVITIES



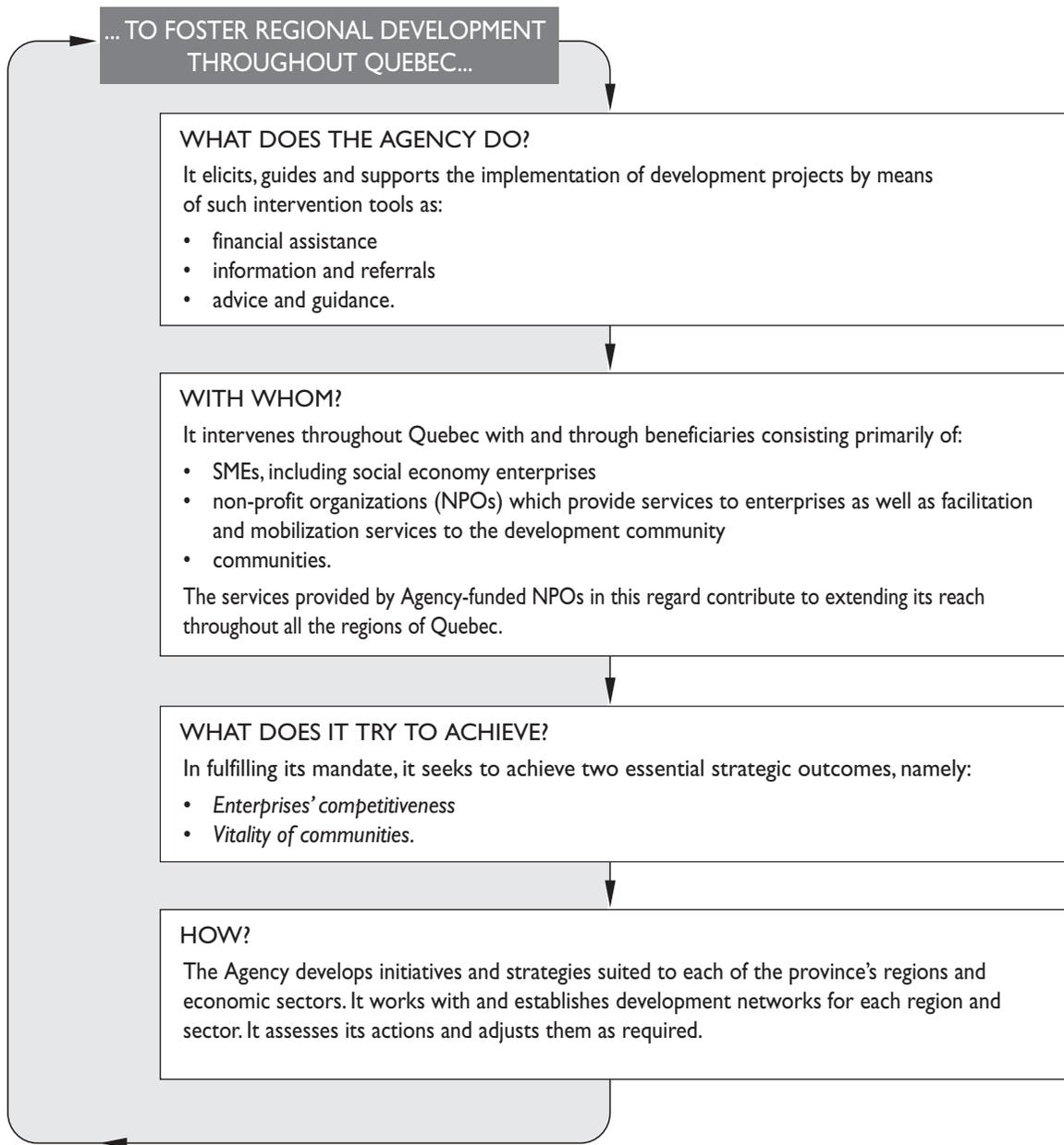
Notes :

- 1 The corporate mandate represents the Agency's rationale or raison d'être.
- 2 Program activities enable the Agency to fulfil its mandate and attain its strategic outcomes. Corporate services are also a program activity. They support action undertaken through the Agency's other program activities.
- 3 The Agency focusses on Intervention priorities through its program activities.
- 4 The Agency's Targeted strategic outcomes are also essential conditions for regional development in Quebec.

Definitions

<ul style="list-style-type: none"> ■ Program activity architecture 	<p>An inventory of all the programs and activities undertaken by a department or agency. The programs and activities are depicted in their logical relationship to each other and to the strategic outcome(s) to which they contribute.</p>
<ul style="list-style-type: none"> ■ Strategic outcome 	<p>A long-term and enduring benefit to Canadians that stems from a department or agency's mandate, vision and effort. It represents the difference a department or agency intends to make for Canadians and should be clear and measurable and within the department or agency's sphere of influence.</p>
<ul style="list-style-type: none"> ■ Results 	<p>Consequences attributable in whole or in part to the products and services (range of intervention tools) provided by the Agency.</p>
<ul style="list-style-type: none"> ■ Expenditure 	<p>A sum of money spent within the framework of a project in progress following a request for payment from a beneficiary.</p>
<ul style="list-style-type: none"> ■ Project in progress 	<p>A project that has been subject to an expenditure by the Agency during a given fiscal year. Expenditures incurred within the framework of a project generally constitute guarantees that certain results will ensue.</p>
<ul style="list-style-type: none"> ■ Total expenditures incurred 	<p>Total expenditures incurred within the framework of a project from its start until March 31, 2005. Total expenditures incurred within the framework of a project in progress in 2004-2005 can include spending from prior fiscal years. This indicator provides more comprehensive information on expenditures made by the Agency to achieve the results presented.</p>

1.3.3 Agency action to foster regional development



What does the Agency do?

Canada Economic Development Agency elicits, accompanies and supports the implementation of development projects throughout the regions of Quebec. It encourages the implementation of development projects that would not be carried out without its assistance, would not take place on the same scale, or would be postponed or even abandoned completely.

The Agency has a range of intervention tools at its disposal. To fulfil its mandate, it:

- provides financial assistance for the completion of development projects
- provides business intelligence of a general or more specialized nature
- provides advice
- provides referral and guidance services.

Even before development projects see the light of day, the Agency acts as a catalyst in a community to bring out consensus and develop strategies or development plans geared to a region's situation and potential. The Agency is thus called upon to work in conjunction with local and regional economic agents, including representatives of local chambers of commerce and boards of trade, development organizations and institutions, local elected officials, and individuals interested in their region's development. It also advocates and represents their interests to the other federal government departments and agencies in order to influence policy and program design with a view to take advantage of development opportunities.

Furthermore, the guidance and advisory services and the information and referral services provided by the Agency are often crucial for the development of Quebec's regions. Without this support, a good number of regional enterprises or economic agents would not be in a position to initiate or complete strategic projects for their regions, or even to obtain contributions from other funding providers.

With whom?

The Agency places its intervention tools at the disposal of beneficiaries consisting primarily of:

- small- and medium-sized enterprises (SMEs), including social economy enterprises
- non-profit organizations providing services to enterprises and communities
- communities.

The Agency elicits, guides and supports the implementation of development projects throughout Quebec with and through these beneficiaries, who indeed highly appreciate both the Agency's services and its service delivery. In recent years, Canada Economic Development has enjoyed high beneficiary satisfaction levels with respect to its services.

Over the years, the Agency has embedded itself deeply in the different regions of Quebec by weaving and leading a substantial network of organizations delivering services to SMEs and development agents. In this way, the Agency's action on development often comes about through organizations guided and funded by Canada Economic Development. By supporting these organizations, which it calls intermediary groups, and by learning from their knowledge and expertise, the Agency is able to be in close contact with the residents and the different situations in each region. In this way, it broadens the scope of its action in the regions of Quebec. It is also in a position to offer a significant continuum of services to SMEs in line with the stage in their development.

Through its intermediaries, the Agency offers the following services:

- enterprise incubation
- pre-startup and startup
- business intelligence, consulting and networking
- assistance for innovation, research and development (R&D) and productivity
- commercialization and exports.

For communities and development agents, through intermediaries, the Agency also provides services aimed at:

- raising regional awareness of regional economic issues
- fostering local development, including support for social economy enterprises
- promoting a community internationally
- enhancing entrepreneurship
- marketing a regional asset.

The Agency guides and supports more than 400 intermediary groups (primarily NPOs) in the different regions of Quebec. The role of some of these intermediary groups is to provide specialized services to business, while others constitute the means whereby citizens can play a significant role in the economic development of their community. For instance, the Community Futures Development Corporations, Business Development Centres (BDCs) and Community Economic Development Corporations (CEDCs) can count on the involvement of close to a thousand volunteers who collectively devote several tens of thousands of hours' work to their communities' development.

Several other examples of co-operation should be noted. Canada Economic Development works closely with *Centre d'entreprises et d'innovation de Montréal*, *Centre québécois du développement durable*, *Inno-centre*, *Enviro-Access* and *BioQuébec* to promote innovation in enterprises. The Agency funds the *Pôle Québec—Chaudière-Appalaches* and a network of regional export promotion organizations, in order to contribute to achieving national objectives concerning the development of international markets. Also working with the Agency are *Manufacturiers et exportateurs du Québec*, various trade associations and the boards of trade and chambers of commerce.

What does it try to achieve?

In eliciting, guiding and supporting the implementation of development projects with enterprises, non-profit organizations or communities throughout Quebec's regions, the Agency is ultimately aiming to enhance the prosperity and quality of life of Canadians in all regions of Quebec.

The Agency aims in particular to attain two strategic outcomes, namely:

- *Enterprises' competitiveness*
- *Vitality of communities.*

Enterprises competitiveness

Enterprises are the prime driving force behind regional development and wealth creation. When fostering the development of enterprises with a view to making them more competitive, the Agency works primarily with small- and medium-sized enterprises and non-profit organizations that provide services to enterprises. In so doing, the Agency facilitates in particular:

- the adoption by enterprises of advanced business practices (e-business, strategic planning systems)
- innovation in processes, equipment and products
- commercialization of new products and development of new export markets
- development and reinforcement of knowledge-based competitive advantages.

The growth of innovative and export-driven enterprises has a particularly stimulating effect on economic development and a lasting increase in employment.

Vitality of communities

A region has to be dynamic and have at its disposal, among other things, quality economic, cultural and tourism infrastructure and a solid network of local and regional development-oriented organizations. The Agency therefore works closely with local and regional economic agents, entrepreneurs and communities to promote their vitality. In so doing, it fosters, among other things:

- enhanced local capability to take charge of local development
- startup and expansion of small enterprises of local scope (entrepreneurship), including social economy enterprises
- improvement of community transportation infrastructure; drinking water (filtration plants and distribution networks) and wastewater (water supply and sewers) infrastructure; and economic and cultural infrastructure.

In addition, on an exceptional basis, also to ensure the health of certain communities, the Agency is sometimes called upon to intervene and institute special adjustment measures when communities or regions find themselves in a crisis situation following:

- a major economic shock, such as the closure of plants in an industry on which a region's economy is based (e.g., textiles) or natural resource shortages (e.g., fish)
- a natural disaster leading to the suspension or cessation of a region's economic activity (e.g., Saguenay flooding, Montréal and Montérégie ice storm).

Section 2 covers the two strategic outcomes targeted by the Agency as well as, in greater detail, the program activities used to achieve them.

How?

The Agency develops initiatives and strategies suited to each of the province's regions and economic sectors. It works with and establishes development networks for each region and sector. It assesses its actions and adjusts them as required. The Agency fosters the complementarity of its goals and actions with those of other federal and provincial departments and agencies and municipal administrations, while respecting their areas of responsibility. The Agency can thus have more influence on national policy and benefit from the expertise of other federal departments and agencies.

Close co-operation has been established through such co-ordination organizations and networks as the Canadian Technology Network or the Enhanced Representation Initiative. The Agency co-operates as well with the National Research Council Canada (NRC), Canadian Heritage (PCH), Environment Canada, Parks Canada, Transport Canada, Fisheries and Oceans Canada, Natural Resources Canada (including the Canadian Forest Service), Infrastructure Canada and Human Resources and Skills Development Canada, among others.

The Agency also works with several Government of Quebec departments and agencies to foster the implementation of development projects when they correspond to the priorities of the Government of Canada, the Agency and communities. In this context, many projects supported by the Agency are also backed financially by the Government of Quebec, other Government of Canada departments and agencies, or municipal and regional authorities. In the case of the Infrastructure Canada Program, a formal co-operation agreement with the Government of Quebec was signed in 2000.

The Agency's development approach is present at every stage in its management cycle, from policy and priority planning to evaluation of its intervention, and the approach takes shape in the Agency's regional intervention strategies.

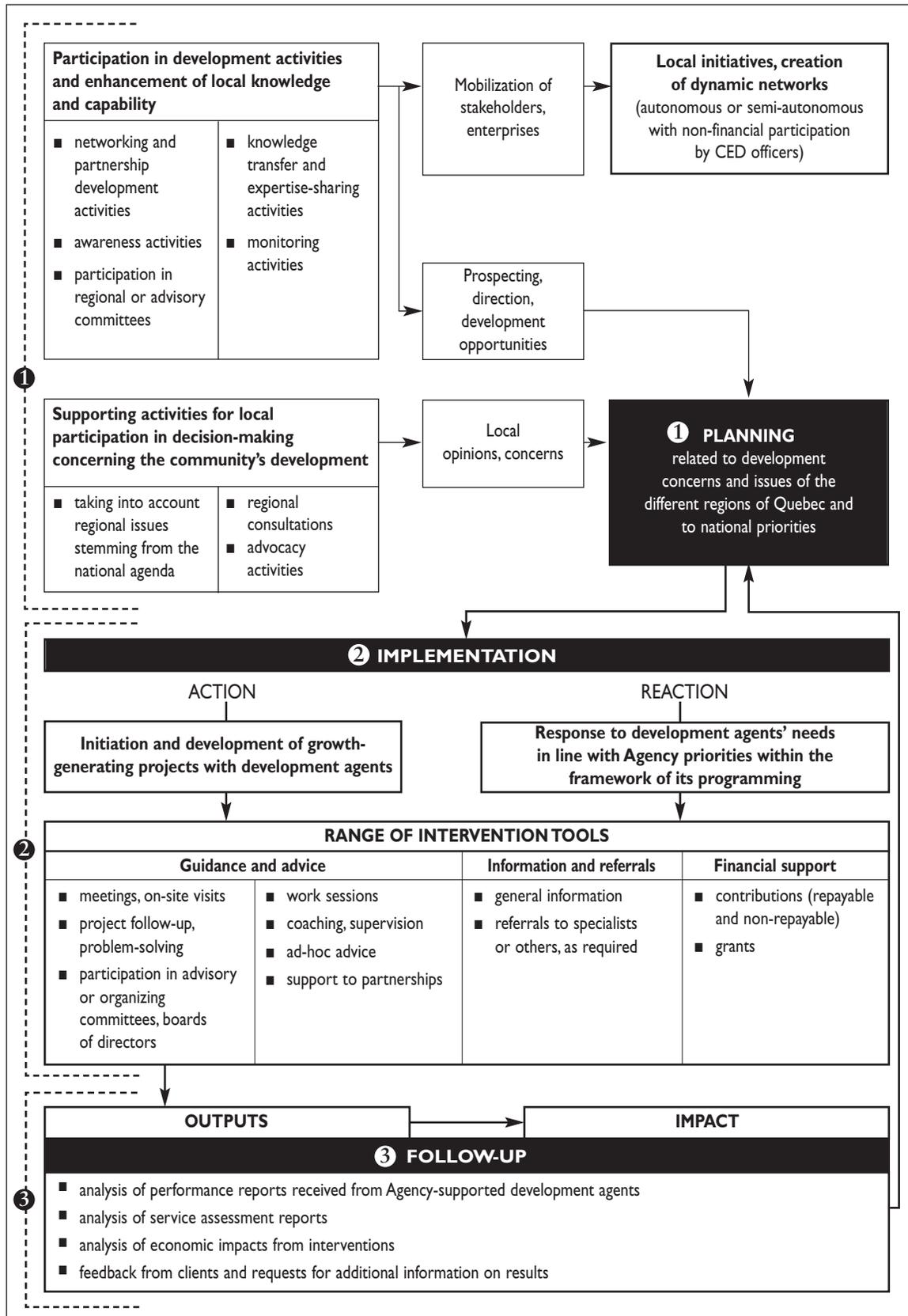
Regional Intervention Strategies

The linchpins of its regional development action in Quebec, these Regional Intervention Strategies (RIS), which take into consideration local and regional development issues and challenges, are drawn up and implemented in conjunction with local and regional development agents. They guide the Agency's regional intervention so as to achieve the regions' development potential and foster growth in their niches of excellence (for instance, aluminum in the Saguenay, the mining industry in Abitibi, the marine sector in Eastern Quebec, or optics-photonics in Québec City). They are the outcome of the Agency's efforts to facilitate and mobilize local economic agents around priority issues, and often lead to more concerted action from the different government departments and agencies.

The following diagram explains the three main phases in the Agency's regional development approach. While the phases are presented sequentially, implementation of each phase overlaps in time, and the end of one phase is not a necessary condition for the start of another.

The Agency acts on regional development in an adapted manner by implementing regional intervention strategies in each region of Quebec.

THE AGENCYS REGIONAL DEVELOPMENT APPROACH



Phase 1: Planning of the Agency's regional development intervention strategy

The first phase presents the Agency's activities for which, often, no financial participation is necessary. Through its presence in the regions of Quebec, the Agency stimulates and encourages the mobilization of development agents. These activities give rise to consensus in the development community concerning the priorities and intervention areas to be focussed on. This information is gathered by the Agency and is integrated in the development plans for the different regions of Quebec. The RISs of the Agency's business offices, presented above, are outcomes of these activities carried out in conjunction with local and regional development agents. These development strategies lead to the design and implementation of growth-generating initiatives or projects in the regions.

The Agency also supports the organization of activities that enable local and regional development agents to discuss the issues and share their concerns and needs with respect to regional development. This opens the way to effective communication between those development agents and the Government of Canada. It also gives the regions the opportunity to take part in decisions that have an impact on their development.

Phase 2: Implementation of the Agency's regional development intervention strategy

The second phase of the Agency's approach involves facilitating regional development, particularly by implementing its own intervention strategy.

The Agency's intervention strategy means it must be both active and reactive. In an active role, in conjunction with development agents, including other federal departments, it initiates and develops growth-generating projects for the regions. In a reactive role, it receives financial assistance applications and delivers its programming. It is frequently called upon to advise and provide guidance to applicants with respect to their financial assistance applications.

Whether in active or reactive mode, the Agency intervenes in many ways to meet its clients' needs. When it intervenes in support of enterprises and development agents, its staff can provide a full support environment, in particular:

- provide advice
- undertake a guidance approach
- deliver information
- refer clients to specialists or other information sources in line with their needs
- ensure enterprises' participation in business networks
- provide financial support.

Phase 3: Follow-up on Agency interventions and their impact on regional development

The third phase concerns follow-up on the Agency's interventions and impact on regional development. The Agency has to monitor the results of its interventions in the different regions of Quebec. Information on results first enables it to influence and adjust its intervention plans in regional development and then, in the medium term, to increase its impact and enhance the quality of its services and of those provided by the intermediary groups it funds.

During FY 2004-2005, the Agency began a review of its development approach. The new approach advocated by the Agency is presented briefly in the *Report on Plans and Priorities 2005-2006*.



The *Report on Plans and Priorities 2005-2006* of the Economic Development Agency of Canada for the Regions of Quebec is available on the Agency's Web site at: www.dec-ced.gc.ca, under *Publications*.

I.4 Departmental performance

With a view to the sound management of public funds and reasonable expenditures, the information generated by the continuous monitoring of results enables the Agency to adjust its interventions and respond dynamically to the development opportunities specific to each region.

I.4.1 Interpretation of results and reference bases for reporting

The Agency carries out its activities in the spirit of the Government of Canada's management framework: *Results for Canadians*. As a results-oriented organization, each year it improves its management and measurement tools in order to perform ongoing monitoring of the results generated by the projects it funds.

Scope and limitations

The Agency is an organization focussed on the results of its interventions. By their very nature, these results are achieved over a period of more than one year. As the performance report is a yearly follow-up document, its underlying methodology precludes measurement of longer-term results, so the report presents only part of the results which Agency interventions help generate. This report therefore presents primarily short-term results, along with some medium-term results. For a more accurate idea of the scope of the long-term regional development results achieved by the Agency, please refer to the different evaluation reports on its interventions. Numerous reports have been produced over the past few years, and they provide a wealth of information on the impacts generated.



Evaluation reports on Agency programs or initiatives are available on its Web site at: www.dec-ced.gc.ca, under *Publications*.

The results presented must be interpreted in light of the following contextual elements. The Agency's mandate is to promote economic development, by supporting and guiding the completion of economic development projects in Quebec. The implementation of these economic development projects rests with the enterprises and local and regional economic agents who design and shape the projects supported by the Agency. The result is interdependence between, on the one hand, the players involved and, on the other hand, the Agency's level of activity (number of projects supported) and results, over which it consequently does not have absolute control. In fact, while the Agency can sensitize, ensure joint action by and mobilize development agents, it is clearly they who decide on the projects they put forward.

The Agency's financial contribution to a project generally corresponds to no more than a fraction of its total cost. The Agency encourages the implementation of projects which often also receive financial support from other stakeholders. In short, although the results obtained from completion of these projects are a consequence of the Agency's interventions, nevertheless they cannot be attributed to the Agency's contribution alone.

Reference bases for presenting Agency performance

Two reference bases are used in this report to illustrate Agency achievements and performance. To present its main outputs, that is, services provided by the Agency to attain the planned results, the reference base used is that of new financial contribution agreements approved between April 1, 2004 and March 31, 2005.

When the time comes to present the main results observed as of March 31, 2005, the reference base used is that of projects in progress, that is, projects for which an expenditure was made during FY 2004-2005. In fact, for the Agency to be able to report results for a project, that project has to have been the subject of an expenditure, that is, activities must have been carried out, thus contributing to attainment of results. This reference base of "projects in progress" contains projects that may have begun, continued or ended in 2004-2005. Moreover, some of these projects that were still in the process of implementation as of March 31, 2005 will be completed during subsequent fiscal years. Their total results will then be reported in future performance reports.

Funds expended on projects in progress are presented in this report under "actual expenditures" and "total expenditures incurred." Actual expenditures are those made by the Agency under projects in progress for a given fiscal year. Total expenditures incurred are those made since the start of the projects being implemented during a given fiscal year. Since projects in progress may have begun during a fiscal year prior to the one being reported on, total expenditures incurred include spending made during previous fiscal years.

These two reference bases are not mutually exclusive. New contribution agreements approved during FY 2004-2005 may also have been the subject of an expenditure, and therefore of activities leading to results. So they are included in the reference base of projects in progress when this document reports on results observed as of March 31, 2005. Appendix 2 explains the scope and limitations of the methodology used to generate the information contained in this report.

1.4.2 Performance context

While the Agency pursues a proactive approach to regional development, its level of activity and the results it achieves largely depend on the dynamism of the enterprises and local and regional economic agents which design and carry out development projects. This dynamism may be affected by several factors, including particularly the prevailing economic situation.

Economic Context

Quebec entered 2004 facing many challenges: the high Canadian dollar was expected to depress exports, imported products from developing nations were increasing their presence at the expense of domestic goods, the softwood lumber industry continued to face trade barriers with the United States and the fishing industry's continued moratorium on several species' stocks was still in place. Despite these challenges, the Quebec economy performed relatively well.

Overall situation

In 2004, Quebec's real gross domestic product (GDP) grew 2.2%, slightly below the national average of 2.8%. Quebec manufacturers produced a record high in shipments throughout the year, completely recovering from the downward slide experienced in 2001 and 2002, as domestic demand again was the main factor propping up the economy. Consumer demand has remained high for the past three years, providing a large source of GDP growth, and this was joined in 2004 by a substantial increase in investment, notably gross fixed capital formation.

Quebec's exports grew 2.4% in 2004 despite the high dollar, while importers took advantage of the high dollar, as imports rose by 8.5% — the largest increase since 2000. This exerted a drag on GDP growth. Exports of non-durable consumer goods, such as clothing, textiles and footwear, which face fierce competition from overseas suppliers, posted either almost no growth or decreased growth in exports.

The current nature of the global economy has had a dramatic impact on Quebec's products. In spite of the importance of technology, five of Quebec's top six industries for shipments were all natural-resource based: primary metals, food, pulp and paper, wood products and petroleum products. Telecommunications and aerospace are two industries in particular that still have not recovered from the downturn experienced a few years ago.

The textile and clothing industry suffered throughout the year, owing to the combined impacts of the strengthened dollar and increased competition arising from the reduction in tariffs for developing nations. Attacked on both these fronts, the sector continued its three-year slide, culminating with the highly publicized announcement of the closure of four textile plants in Huntingdon in December 2004.

One area of the economy that showed strength across the province was construction. Both residential and non-residential projects remained numerous and provided employment for a large number of workers. Housing starts were up 14% in 2004 from 2003, a growth rate double the national average.

Employment grew 1.7% to provide jobs for over 3.6 million people, while the unemployment rate fell from 9.2% in 2003 to 8.5% in 2004, which is well below the average of 10.7% seen over the past 15 years. Perhaps more importantly, the unemployment rate fell in 10 of the 16 administrative regions of Quebec. However manufacturing jobs continued to be lost while gains were made in other sectors. Manufacturing's share of employment continued to fall and represented 17% of total employment in 2004, compared with 19.1% in 1999.

Regional perspective

Employment in the Montréal Census Metropolitan Area (CMA) was 25,000 higher in 2004 than in 2003. Despite this increase, the growth rate (1.4%) was below that of other comparable CMAs in Canada, such as Toronto (2.2%), Calgary (2.8%) and Vancouver (2.1%). Difficulties were faced in the aerospace industry, which is still recovering from the events of 2001, creating important trickle-down effects through the whole supply chain. Employment in manufacturing across the CMA remained below the 300,000 threshold for the second consecutive year and 5% below the level it had attained in 2002. The clothing and textile industry is important in Montréal although the move toward newer product lines, especially technology textiles, has somewhat helped this sector survive the current challenges. The important tourism sector also managed to rebound in 2004, after the SARS impact in 2003, with international visitors increasing 12% between the two years.

In 2004, employment in the Québec City CMA grew by 0.6%, while the Gatineau CMA saw an employment increase of 0.3%. This low growth was due to the current situation of employment within the public sector. In Québec City, for example, employment growth was limited largely by the Government of Quebec's decision to replace only half of retiring civil servants. With the service sector accounting for 85% of employment in these two cities, compared with 75% for the province overall, Gatineau and Québec City were less affected by the problems facing manufacturers. Within the goods producing sector, significant workforces in R&D and other high-knowledge positions, especially nanotechnology, of which Québec City has quickly become a world leader, also permitted both cities to remain somewhat immune from the overseas threat that hampered a large part of Quebec manufacturers, as this threat focussed largely among manufacturers using low-skilled positions and low-knowledge products.

Central regions had to cope with the general downturn in employment in the manufacturing sector. The decline was concentrated in non-resource manufacturing sector production, especially in the textile and clothing sector, which is clustered in several localities among these regions. Continued implementation of higher technology in the production process and a greater level of value-added from its workforce are needed to help these enterprises survive the ever-increasing threat from emerging countries such as China and India.

The remote, mainly rural regions of the province (Gaspésie—Îles-de-la-Madeleine, Bas-Saint-Laurent, Abitibi-Témiscamingue, Saguenay—Lac-St-Jean, Côte-Nord and Nord-du-Québec) continued to be largely resource dependent, which overall provided the province with some of its strongest sectors, notably agriculture and mining, which benefited from high worldwide prices. Other sectors faced ongoing difficulties. The forestry industry continued to be hampered by the trade restrictions imposed by the United States, but benefited from the strong housing market. The forestry industry is going through consolidation of activities, which could accelerate in coming years and will have to adapt to a 20% reduction in allowable cuts following the adoption of *Bill 71*, amending the *Forest Act*. Fishing activities remained well below historical levels owing to the ongoing moratoria on several stocks, creating demands for alternative work in coastal areas.

Seasonal work is also a reality for many people in the remote regions of Quebec. Without an adequate supply of full-time year-round employment, many workers tend to find work whenever it is available, often for short periods at a time. Uncertain work levels place additional pressure on communities, and provide incentives for many to relocate to larger, urban centres, decreasing not only the local labour supply, but also the supply of potential consumers. This can have a negative impact on growth potential in these regions.

It was against the backdrop of this prevailing economic climate, which overall was favourable in 2004, that the Agency worked and invested its human and financial resources in order to achieve its targeted results.

1.4.3 Human and financial resources

In 2004-2005, to deliver products and services to its beneficiaries and generate enduring benefits for Canadians, the Agency had the equivalent of 401 full-time employees across Quebec in its business offices, an office in Gatineau ensuring liaison with the federal government and a Head Office in Montréal. The difference between total authorities, which stood at 375 full-time equivalents (FTEs), and actual expenditures of 401 FTEs is attributable to the additional resources required in order to meet the regions' demand and needs with respect to regional development.

Promotion of the economic development of the regions of Quebec <i>(in millions of dollars)</i>	Fiscal Year 2004-2005		
	Planned spending	Total authorities	Actual expenditures
Financial resources ¹	427.9	431.7	333.1
■ contributions and grants	380.4	384.3	286.3
■ operations ²	47.5	47.4	46.8
Human resources (FTEs)	371	375	401

Notes:

- 1 Section 3 of this report provides further information concerning the Agency's financial performance for FY 2004-2005.
- 2 Financial resources with respect to operations include the contribution to employee fringe benefit plans and the Minister's salary and car allowance.

As to financial resources, in 2004-2005 the Agency's actual expenditures totalled \$333.1 million. Of these, contribution and grant expenditures amounted to \$286.3 million, while operating expenditures stood at \$46.8 million. The difference between planned spending and actual expenditures is attributable primarily to the deferral to subsequent years of funding for the Infrastructure Canada Program (ICP), a program which comes under the *Improvement of community infrastructure* program activity.

<ul style="list-style-type: none"> ▪ Outputs 	Direct products or services provided by the Agency to its beneficiaries, namely, enterprises or local and regional development agents.
<ul style="list-style-type: none"> ▪ New contribution agreement 	Agreement reached between the Agency and a beneficiary during a given fiscal year for implementation of a development project.
<ul style="list-style-type: none"> ▪ Financial assistance approved 	Amount of money subject to a contribution agreement between the Agency and a beneficiary. This amount constitutes a financial commitment toward a beneficiary that may be spread over several fiscal years.

1.4.4 Profile of interventions – Main outputs

During FY 2004-2005, under its mandate, the Agency signed 971 new contribution agreements for the implementation of development projects. The financial assistance approved for these contribution agreements amounted to \$182.6 million. The following table presents the Agency's main financial output in line with its Program Activity Architecture.

NEW CONTRIBUTION AGREEMENTS APPROVED IN 2004-2005

New contribution agreements by strategic outcome and program activity (PA)	Number of new agreements		Financial assistance approved (in millions of dollars)	
	2003-2004	2004-2005	2003-2004	2004-2005
Strategic outcome #1 — Enterprises' competitiveness	514	463	114.1	87.7
PA – Enterprise development	514	463	114.1	87.7
Strategic outcome #2 — Vitality of communities	596	508	240.2	94.9
PA – Improvement of the economic environment of regions	309	311	75.4	57.2
PA – Improvement of community infrastructure	97	47	152.3	26.7
PA – Provision of special adjustment measures	190	150	12.5	11.0
Total	1,110	971	354.3	182.6

The number of new contribution agreements and the financial assistance approved in 2004-2005 were down from 2003-2004, owing primarily to the decline in funds available for approval of new projects under the Infrastructure Canada Program in 2004-2005.

Main outputs – *Innovation—Knowledge economy*

In 2004-2005, excluding interventions for the *Improvement of community infrastructure* program activity, 59% of the financial assistance approved by the Agency under its Innovation development of entrepreneurship and access program for SMEs (IDEA-SME) and Regional Strategic Initiative (RSI) programs was provided for innovation and knowledge economy projects. This level of financial assistance is slightly lower than that provided by the Agency for this type of projects in 2003-2004, or 61% of the total financial assistance approved under those programs.

Main outputs – *Regions experiencing adjustment difficulties*

Excluding new contribution agreements for the improvement of community infrastructure, Agency interventions in 2004-2005 in regions experiencing adjustment difficulties (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Nord-du-Québec, Gaspésie—Îles-de-la-Madeleine and Saguenay—Lac-Saint-Jean) were at a comparable level to 2003-2004. In fact, 30.5% of the financial assistance approved by the Agency in 2004-2005 went to regions experiencing adjustment difficulties, compared with 29.4% in 2003-2004, thus showing the special, sustained attention the Agency pays to them. The total population of regions experiencing adjustment difficulties represented less than 12% of Quebec's total population.

In addition to the interventions carried out under its mandate, the Agency handled delivery of the Softwood Industry and Community Economic Adjustment Initiative in the regions of Quebec on behalf of Industry Canada. Some 144 new contribution agreements were signed under this initiative for total financial assistance approved of \$12.3 million. The contribution agreements concluded under this initiative help diversify the economy and generate long-term economic impacts in the regions and communities affected by the softwood lumber trade dispute between Canada and the United States.

The Agency's achievements with regard to the projects it supports are proof positive of its commitment to regional development in Quebec.

1.4.5 Agency's main results

The following table provides an overview and a view by intervention priority of the Agency's main documented achievements with respect to all projects in progress in 2004-2005.

The total value of projects in progress is an indicator of the financial effort made by development agents overall, irrespective of funding source, to implement the projects with which the Agency was associated during FY 2004-2005. The Agency made the financial commitment in amount of \$952.8 million to support the completion of 2,099 projects that were in progress in 2004-2005. Adding investments from other funding providers, the total value of these 2,099 projects in 2004-2005 stood at \$3.8 billion.

The findings of the yearly survey of beneficiaries show that Agency financial support has an incentive effect on the completion of projects by enterprises and local economic agents. In fact, 73.9% of beneficiaries indicate that they would not have been able to complete their projects without financial assistance from the Agency (completion effect). Among the 26.1% of beneficiaries stating that they would have carried out their projects anyway, 60% say they would not have been able to complete their projects within the same timeframe (acceleration effect), and 71.6% consider they would have been unable to carry out their projects on the same scale (increased-scale effect). Also in the annual survey, 51% of these enterprises mentioned having increased their sales figures, by an average of \$657,000.

Directly and indirectly, the 2,099 projects in progress, excluding employment results for the Community Futures Program (CFP), had already contributed, as of March 31, 2005, to the creation, transformation and maintenance of more than 14 383 jobs in the different regions of Quebec. This indicator is an estimate of jobs created, maintained and transformed, as of March 31, 2005, as stated by those responsible for projects in progress during FY 2004-2005. Appendix 2 provides further information on this subject.

While not constituting targeted short- or medium-term results, enhancement of prosperity and job creation are among the Agency's ultimate goals; they can be fully achieved only in the long term, at the end of a long chain of ripple effects which is beyond the scope of this annual performance monitoring report. The Agency's strategy anticipates that jobs created and maintained in the short term will increase in number in the medium and long term, as the effects of the projects that were in progress in 2004-2005 gain in scope and mature.

DEPARTMENTAL PERFORMANCE	
Main results observed as of March 31, 2005 ¹	
Number of projects in progress in 2004-2005	2,099
Indicator of promotion of regional development	
■ total value of development projects in progress (total cost, irrespective of funding source) ²	<i>\$3.8 billion</i>
Incentive effect of financial assistance³	
■ proportion of beneficiaries stating that they would not have completed their projects without Agency assistance (completion effect)	73.9%
Indicators of enterprises' competitiveness	
■ proportion of respondent enterprises stating increased sales ⁴	51.0%
■ average sales increase	<i>\$657,000</i>
Indicators associated with vitality of communities	
■ total value of development projects in progress (total cost, irrespective of funding source)	<i>\$2.2 billion</i>
■ initiatives stemming from local agents owing to services provided by Agency-funded development organizations	395
Agency's financial commitment to encourage completion of projects in progress in 2004-2005	
■ total value of financial assistance approved by the Agency ⁵	<i>\$952.8 million</i>
■ actual expenditures in 2004-2005	<i>\$286.3 million</i>
■ total expenditures incurred (including spending from prior years)	<i>\$505.3 million</i>

Intervention priority⁶ <i>Innovation—Knowledge economy</i>	
Number of projects in progress	916
Indicator of enterprises' competitiveness	
■ proportion of respondent SMEs stating increased sales ⁷	50.1%
Indicator of effect of completion of innovation projects	
■ proportion of respondent SMEs stating that the main result of their project was: ⁸	
- reduction in production costs	26.5%
- improvement in corporate business processes	26.5%
- commercialization of new products or services	24.8%
- enhancement of productivity	8.7%
- grant of patent	2.2%
- other results	11.3%
Expenditures made to generate the results shown above	
■ actual expenditures in 2004-2005	<i>\$101.3 million</i>
■ total expenditures incurred	<i>\$175.6 million</i>

Intervention priority <i>Regions experiencing adjustment difficulties</i>	
Number of projects in progress ⁹	690
Indicator of support to regions experiencing adjustment difficulties	
■ total value of development projects in progress (total cost, irrespective of funding source)	<i>\$486.7 million</i>
Indicator of entrepreneurship effect	
■ enterprises in pre-startup, startup or expansion	1,287
Employment indicator	
■ jobs created, transformed or maintained	3,592
Local empowerment indicator	
■ initiatives originating locally as a result of services provided by development organizations funded by the Agency	168
Expenditures made to generate the results shown above	
■ actual expenditures in 2004-2005	<i>\$62.9 million</i>
■ total expenditures incurred	<i>\$124.5 million</i>

Notes:

- 1 Part of the medium-term results and most of the long-term results generated by the Agency's interventions are not shown in this report, thereby underestimating the scale of the results of projects funded by the Agency. As the departmental performance report is a yearly reporting document, the report and its underlying methodology lack the hindsight required to document ripple effects, which spread and grow over time. But ripple effects are the main results targeted by the Agency's actions. Evaluation reports on the Agency's interventions should be referred to for a more complete picture of the scale of the regional development results achieved. The results presented are those gathered with respect to projects in progress. While these results are presented in various ways (by intervention priority, by strategic outcome), they are always, except where otherwise indicated, the same results observed. Using the data presented in this table to generate effectiveness ratios may lead to erroneous conclusions.
- 2 The total value of projects in progress is the indicator of the financial effort invested by all enterprises and economic development agents, irrespective of funding source, to carry out projects with which the Agency was associated during FY 2004-2005.
- 3 The proportion of beneficiaries having completed their projects who stated that they would not have been able to complete their projects without Agency assistance was 73.9% (or 442 out of a total of 598 respondents). Among respondents who said they would have been able to carry out their projects without Agency financial support (26.1%, or 156 out of a total of 598 respondents), 71.6% (n = 111) stated that they would not have been able to see through their projects on the same scale, while 59.6% (n = 93) responded that they would not have been able to complete their projects within the same timeframe without financial assistance from the Agency.
- 4 Enterprises contacted for the Agency's annual survey **whose project is completed** who stated that their sales had increased. The annual survey questions on this topic were as follows: (1) Did the project funded by Canada Economic Development enable your enterprise to increase its sales? (200 respondents out of a total of 392; 51.0%), (2) By approximately how much (in \$CAN) did your sales increase as a result of this project? (trimmed mean of 5% = \$657,045).
- 5 This indicator presents financial assistance provided under the IDEA-SME, RSI, CFP programs, the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy, the Canadian Apparel and Textile Industries Program (CATIP), the Adjustment Measures for Quebec Fishing Communities and the Infrastructure Canada Program for projects whose outcomes are presented in this report, that is, projects in progress in 2004-2005. Since many of these projects were active prior to FY 2004-2005 and will remain active in subsequent fiscal years, the financial assistance provided for projects being reported on exceeds actual expenditures incurred for those projects in 2004-2005. Generally speaking, more than 40% of projects are completed within a 12-month period, 35% of projects are spread over 12-24 months, while fewer than 25% are spread over more than 24 months.
- 6 The number of projects in progress, actual expenditures and total expenditures incurred for the intervention priorities are not mutually exclusive (e.g., innovation projects may be funded in regions experiencing adjustment difficulties). Moreover, the total of actual expenditures (or that of total expenditures incurred) for the intervention priorities does not represent the total of the Agency's actual spending, but only part of it. The difference between the two amounts comprises the Agency's day-to-day activities (i.e., activities other than the two intervention priorities mentioned above).
- 7 See note 4 above. The same indicator is involved here. However, only projects completed in *Innovation—Knowledge economy* were considered in calculating the percentage (172 respondents out of a total of 343; 50.1%).
- 8 Enterprises contacted for the annual survey **whose Innovation—Knowledge economy projects are completed** who stated that the main result of their project was: (1) reduction in production costs (61 respondents out of 230; 26.5%), (2) improvement in corporate business processes (61 respondents out of 230; 26.5%), (3) grant of patent (5 respondents out of 230; 2.2%), (4) enhancement of productivity (20 respondents out of 230; 8.7%), (5) commercialization of a new product or service (57 respondents out of 230; 24.8%), (6) other results (26 respondents out of 230; 11.3%).
- 9 For Agency interventions in regions experiencing adjustment difficulties, only projects in progress in the following regions are taken into consideration: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie—Îles-de-la-Madeleine, Nord-du-Québec and Saguenay—Lac-Saint-Jean. In addition, projects supported under the Infrastructure Canada Program were excluded from the total.

Main results – Innovation—Knowledge economy

Excluding projects under the ICP, some 916 innovation and knowledge economy projects were being implemented in 2004-2005. The total value of these projects, irrespective of funding sources, was \$1.5 billion. Financial assistance approved by the Agency for all these projects together amounted to \$329.5 million. The Agency's actual expenditures in 2004-2005 to implement these projects stood at \$101.3 million, while its total expenditures incurred as of March 31, 2005 (including investment from prior years) came to \$175.6 million.

In the annual survey, 86.4% of respondent enterprises whose projects were associated with innovation and the knowledge economy stated that they had a research and development budget. The average amount earmarked for research and development was \$238,000. Over the past year, 51.4% of these enterprises stated that they had increased this budget.

Among enterprises whose innovation and knowledge economy projects were completed, 26.5% stated that the main result of their project was a reduction in production costs, while another 26.5% stated that their main result was an enhancement of their enterprise's business processes. Reduction in production costs and enhancement of corporate business processes are results that can lead to an eventual improvement in enterprises' competitiveness.

Finally, respondent enterprises whose innovation and knowledge economy projects were completed stated that they had created, maintained or transformed more than 2,700 jobs in the regions of Quebec.

Main results – Regions experiencing adjustment difficulties

At the top of its intervention priorities, the Agency pays special attention to regions and communities experiencing adjustment difficulties. In 2004-2005, 690 projects were in progress in those regions, representing some \$500 million in total investment for economic diversification and development. Within the framework of these 690 projects, directly through the Agency or indirectly through services provided by the intermediary groups it funds, more than 1,250 enterprises are in pre-startup phase, have been started up or are expanding. Also in these regions experiencing economic adjustment difficulties, the Agency has contributed to the creation, transformation or maintenance of more than 3,500 jobs.

When the Agency intervenes in regional development in Quebec, its goal is to encourage the local community to take charge of its own development.

The results observed as of March 31, 2005 show that, through the efforts of Agency-funded development organizations, such as the CFDCs, more than 160 initiatives originating in the community will be carried out over the next few years in these regions. These initiatives take the shape of growth-generating strategies or projects for the development of these regions. Their number is an indicator of their dynamism and vitality.

I.4.6 Achievements with respect to commitments

The following text boxes present the results observed by the Agency with respect to its main commitments (examples of targets as to planned results) made in the *2004-2005 Report on Plans and Priorities (RPP)*. In 2004-2005, the Agency changed its planning and reporting structure to adopt a new Program Activity Architecture. The commitments made in the 2004-2005 RPP were therefore classified accordingly in the the text boxes.

Explanation of performance

The Agency's performance in 2004-2005 is satisfactory overall. The Agency will have some progress to make to ensure that it achieves all the objectives established for 2004-2007 period. The government's expenditure review affected the Agency's performance in 2004-2005, and will also have an impact in the medium term. The following text box briefly explains this impact.

Program activity: *Enterprise development*

Agency performance with respect to this program activity is satisfactory. Only the Agency's interventions in the *Establishment of strategic enterprises*, *Commercialization and exports* and *Development and reinforcement of knowledge-based competitive advantages* program sub-activities will require adjustments so that the objectives established for 2004-2007 can be met.

The funding awarded by the Agency in 2004-2005 under the *Establishment of strategic enterprises* program sub-activity did not contribute to the creation of technology incubators. Nevertheless, the steps taken by Agency staff with the agents and actors concerned are progressing satisfactorily. As a result, over the next few years, if sustained involvement is forthcoming from all the parties concerned during project development, four sectoral technology incubators will be set up that is, in the Bas-Saint-Laurent in marine science and technology and the bio-food sector; and in the Montérégie in horticulture and space technology.

As with the establishment of technology incubators, projects under the *Development and reinforcement of knowledge-based competitive advantages* program sub-activity require the co-operation of several stakeholders and development agents. Since the Agency does not control all the factors leading to the implementation of this type of project, sustained effort over several years is necessary to mobilize and ensure joint action from the stakeholders and agents concerned. By continuing the approaches initiated in 2004-2005, the Agency expects to attain the established objective of \$250 million (total value of projects supported) as of March 31, 2007.

Under the *Commercialization and exports* program sub-activity, having led to the commercialization of innovative products by 55 enterprises, the Agency will have to make additional efforts to attain, as of March 31, 2007, the objective of 300 enterprises. During the fiscal year, an evaluation of Agency interventions in innovation and the knowledge economy drew the same conclusion with regard to commercialization of innovation.

Information on results obtained through the annual survey of beneficiaries showed that commercialization of new products or services is also the main outcome of many innovation and knowledge economy projects.

Strategic outcome #1: *Enterprises' competitiveness*

PROGRAM ACTIVITY: *ENTERPRISE DEVELOPMENT*

PROGRAM SUB-ACTIVITIES	EXAMPLES OF TARGETS AS TO PLANNED RESULTS 2004-2007	RESULTS OBSERVED AS OF MARCH 31, 2005	EXTENT OF ACHIEVEMENT
General information and awareness	<ul style="list-style-type: none"> Approximately 80% of the information conveyed in response to 1-1.5 million expected information requests will have been deemed helpful by the enterprises benefiting from it, and will have been used to inform their business decisions. 	<ul style="list-style-type: none"> An evaluation of the Quebec component of Canada Business Service Centres (CBSCs) is scheduled for fall 2005. It will provide the Agency with part of the information required on that commitment. As of March 31, 2005, more than 850,000 information requests had been processed in person or electronically under the CBSC initiative administered in Quebec by the Agency. 	N/A ¹
Establishment of strategic enterprises	<ul style="list-style-type: none"> Three new incubators will have been established to guide young technological enterprises in their pre-startup and startup. 	<ul style="list-style-type: none"> Funding awarded by the Agency in 2004-2005 did not contribute to the establishment of a new technology incubator. 	❖
	<ul style="list-style-type: none"> Some 350 enterprises deemed strategic will have been created or will have expanded in the different regions of Quebec. 	<ul style="list-style-type: none"> As of March 31, 2005, 232 enterprises were in pre-startup, startup or expansion phase as a result of the services provided by organizations funded to that end by the Agency. 	✓
New business practices	<ul style="list-style-type: none"> Some 400 enterprises will have introduced new business practices. 	<ul style="list-style-type: none"> As of March 31, 2005, 769 SMEs had adopted a new business practice through the services provided by organizations funded to that end by the Agency. 	✓✓✓
Innovation (processes, equipment and products)	<ul style="list-style-type: none"> Some 250 enterprises will have carried out innovation projects. 	<ul style="list-style-type: none"> Specifically under this program sub-activity, as of March 31, 2005, the Agency had signed 186 new contribution agreements with SMEs for the completion of innovation projects for total financial assistance of \$23.8 million. 	✓

Continued on page 34

Note:

1 N/A: Information not available

Legend: ✓✓✓ Target surpassed
 ✓✓ Target achieved
 ✓ Target being achieved
 ❖ Progress to be made
 † Target revised during fiscal year

Continued from page 33

PROGRAM SUB-ACTIVITIES	EXAMPLES OF TARGETS AS TO PLANNED RESULTS 2004-2007	RESULTS OBSERVED AS OF MARCH 31, 2005	EXTENT OF ACHIEVEMENT
Commercialization and exports	<ul style="list-style-type: none"> ■ Some 200 enterprises will have made sales on new markets. 	<ul style="list-style-type: none"> ■ As of March 31, 2005, some 203 SMEs had made sales on new markets. For some of these (n = 65), the value of these sales stood at \$81 million. 	✓✓
	<ul style="list-style-type: none"> ■ Some 300 enterprises will have commercialized innovative products. 	<ul style="list-style-type: none"> ■ Commercialization of new products had been carried out by 55 SMEs as of March 31, 2005 as a result of services provided by organizations funded to that end by the Agency. 	❖
Development and reinforcement of knowledge-based competitive advantages	<ul style="list-style-type: none"> ■ \$250 million invested (total value of projects supported) by various economic development agents to reinforce knowledge-based competitive advantages. 	<ul style="list-style-type: none"> ■ As of March 31, 2005, the total value of new contribution agreements signed by the Agency (n = 24; total cost) was \$56.4 million. 	❖
	<ul style="list-style-type: none"> ■ Regional focuses of excellence (biotechnology, aluminum, aerospace, marine technology) reinforced through enhancement of products of research. 	<ul style="list-style-type: none"> ■ The Agency contributed to the reinforcement of regional focuses of excellence by investing, for instance: \$3 million in the establishment of the <i>Technocentre Eolien inc</i> in Murdochville, in the Gaspésie—Îles-de-la-Madeleine region; and \$1.5 million for the acquisition of equipment for Maritime Innovation's prototyping workshop in the Bas-Saint-Laurent. 	✓

Legend: ✓✓✓ Target surpassed
 ✓✓ Target achieved
 ✓ Target being achieved
 ❖ Progress to be made
 † Target revised during fiscal year

Strategic outcome #2: *Vitality of communities*

PROGRAM ACTIVITY:
IMPROVEMENT OF THE ECONOMIC ENVIRONMENT OF REGIONS

PROGRAM SUB-ACTIVITIES	EXAMPLES OF TARGETS AS TO PLANNED RESULTS 2004-2007	RESULTS OBSERVED AS OF MARCH 31, 2005	EXTENT OF ACHIEVEMENT
Local capability to take charge of local development	<ul style="list-style-type: none"> Some 500 initiatives (strategy, plans) stemming from the local and regional milieu. 	<ul style="list-style-type: none"> As of March 31, 2005, 118 initiatives have been listed as stemming from the local and regional milieu as a result of the efforts of development organizations supported financially by the Agency. 	❖
	<ul style="list-style-type: none"> Some one million foreign tourists drawn to the regions of Quebec. 	<ul style="list-style-type: none"> Specifically under this program sub-activity, as of March 31, 2005, more than 4.7 million tourists had been drawn to the regions of Quebec.¹ 	✓✓✓
Economic enhancement of regional development potential	<ul style="list-style-type: none"> Some 500,000 foreign visitors take part in events supported or visit regional tourist attractions enhanced with Agency assistance. 	<ul style="list-style-type: none"> As of March 31, 2005, more than 1.7 million visitors had participated in events or visited regional tourist attractions supported by the Agency. 	✓✓✓
	<ul style="list-style-type: none"> Some \$250 million invested (total value of projects approved) by various economic development agents to enhance regional assets. 	<ul style="list-style-type: none"> As of March 31, 2005, the total value of new contribution agreements signed by the Agency (n = 62; total cost) was \$93.8 million. 	✓
Development of small enterprises	<ul style="list-style-type: none"> Some 2,500 small enterprises of local or regional scope will have been created or will have expanded in the different regions of Quebec. 	<ul style="list-style-type: none"> Some 2,690 enterprises were in pre-startup, startup or expansion phase as of March 31, 2005, in the different regions of Quebec. 	✓✓

Note:

1 The information gathered on this indicator comes from organizations which conduct international promotion of Quebec regions. It is cumulative, that is, if a project of this type has been in progress for several years, the foreign visitors and tourists drawn since the project began are counted and included in the report, as well as the total expenditures incurred.

Legend: ✓✓✓ Target surpassed
 ✓✓ Target achieved
 ✓ Target being achieved
 ❖ Progress to be made
 † Target revised during fiscal year

**PROGRAM ACTIVITY:
IMPROVEMENT OF COMMUNITY INFRASTRUCTURE¹**

PROGRAM SUB-ACTIVITIES	EXAMPLES OF TARGETS AS TO PLANNED RESULTS 2004-2007	RESULTS OBSERVED AS OF MARCH 31, 2005	EXTENT OF ACHIEVEMENT
Water quality	<ul style="list-style-type: none"> ■ Some 440 projects carried out to enable municipalities to comply with the new drinking water quality regulations and upgrade wastewater treatment so as to reduce pollution. 	<ul style="list-style-type: none"> ■ As of March 31, 2005, 411 projects were registered under this program sub-activity targeting improvement in water quality. 	✓
Highways and public transit	<ul style="list-style-type: none"> ■ Some 350 projects carried out to improve the safety of highways, bridges and other municipal engineering structures. 	<ul style="list-style-type: none"> ■ To improve highway safety and the safety of bridges and other municipal engineering structures, as of March 31, 2005, 360 projects were registered under this program sub-activity. 	✓✓
Assets with economic, urban and regional impact	<ul style="list-style-type: none"> ■ Some 120 projects carried out to support economic growth and enhance community assets with an economic role. 	<ul style="list-style-type: none"> ■ As of March 31, 2005, some 122 projects were registered under this component of the ICP. 	✓✓

Note:

- 1 Since approval of projects under the Infrastructure Canada Program was initially to terminate on March 31, 2005, the examples of targets as to planned results selected by the Agency had to be spread over a single fiscal year.

**PROGRAM ACTIVITY:
PROVISION OF SPECIAL ADJUSTMENT MEASURES**

PROGRAM SUB-ACTIVITY	EXAMPLE OF TARGETS AS TO PLANNED RESULTS 2004-2007	RESULTS OBSERVED AS OF MARCH 31, 2005	EXTENT OF ACHIEVEMENT
Communities' adjustment to economic shocks	<ul style="list-style-type: none"> ■ Continuation until March 31, 2005, of the Adjustment Measures for Quebec Fishing Communities. 	<ul style="list-style-type: none"> ■ In 2004-2005, the Agency signed 105 new contribution agreements under the Adjustment Measures for Quebec Fishing Communities. Financial assistance approved stood at \$8.1 million. ■ The evaluation report on this initiative, ending as of March 31, 2005, is available on the Agency's Web site. 	✓✓

Legend: ✓✓✓ Target surpassed
 ✓✓ Target achieved
 ✓ Target being achieved
 ❖ Progress to be made
 + Target revised during fiscal year

With regard to the *New business practices* program sub-activity, the Agency had underestimated its anticipated results. This underestimation is attributable to the gradual evolution in approval of projects under this program sub-activity. A few years back, when this new activity was launched, few projects were approved under it. But the results observed reveal that the Agency is reaping a greater harvest from its efforts to promote advanced business practices (benchmarking, strategic planning, e-business, etc.) than it had forecast. The 769 enterprises which have adopted new business practices are likely to be more competitive on their markets.

IMPACT OF THE GOVERNMENT'S EXPENDITURE REVIEW ON THE AGENCY'S LEVEL OF ACTIVITY AND PERFORMANCE

During FY 2004-2005, being called upon to contribute to the reallocation exercise as part of the government's expenditure review, the Agency had to implement the following measures, whose impact will be spread over several years:

- reduction in capital funding (buildings) (main program sub-activity concerned: *Economic enhancement of regional development potential*)
- consolidation of funding of tourism promotion activities and organizations (main program sub-activity concerned: *Local capability to take charge of local development*).

These choices will likely have a medium-term impact on the tourist attraction capability of Quebec's regions. The Agency will be in a position to evaluate the impact of these choices more accurately in a few years.

Program activity: *Improvement of the economic environment of regions*

Agency performance with respect to this program sub-activity is more than satisfactory. Additional effort will have to be made to achieve one of the objectives established under the *Local capability to take charge of local development* program sub-activity. Moving beyond that program sub-activity, the results for the number of initiatives originating in the local milieu are higher when they are compiled for all projects in progress in 2004-2005. The results observed rise to 395 initiatives originating in the local milieu as a result of services provided by development organizations.

The Agency underestimated the expected results for most program sub-activities making up this program activity. It will have to adjust accordingly in order to establish realistic targets as to anticipated results that can be monitored.

Program activity: *Improvement of community infrastructure*

In early FY 2005-2006, approval of projects under the Infrastructure Canada Program was extended to December 2005. This extension will enable the Agency, in conjunction with the Government of Quebec, to approve the implementation of projects for the total amount of the budget envelope dedicated to the program.

Program activity: *Provision of special adjustment measures*

The Agency fulfilled its commitment to continue the Adjustment Measures for Quebec Fishing Communities until March 31, 2005.

Link with *Canada's performance*

Information on performance and results contained in this report contributes to that found in the Treasury Board of Canada Secretariat paper entitled *Canada's Performance*, under the headings "Canada's Economy," "Society, Culture and Democracy" and "Aboriginal Peoples." To the extent that the Agency works with many local and regional development agents in the regions of Quebec, and with several levels of government, the results achieved by the Agency constitute only one of the many factors contributing to regional development in Quebec and to variations in the major socio-economic indicators identified in *Canada's Performance*, such as employment, gross domestic product or gross domestic expenditures on research and development.

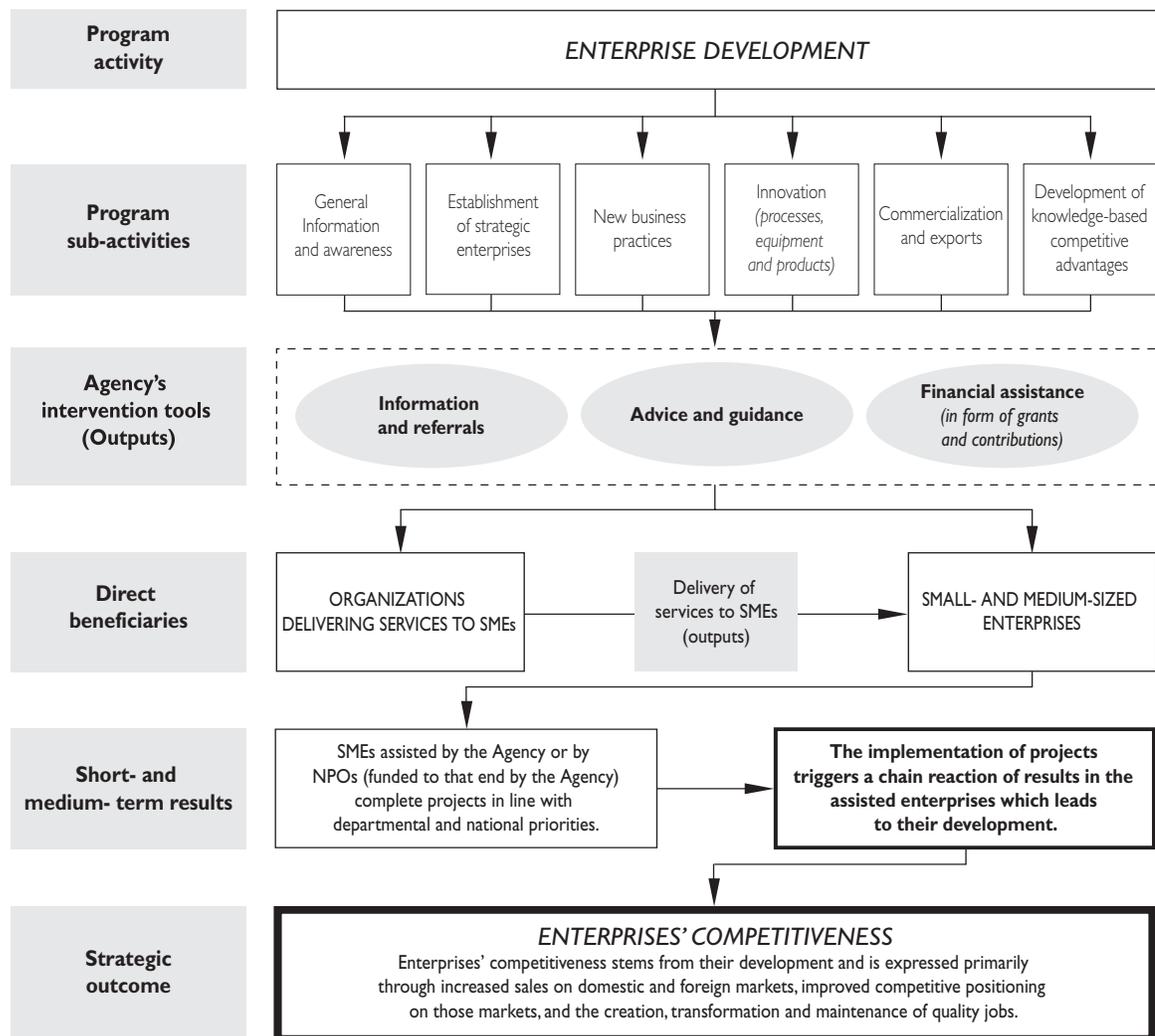
Section 2

ANALYSIS OF PERFORMANCE BY STRATEGIC OUTCOME

2.1 Strategic outcome #1: Enterprises' competitiveness

The first strategic outcome targeted by the Agency is *Enterprises' competitiveness*, and the Agency focusses on *Enterprise development* to achieve it.

2.1.1 Program activity: Enterprise development



To make Quebec enterprises more competitive, Canada Economic Development fosters innovation and productivity enhancement, among other things.

To maintain their competitiveness and grow in a context of economic globalization and accelerating technological progress, enterprises have to obtain strategic intelligence and incorporate it in their decision-making. They have to be flexible and innovate rapidly and constantly in line with ever-shorter product development and commercialization cycles. It is also in their interest to adopt advanced technology, innovative production processes, new methods of organization and new business management processes, such as strategic alliances, subcontracting, e-business and so on. And they have to keep up to date on the products of pre-commercial research so as to be able to seize new business opportunities.

Canada Economic Development contributes to the development of enterprises by helping them carry out projects involving innovation, exporting, adoption of new business practices, and more besides. The previous diagram presents the Agency's areas of intervention (program sub-activities). To do so, the Agency uses its range of intervention tools, as described in Appendix 1. The Agency uses financial assistance as an incentive, when it has solid grounds to believe that certain projects would not be carried out without such assistance or would not be carried out on the same scale or within the same timeframe. The Agency also contributes to the financing of organizations which offer enterprises a continuum of general or specialized services. Furthermore, to work toward the objectives of the Government of Canada, which recently acknowledged the growing contribution of social economy enterprises to the social and economic vitality of Quebec's communities, the Agency facilitates access to funding for entrepreneurs and social economy enterprises and furthers the development of their competencies and capabilities.

In intervening for *Enterprise development*, the Agency fosters *Innovation—Knowledge economy* and pays special attention to *Regions experiencing adjustment difficulties*, its two intervention priorities.

The Agency's efforts for enterprise development should generate as a result more dynamic, more competitive enterprises capable of generating greater prosperity and more jobs in their home regions. In the context of market globalization, it is clear that export growth contributes strongly to increasing the prosperity of a region's residents and their employment income. Consequently, in terms of results, the Agency sets special store by increases in enterprises' sales and exports.

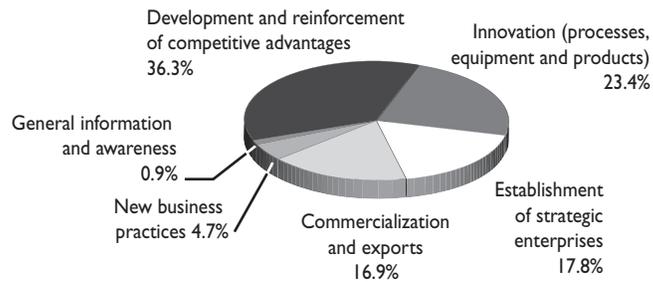
Main results observed for *Enterprise development*

The following table presents the resources invested as well as the main results observed in the context of the *Enterprise development* program activity. The results are presented by type of beneficiary supported by the Agency, that is, enterprises and business service organizations.

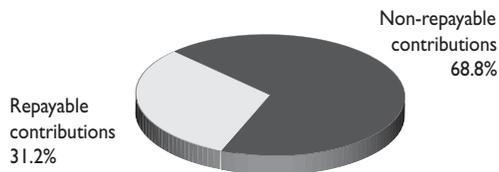
ENTERPRISE DEVELOPMENT

Resources invested to generate the results shown below	2004-2005
<ul style="list-style-type: none"> ■ number of projects in progress ■ actual expenditures (for targeted fiscal year only) ■ total expenditures incurred (including spending from prior years) ■ total value of financial assistance approved by the Agency ■ total cost of projects in progress, irrespective of funding source. 	<p>897</p> <p><i>\$106.8 million</i></p> <p><i>\$189.9 million</i></p> <p><i>\$356.2 million</i></p> <p><i>\$1.5 billion</i></p>

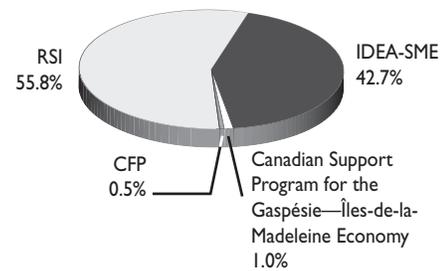
TOTAL EXPENDITURES INCURRED
BY PROGRAM SUB-ACTIVITY



TOTAL EXPENDITURES INCURRED BY
TYPE OF CONTRIBUTION PROVIDED



TOTAL EXPENDITURES
INCURRED BY PROGRAM



Main results observed through Agency beneficiaries ¹	2004-2005
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Main results observed through Agency beneficiaries ¹	2004-2005	
ORGANIZATIONS	Indicators of impacts through business service organizations' clients	
	<ul style="list-style-type: none"> ■ enterprises in pre-startup phase, startup or expansion ■ enterprises having adopted or integrated a new business practice ■ enterprises having developed an innovation action plan ■ enterprises having developed a new or improved product ■ new exporters ■ enterprises having commercialized a new or improved product ■ enterprises having made sales on new markets. 	<p>420</p> <p>1,044</p> <p>703</p> <p>422</p> <p>214</p> <p>85</p> <p>179</p>
	Employment indicator	
	<ul style="list-style-type: none"> ■ jobs created, transformed or maintained. 	<p>4,640</p>

Continued on page 42

Continued from page 41

ENTERPRISE DEVELOPMENT	
ENTERPRISES	Indicators of the impact of enterprise projects
	Commercialization and exports
	<ul style="list-style-type: none"> ■ new exporters² 67 ■ proportion of respondent enterprises stating that the assistance received enabled them to make sales on new markets³ 69.8% ■ total sales on new markets. <i>\$93.0 million</i>
	Innovation and productivity⁴
	<ul style="list-style-type: none"> ■ proportion of respondent enterprises stating that the main result of their project was: <ul style="list-style-type: none"> □ reduction in production costs 26.6% □ improvement in corporate business processes 29.4% □ a patent 2.7% □ commercialization of new products or services 21.7% □ enhancement of productivity 7.6% □ other results. 12.0%
	Establishment of enterprises, capital projects or expansion⁵
	<ul style="list-style-type: none"> ■ proportion of respondent enterprises stating that the main result of their project was: <ul style="list-style-type: none"> □ increase in production capacity 29.2% □ enhancement of productivity 12.5% □ modernization or technology upgrade 33.3% □ enterprise startup 12.5% □ other results. 12.5%
	Business growth indicators⁶
	<ul style="list-style-type: none"> ■ proportion of respondent enterprises stating increased sales 50.6% ■ average sales increase. <i>\$665,000</i>
	Employment indicator⁷
<ul style="list-style-type: none"> ■ jobs created, transformed or maintained. 2,722 	

Notes:

- 1 The results are presented in line with the type of beneficiaries supported by the Agency. Information on results for business service organizations is compiled by the Agency's business office advisors in the context of an annual collection of information on results. The information on results concerning enterprises comes from an annual telephone poll conducted by an independent firm. It is important to specify that the results presented concerning enterprises refer to projects that were completed in 2004-2005. So the total resources invested include expenditures for business projects that are still in progress for which no information on results is presented in this table. Using the data in this table to generate effectiveness ratios may lead to erroneous conclusions.
- 2 Enterprises contacted for the Agency's annual survey **whose commercialization and export project is completed** stating that they did not export before they received assistance from the Agency (67 respondents out of 117; 57.3%).
- 3 Enterprises contacted for the Agency's annual survey **whose commercialization and export project is completed** stating that the assistance received enabled them to make sales on new markets (81 respondents out of 116; 69.8%).
- 4 Enterprises contacted for the Agency's annual survey **whose innovation and productivity project is completed** stating that the main result of the project was: (1) reduction in production costs (49 respondents out of 184; 26.6%), (2) improvement in corporate business processes (54 respondents out of 184; 29.4%), (3) grant of patent (5 respondents out of 184; 2.7%), (4) commercialization of new products or services (40 respondents out of 184; 21.7%), (5) enhancement of productivity (14 respondents out of 184; 7.6%) and (6) other results (22 respondents out of 184; 12.0%).
- 5 Enterprises contacted for the Agency's annual survey **whose enterprise establishment, capital or equipment acquisition project is completed** stating that the main result of the project was: (1) increase in production capacity (7 respondents out of 24; 29.2%), (2) enhancement of productivity (3 respondents out of 24; 12.5%), (3) corporate modernization or technology upgrade (8 respondents out of 24; 33.3 %), (4) startup of a new enterprise (3 respondents out of 24; 12.5%), and (5) other results (3 respondents out of 24; 12.5%).
- 6 Enterprises contacted for the Agency's annual survey **whose enterprise development project is completed** stating increased sales (165 respondents out of 326; 50.6%). The average sales increase was calculated using a trimmed mean of 5%, eliminating extreme values.
- 7 Enterprises contacted for the Agency's annual survey **whose enterprise development project is completed** stating that they created (n= 167, total = 1,024), maintained (n = 178, total = 1,231) or transformed (n = 98, total = 467) jobs.

The total value of the 897 projects being undertaken in 2004-2005 for *Enterprise development* was close to \$1.5 billion, including investment from other funding providers. The Agency's actual expenditures during this fiscal year amounted to \$106.8 million, while total expenditures incurred as at March 31, 2005 for projects in progress in 2004-2005 stood at more than \$185 million.

Main results – business service organizations

A substantial number of the development agents receiving a financial contribution from the Agency under the first strategic outcome are non-profit organizations. The services delivered by these organizations are of two kinds: general services (information or referral, for instance) or specialized services to enterprises in the regions of Quebec (e.g., technology transfer, exports). As identified in the table above, one of the first results of Agency interventions with business service organizations is to enable them, by means of financial and non-financial support, to offer a broad range of products and services to enterprises in such areas of expertise as advanced business practices, innovation, exports and commercialization. Indeed, in a yearly survey conducted by an independent firm, business service organizations were asked to talk about the impact of the products and services provided to them by the Agency. The table below presents the survey findings.

Business service organizations' perception of the Agency ¹	Agree (Percentage)
Canada Economic Development	
■ helped enhance the organization's service offering	95.7
■ helped reach a larger number of clients	86.6
■ had an effect on financial participation by other funders	80.3
■ is an essential partner in fulfilling the organization's mandate	92.5
■ contributed significantly to development of the sector of activity	92.5
■ constitutes a gateway to other federal partners	58.0
■ helped establish co-operation or linkages with other local organizations.	64.5

Note:

1 Annual survey 2005, n = 424

The Agency's collaborators offer services to enterprises throughout Quebec. On an ongoing basis, the Agency pays special attention to the timeliness, accessibility and helpfulness of the services delivered to enterprises via its network of collaborators. By funding the projects of organizations offering services to enterprises, the Agency ensures, among other things, that it extends its reach and the effectiveness of its interventions with enterprises in Quebec, is always attuned to their needs and fosters their development fully.

As presented in the table on results for *Enterprise development*, as of March 31, 2005, business service organizations' activities in support of enterprises led to the pre-startup, startup and expansion of more than 400 enterprises in the regions of Quebec. They also contributed to the adoption of new business practices (e-business, benchmarking practices, etc.) by more than 1,000 enterprises and the implementation of innovation action plans by more than 700 SMEs.

Business service organizations also provide services associated with commercialization of products and services and with exports. As of March 31, 2005, these services helped 214 SMEs export their products and services for the first time and 85 enterprises to commercialize a new or improved product.

Furthermore, the numerous products and services provided by business service organizations contributed to the creation, maintenance or transformation of more than 4,640 jobs in the different regions of Quebec.

Main results – enterprises

The Agency's direct interventions with enterprises in the regions of Quebec for the implementation of projects generates results with respect to their development, growth and competitiveness.

As presented in the table of results for *Enterprise development*, in the annual survey, 69.8% of enterprises whose commercialization or export project has been completed stated that the assistance received from the Agency enabled them to make sales on new markets. The total value of these sales was \$93.0 million. As to the beneficiaries whose innovation and productivity projects were completed, 29.4% stated that the main result of their project was improvement in corporate business processes, while 26.6% stated instead that their production costs had been reduced.

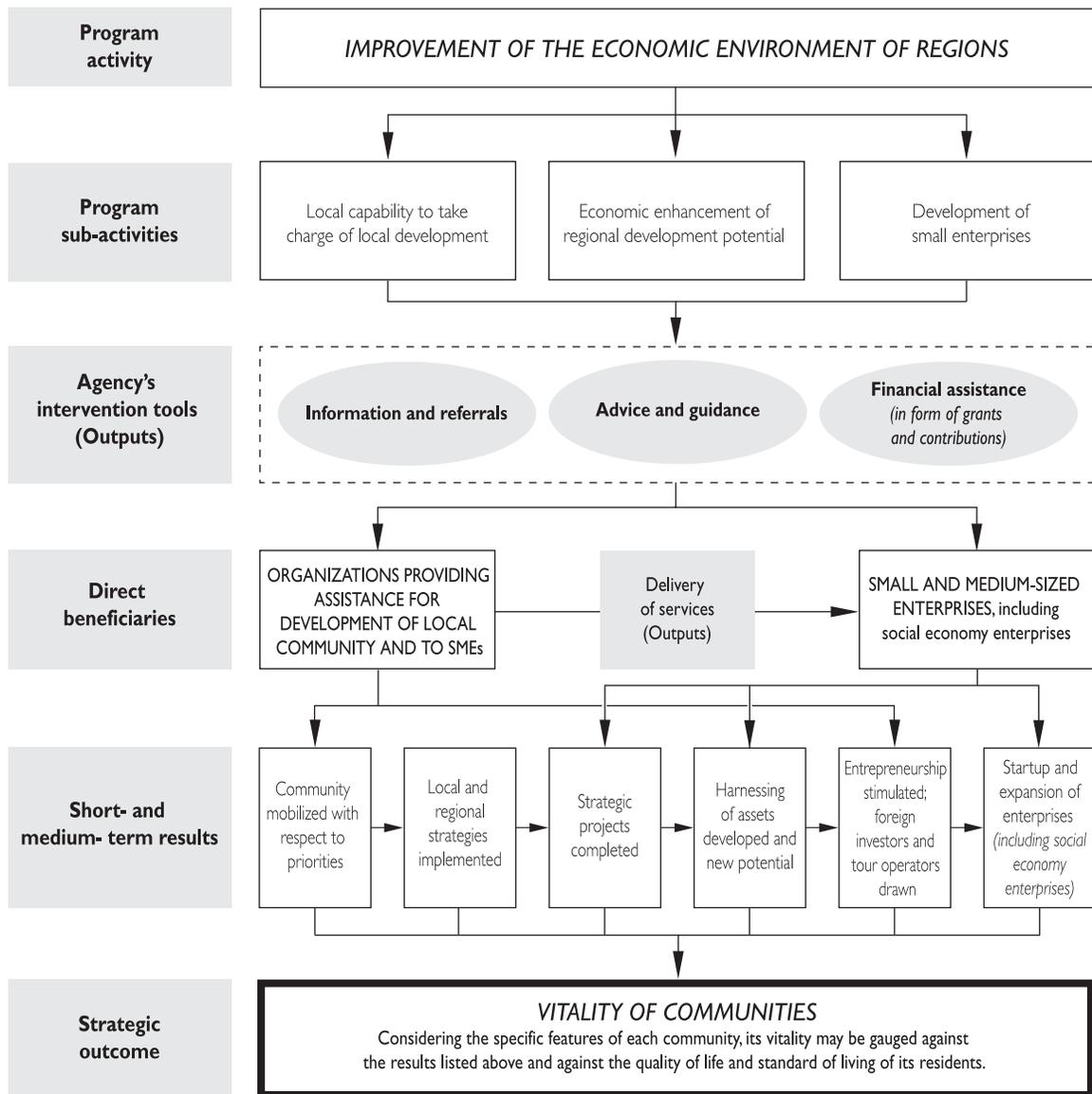
Some 50.6% of enterprises receiving assistance whose projects have been completed stated in the annual survey that they had increased their sales figures as a result of the financial assistance provided by the Agency. The average increase in sales was approximately \$665,000.

Finally, the Agency's direct support to enterprises contributed to the creation, maintenance and transformation of 2,722 jobs in the different regions of Quebec.

2.2 Strategic outcome #2: Vitality of communities

The second strategic outcome targeted by the Agency is *Vitality of communities*. To achieve this strategic outcome, the Agency focusses on *Improvement of the economic environment of regions*, *Improvement of community infrastructure* and *Provision of special adjustment measures*.

2.2.1 Program activity: *Improvement of the economic environment of regions*



In the context of the first strategic outcome, the Agency emphasizes the development of enterprises and their competitiveness. But it is hard for enterprises to meet the competitiveness challenge alone. Their ability to deal with international competition largely depends on an economic environment conducive to development. That is why the Agency contributes to improving the economic environment of regions.

To contribute to improvement of the economic environment, the Agency supports non-profit organizations providing services on a local or regional basis. These comprise local, regional and sectoral bodies acting in concert with and mobilizing the local community so that it takes charge of its own development. These organizations:

- disseminate information on their region's economic development issues
- produce analyses on development opportunities
- raise local awareness of new trends and challenges
- help economic development agents upgrade their competencies.

The Agency also supports not-for-profit organizations which stimulate entrepreneurship as well as the startup and expansion of small enterprises of local or regional scope.

In keeping with the goal to create an environment conducive to development, the Agency also supports non-profit organizations and enterprises to enable them to carry out growth-generating projects for their regions. These projects consist among other things in enhancing development potential, including tourist attractions. In several regions, they are the pride of residents as well as being major engines of regional economic development. These projects contribute to:

- strengthen social cohesion
- stimulate entrepreneurship in the regions
- reinforce their entrepreneurship
- extend their national and international outreach
- attract foreign investors, tourists and travellers.

By intervening for *Improvement of the economic environment of regions*, the Agency also fosters *Innovation—Knowledge economy* and pays special attention to *Regions experiencing adjustment difficulties*, its two intervention priorities.

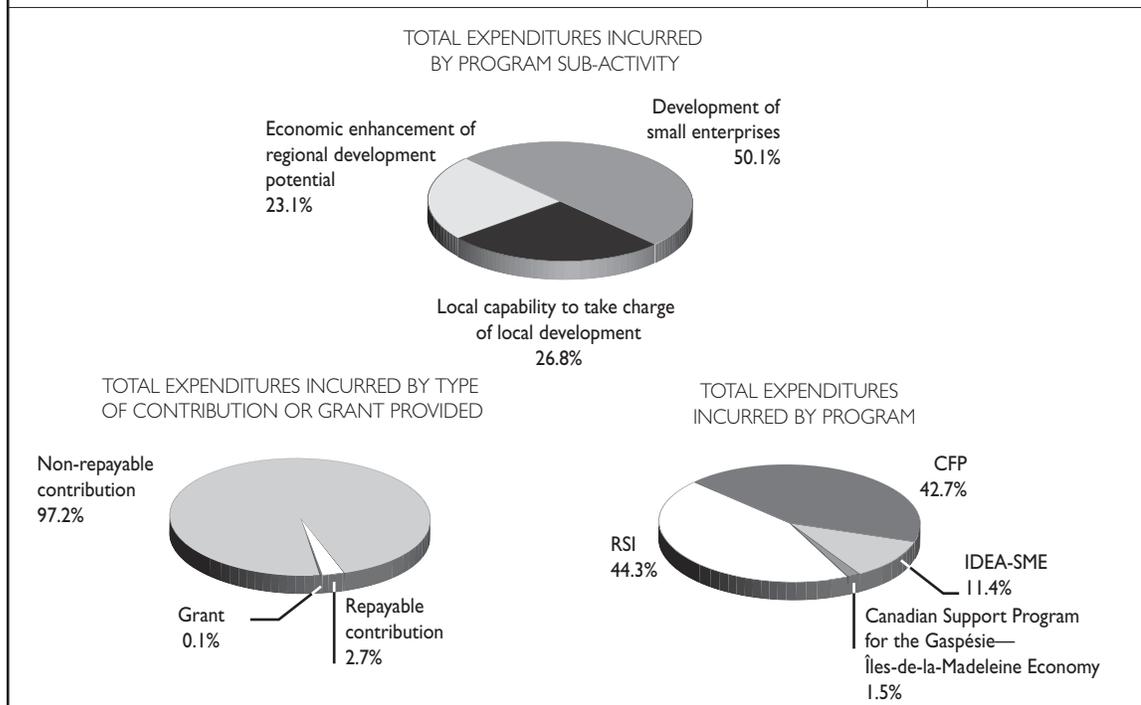
Through financial assistance to organizations implementing growth-generating projects in their region, the Agency's goal is for enterprises to take advantage of these projects and that their growth leads to an increase in economic activity, employment and earned income.

Main results observed for *Improvement of the economic environment of regions*

The following table presents the resources invested and the main results observed as of March 31, 2005 with respect to *Improvement of the economic environment of regions*. The results presented stem primarily from development organizations operating in the different regions of Quebec.

IMPROVEMENT OF THE ECONOMIC ENVIRONMENT OF REGIONS

Resources invested to generate the results shown below	2004-2005
<ul style="list-style-type: none"> ■ number of projects in progress ■ actual expenditures (for targeted fiscal year only) ■ total expenditures incurred (including spending from prior years) ■ total value of financial assistance approved by the Agency ■ total cost of projects in progress, irrespective of funding source. 	<p>723</p> <p><i>\$82.8 million</i></p> <p><i>\$218.4 million</i></p> <p><i>\$333.4 million</i></p> <p><i>\$1.4 billion</i></p>



Main results observed through Agency beneficiaries ¹		2004-2005
ORGANIZATIONS	Entrepreneurship impact indicator	
	<ul style="list-style-type: none"> ■ enterprises in pre-startup phase, startup or expansion. 	3,493
	Local empowerment indicator	
	<ul style="list-style-type: none"> ■ initiatives originating locally as a result of services offered by development organizations funded by the Agency. 	145
	Indicator of effects of international promotion of Quebec regions	
<ul style="list-style-type: none"> ■ foreign visitors and tourists drawn². 	6.5 million	
Employment indicator		
<ul style="list-style-type: none"> ■ jobs created, transformed or maintained. 	6,439	

Notes:

- 1 The results are presented in line with the type of beneficiaries supported by the Agency. Information on results for development organizations is compiled by the Agency's business office advisors in the context of an annual collection of information on results.
- 2 The information gathered on this indicator comes from organizations which conduct international promotion of Quebec regions. It is cumulative, that is, if a project of this type has been in progress for several years, the foreign visitors and tourists drawn since the project began are counted and included in the report, as well as the total expenditures incurred.

The total value of the 723 projects being undertaken in 2004-2005 for improvement of the economic environment of regions was \$1.4 billion, including investment from other funding sources. The Agency's actual expenditures under this program sub-activity amounted to \$82.8 million, while total expenditures incurred under these 723 projects stood at \$218.4 million.

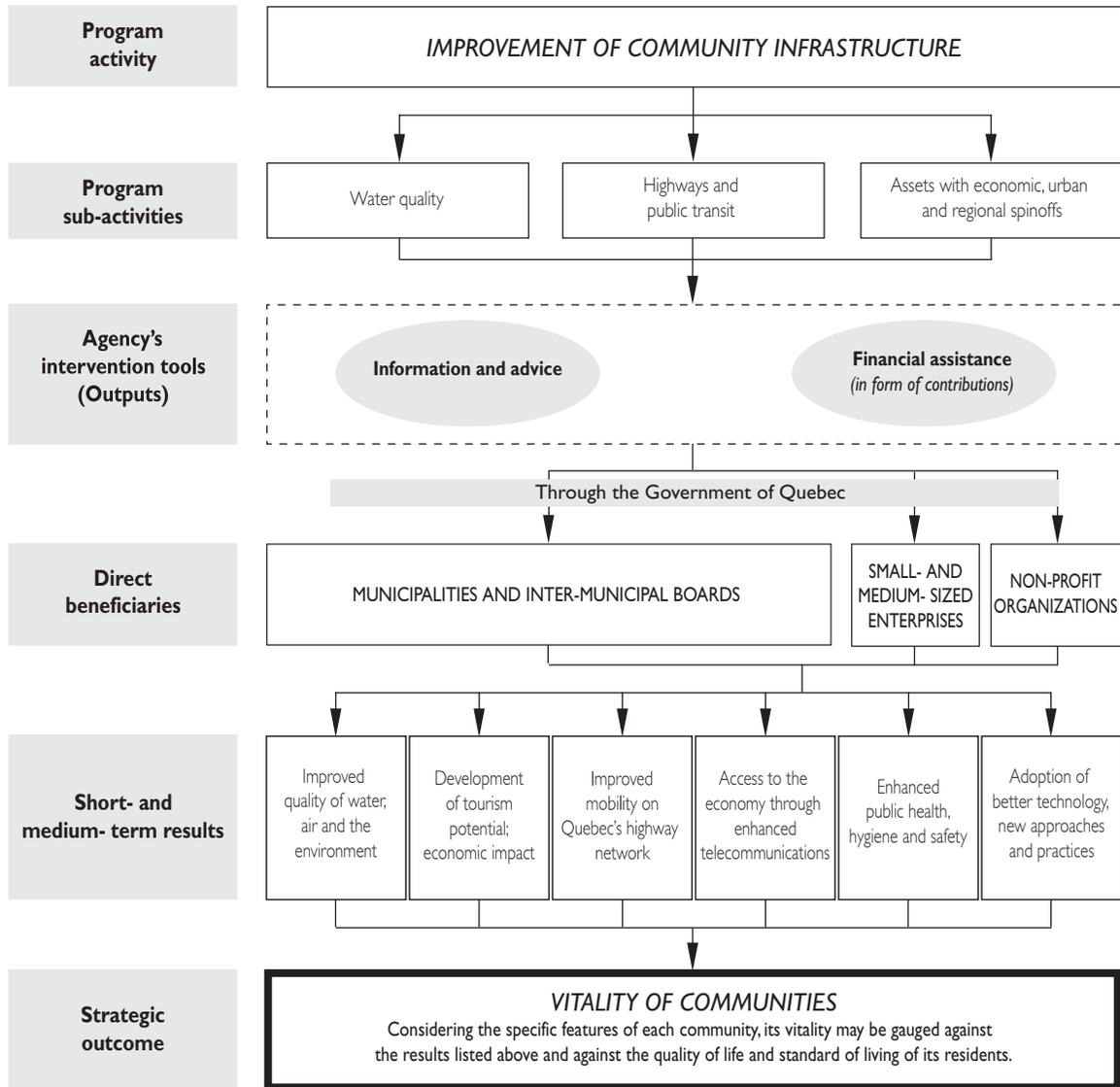
Development organizations

By supporting local and regional development organizations, such as the Community Futures Development Corporations, Business Development Centres, Community Economic Development Corporations or regional tourism associations, the Agency contributes to ensuring that the local community takes charge of local development, and to the creation and development of small enterprises and the international enhancement and promotion of the regions of Quebec.

As of March 31, 2005, the Agency had contributed to the pre-startup, startup and expansion of some 3,500 SMEs, leading in the short and medium term to the creation of employment and wealth in the regions of Quebec. The efforts of development organizations with communities and residents encouraged the latter to develop and put forward 145 development initiatives which are currently under way or will be carried out over the next few years.

With respect to the international enhancement and promotion of the regions of Quebec, as of March 31, 2005, under projects in progress, Agency interventions had played a great part in drawing to Quebec more than 6.5 million foreign visitors and tourists, who stayed an average of four days. Their stays in the regions of Quebec generated economic impacts contributing directly to the dynamism and *Vitality of communities*.

2.2.2 Program activity: *Improvement of community infrastructure*



Sound infrastructure is closely linked to the quality of life of those who use it. Quality infrastructure allows communities to attract and retain organizations and individuals that will secure their economic and social future. It also allows for more efficient, safer movement of people and goods.

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

The Infrastructure Canada Program is the sole program through which the Agency intervenes with respect to this program activity, which aims to facilitate the development and renewal of community infrastructure.

The ICP targets the renovation, replacement or construction of infrastructure. Its purpose is thus to improve Quebecers' quality of life through investment that guarantees the quality of the environment, sustains long-term economic growth, upgrades community infrastructure and contributes to putting in place 21st century infrastructure through the adoption both of best technologies and practices and of new approaches. The program has three components, corresponding to three of the Agency's program sub-activities, as follows:

Component 1: Water quality

Component 2: Highways and public transit

Component 3: Assets with economic, urban or regional impact.

Funding of the ICP is tripartite: the Government of Canada (through the Agency), the Government of Quebec and applicants (municipalities, inter-municipal boards, non-profit organizations and enterprises) are required to contribute for the implementation of projects. The text box opposite provides an example of projects approved under the program.

**FINANCIAL ASSISTANCE OF \$3,128,894 TO CITY OF LONGUEUIL
FOR IMPROVING RAIN RUNOFF MANAGEMENT
AND AVOIDING SEWER BACKFLOW**

The City of Longueuil has received \$3,128,894 in government financial assistance under the Canada-Quebec Infrastructure Works Program, to improve rain runoff management and thus resolve sewer backflow issues that are likely to lead to public health or safety problems, and above all to enable the city to meet a requirement of the *Ministère du Développement durable, de l'Environnement et des Parcs* with respect to maximum flow from rain runoff. The new infrastructure means more than 13,200 households now enjoy reduced risk of flooding.

The project saw construction of a 1,000-cubic metre retention basin with flow measurement and control structures, in order to ensure better management of rain runoff from the Daigneault drainage trench toward Brossard.

Of total eligible costs of \$4,693,340, the City of Longueuil covered one third, or \$1,564,447. Under the Canada-Quebec Agreement with respect to the Infrastructure Program, the Government of Canada and the Government of Quebec each provided a contribution corresponding to one third of eligible costs. Each of the two senior levels of government therefore contributed \$1,564,447, for a total of \$3,128,894 in government assistance.

Financial assistance from the Government of Canada paid during FY 2004-2005 totalled \$1,564,447.

As illustrated in the previous diagram, financial assistance provided under the program should contribute, in the short term, to improving community infrastructure and the Quebec highway network, development of new technology and enhanced management of drinking water, wastewater and solid waste. These different achievements should contribute in the medium term to an improvement in water quality and environmental quality, consolidation of Canadian culture and heritage in Quebec, and an improvement in public health, hygiene and safety. Ultimately, the ICP aims to contribute to raising Canadians' standard of living and quality of life.

Activities carried out to date under the ICP are summarized in the following table:

PROGRAM ACTIVITY: IMPROVEMENT OF COMMUNITY INFRASTRUCTURE (Infrastructure Canada Program - Quebec Region)	
Total planned funding for the initiative in Quebec (irrespective of funding source)	<i>\$1.5 billion</i>
Total planned federal funding for the initiative in Quebec ¹	<i>\$515.5 million</i>
Number of projects approved from start of program to March 31, 2005	893
Component 1: Water quality	411
Component 2: Highways and public transit	360
Component 3: Assets with economic, urban and regional impact	122
Federal contribution approved from start of program to March 31, 2005	<i>\$483.2 million</i>
Total federal expenditures from start of program to March 31, 2005 ²	<i>\$210.8 million</i>

Notes:

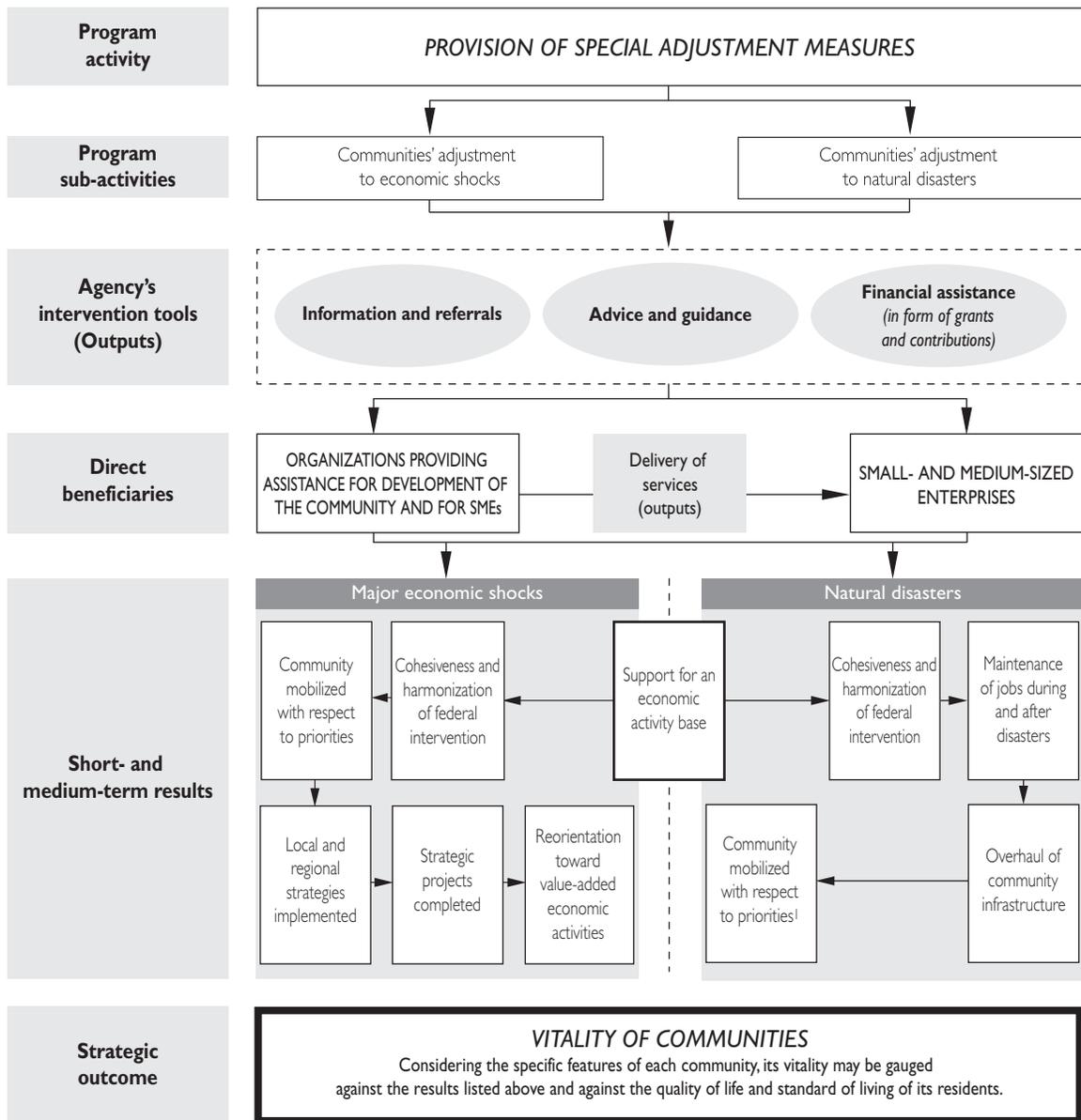
- 1 Including management expenses associated with the program.
- 2 Including management expenses disbursed for the program to date.

Projects approved from the start of the program to March 31, 2005, will generate the following benefits:

- 495,677 households have or will have access to a municipal water supply providing better quality drinking water
- 848,637 households have or will have access to an effective municipal wastewater collection and treatment system
- 263 communities will benefit from the establishment or upgrading of transportation infrastructure
- 83 communities will benefit from the establishment or upgrading of sports, recreational or cultural facilities
- 992 permanent jobs will be created directly by the projects.

These benefits are described by the promoters of infrastructure projects in their applications for funding under the ICP and validated by the advisors responsible for the program with the Government of Quebec and the Government of Canada. The summative evaluation report on the program will provide further information on the results achieved through the funding of infrastructure projects. It will then be possible to gauge more accurately the extent to which the planned results and associated commitments under the program were achieved.

2.2.3 Program activity: Provision of special adjustment measures



Note:

- I The short- and medium-term results generated following mobilization of the local economic milieu with regard to certain priorities in the case of communities struggling with natural disasters are similar to the results stated for communities struggling with major economic shocks.

The Agency comes to the assistance of communities or regions facing significant economic shocks, such as plant closures in an industry (e.g., textiles, lumber) or natural disasters (e.g., Saguenay floods, Montréal and Montérégie ice storm).

In such situations, in the event additional dedicated funding is provided by the Government of Canada, the Agency temporarily institutes special adjustment measures enabling communities to sustain their economic activity and initiate action to help them find a new balance or regain economic stability.

For instance, in April 2003, following the announcement of the moratorium on the cod fishery and restrictions on crab, the Agency drew up support measures geared to the situation in the regions affected. It therefore instituted a special short-term initiative, the Adjustment Measures for Quebec Fishing Communities, which was in effect until March 31, 2005 in the Gaspésie—Îles-de-la-Madeleine region and on the Basse-Côte-Nord. In addition, in conjunction with other Government of Canada departments, and so as to encourage the regional economic milieu to participate in the future development of their regions, the Agency conducted public consultations, which highlighted issues and put forward possible solutions that will be supported through longer-term measures.

Canada Economic Development's interventions in regions undergoing economic shocks or natural disasters is primarily of a short-term nature, and takes tangible form in the allocation of special funds from the Government of Canada. It is geared to the nature of the problems being experienced and the specific features of the regions and communities assisted. The diagram above presents one way of intervening in these situations, along with the associated planned results. Nonetheless, depending on the situation, the Agency's interventions and the targeted results may vary. The fact remains, however, that this type of intervention contributes to *Vitality of communities* throughout Quebec.

Main results observed with respect to *Provision of special adjustment measures*

The following table presents the resources invested and some results observed under the *Provision of special adjustment measures* program activity. The Agency's interventions under this program activity took place primarily through the Canadian Apparel and Textile Industries Program and the Adjustment Measures for Quebec Fishing Communities.

The total value of the 227 projects in progress in 2004-2005 under the *Provision of special adjustment measures* program activity, including funds from other funding sources, stood at \$34.4 million. The Agency's actual expenditures in 2004-2005 came to \$11.4 million for projects where the total amount of financial assistance approved by Agency was \$15.8 million.

Several projects in progress were approved under the CATIP, and that explains why, as of March 31, 2005, some of the results observed were associated with innovation and productivity. Thus, in the annual survey, 36.9% of respondent enterprises whose innovation and productivity projects have been completed stated that the main result of their project was the commercialization of new products or services, while 26.1% stated that a reduction in production costs was their main result.

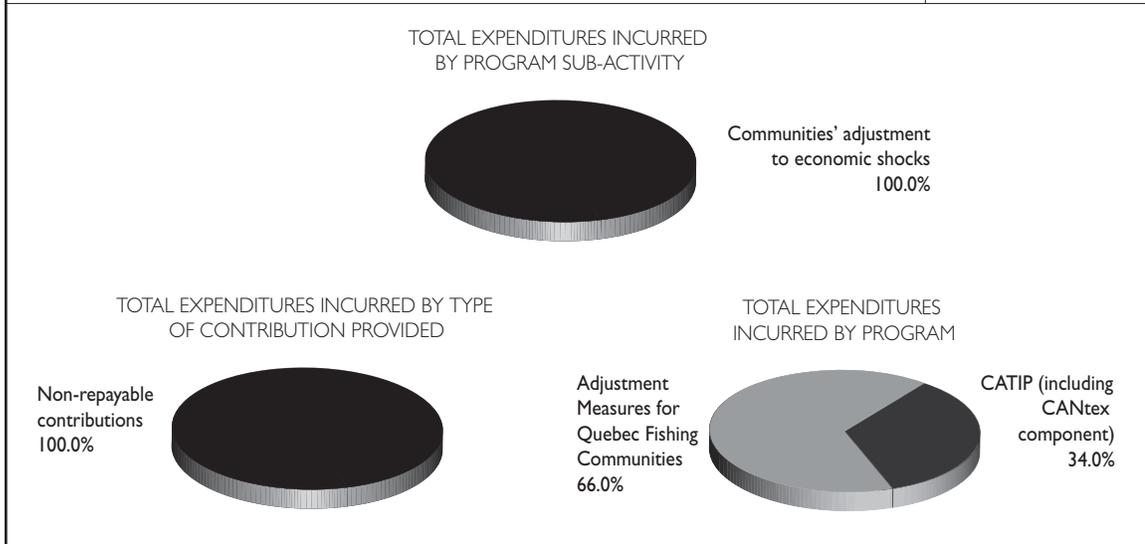
Notwithstanding a difficult economic situation requiring the establishment of adjustment programs, some 50% of enterprises receiving assistance under the CATIP whose projects have been completed stated that their sales had increased as a result of the financial assistance received from the Agency.

Confirming the Agency's role in fostering communities' adjustment to economic shocks, in the annual survey, 94.7% of respondent enterprises whose projects came under the *Provision of special adjustment measures* program activity stated that Canada Economic Development is an essential player in their region's economic development.

The Agency's programs of adjustment to economic shocks have contributed to the creation, maintenance and transformation of more than 580 jobs in the affected communities.

PROVISION OF SPECIAL ADJUSTMENT MEASURES

Resources invested to generate the results shown below	2004-2005
<ul style="list-style-type: none"> ■ number of projects in progress ■ actual expenditures ■ total expenditures incurred (including spending from prior years) ■ total value of financial assistance approved by the Agency ■ total cost of projects in progress, irrespective of funding source 	<p>227</p> <p><i>\$11.4 million</i></p> <p><i>\$11.6 million</i></p> <p><i>\$15.8 million</i></p> <p><i>\$34.4 million</i></p>



	Main results observed through Agency beneficiaries ¹	2004-2005
ENTERPRISES	Indicators of the impact of enterprise projects	
	Innovation and productivity-related projects ²	
	<ul style="list-style-type: none"> ■ proportion of respondent enterprises stating that the main result of their project was: <ul style="list-style-type: none"> □ reduction in production costs □ improvement in corporate business processes □ commercialization of new products or services □ productivity enhancement □ other results. 	<p>26.1%</p> <p>15.2%</p> <p>36.9%</p> <p>10.9%</p> <p>10.9%</p>
	Business maintenance and growth indicators ³	
	<ul style="list-style-type: none"> ■ proportion of respondent enterprises stating increased sales ■ average sales increase. 	<p>48.0%</p> <p><i>\$1.7 million</i></p>
	Employment indicator ⁴	
	<ul style="list-style-type: none"> ■ jobs created, transformed or maintained 	<p>582</p>

Notes:

- 1 The results are presented in line with the type of beneficiaries supported by the Agency. The information on results concerning enterprises comes from an annual telephone poll conducted by an independent firm. It is important to specify that the results presented concerning enterprises refer to projects that were completed in 2004-2005. The total resources invested include expenditures for corporate projects that are still in progress for which no information on results is presented in this table. Using the data in this table to generate effectiveness ratios may lead to erroneous conclusions.
- 2 Several projects under the CATIP. The goal of that program is to encourage Canadian textile-sector enterprises to choose higher value-added products, serve new niches and increase their productivity. The results presented are those of enterprises contacted for the Agency's annual survey **whose innovation and productivity projects have been completed** which stated that the main result of the project was: (1) a reduction in production costs (12 respondents out of 46; 26.1 %), (2) improvement in corporate business processes (7 respondents out of 46; 15.2 %), (3) commercialization of new products or services (17 respondents out of 46; 36.9 %), (4) enhancement of productivity (5 respondents out of 46; 10.9 %) and (5) other results (5 respondents out of 46; 10.9 %).
- 3 Enterprises contacted for the Agency's annual survey **whose enterprise development projects have been completed** that stated having increased their sales (24 respondents out of 50; 48.0 %).
- 4 Enterprises contacted for the Agency's annual survey **whose enterprise development projects have been completed** that stated having created (n = 14, total = 44), maintained (n = 33, total = 294) or transformed (n = 26, total = 244) jobs.

Section 3

ADDITIONAL INFORMATION

3.1 Information on the organization

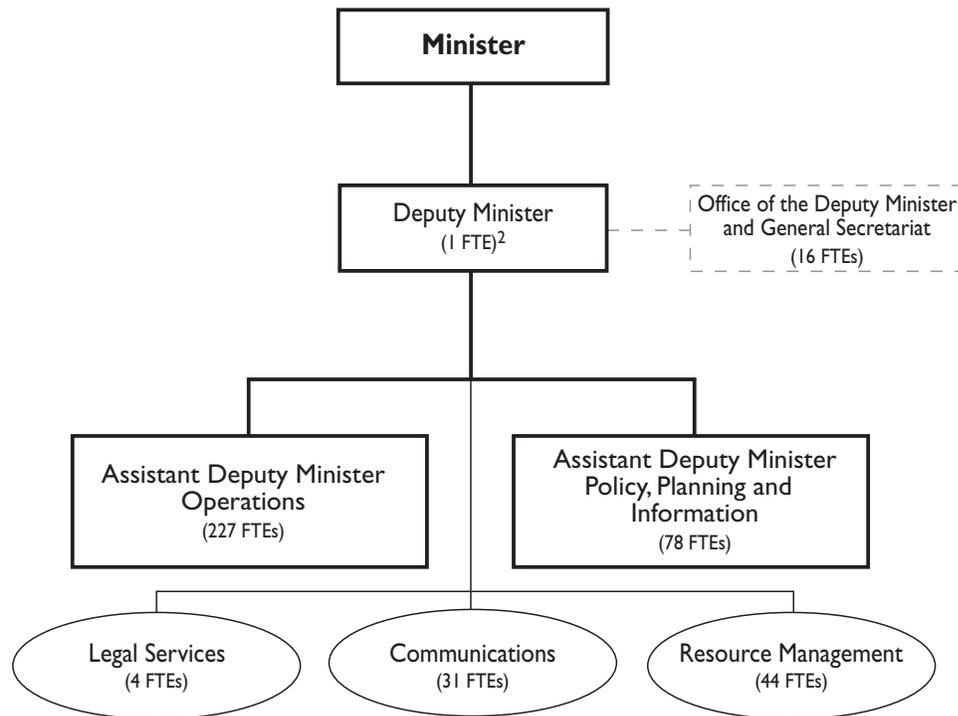
The Honourable Jacques Saada is the Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec; the Deputy Minister handles the day-to-day management of Agency activities. She acts as deputy head for the purposes of application of the *Financial Administration Act*, the *Public Service Employment Act* and the *Public Service Labour Relations Act*. She also acts as senior policy advisor to the Minister and the Government.

The Assistant Deputy Minister, Policy, Planning and Information, is responsible for the departmental planning cycle, definition of strategic policy and objectives for Agency interventions, production of the socio-economic studies required for the development of policy, management of the quality system, performance measurement and monitoring, and evaluation and audit of programs and initiatives. She also ensures that the Agency's position is put forward in the development of national policy and programs and promotes Quebec's regional interests to other departments and agencies of the Government of Canada. She is also responsible for relations with the Government of Quebec.

The Assistant Deputy Minister, Operations, has the mandate to implement the Agency's strategic policy and deliver all its programs and services, primarily through a network of 14 business offices across Quebec. She also handles negotiation and management of partnership agreements with other Government of Canada departments and agencies and with outside organizations, in particular the Community Futures Development Corporations, Community Economic Development Corporations and Business Development Centres. She is responsible for implementation of agreements reached with the Government of Quebec, such as the Infrastructure Canada Program.

The Act to establish the Economic Development Agency of Canada for the Regions of Quebec officially came into force on October 5, 2005. With the coming into effect of this Act, the Deputy Minister becomes President of the Agency and the Assistant Deputy Ministers become its Vice-Presidents. However, past titles are used in this report since it covers the period ending March 31, 2005.

ORGANIZATION CHART OF CANADA ECONOMIC DEVELOPMENT¹



Notes:

- 1 A more complete version of the organization chart is available at:
<http://www.dec-ced.gc.ca/asp/APropos/Organigramme.asp?LANG=EN>
- 2 FTE = Full-time equivalent employee.

The Agency in 2004-2005 had the equivalent of 401 full-time employees in its business offices across Quebec, its office in Gatineau ensuring liaison with the federal government and its Head Office in Montréal.

3.2 Financial performance

The following tables present the Agency's financial performance for FY 2004-2005. For purposes of comparison, the revenue and expenditures shown in the tables for the 2002-2003 and 2003-2004 fiscal years do not take into account programs associated with application of the *Small Business Loans Act* and the *Canada Small Business Financing Act*. These programs have been under the responsibility of Industry Canada since April 1, 2004. It is important to bear in mind that the totals in the financial tables may not correspond exactly to the sum of the underlying items, since the individual amounts have been rounded out.

3.2.1 Comparison of planned spending with actual expenditures

This table presents the net cost of the Agency, as well as an historical overview. To calculate what the organization costs Canadians, services received without charge have to be added to the Agency's expenditures, such as accommodation supplied by Public Works and Government Services Canada (PWGSC) and services provided free of charge by Justice Canada. Then non-responsible revenue, that is, repayments to be made by beneficiaries of repayable contributions provided by the Agency, is subtracted from the expenditure total.

<i>Program activities</i> (in millions of dollars)	Actual expenditures 2002-2003	Actual expenditures 2003-2004	2004-2005			
			Main Estimates	Planned Spending	Total Authorities	Actual Expenditures
<i>Enterprise development</i>	151.6	148.7	143.1	143.0	118.7	131.7
<i>Improvement of the economic environment of regions</i>	132.9	121.0	115.2	115.2	115.1	100.6
<i>Improvement of community infrastructure</i>	40.7	72.8	157.9	157.9	184.9	87.0
<i>Provision of special adjustment measures</i>	0.2	9.5	11.9	11.9	13.0	13.8
Total	325.4	352.0	428.1	428.0	431.7	333.1
Less: Non-responsible revenue ¹	(30.0)	(33.3)	(31.5)	(31.5)	(31.5)	(38.5)
Plus: Cost of services received without charge	4.4	5.1	5.2	5.2	5.2	5.5
Net cost for the Agency	299.8	323.8	401.8	401.7	405.4	300.1
Full-time equivalent (FTE)	409	408	371	371	375	401

Note:

- 1 In the *Report on Plans and Priorities 2004-2005*, these data appear on a revenue basis. The data are now presented on a receipts basis, for consistency with the information in the Public Accounts. The breakdown of non-responsible revenue is presented in the table in subsection 3.2.5.

With respect to net cost, the \$101.6 million difference between total planned spending and actual expenditures is primarily attributable to an increase in non-responsible revenue and a deferment of funds to FY 2005-2006 in order to ensure funding for the Infrastructure Canada Program under the *Improvement of community infrastructure* program activity. As to the difference of 26 FTEs between total authorities for full-time equivalents and actual expenditures, this is attributable to the resources hired to meet the regions' demand and their needs with respect to regional development.

3.2.2 Program activities

This table presents information from the *Main Estimates* and appropriations voted by Parliament, by program activity, for resources provided for in the *Report on Plans and Priorities 2004-2005*, changes made to resources following Supplementary Estimates, and the use of funds.

Expenditures by program activity <i>(in millions of dollars)</i>	2004-2005		
	Operations	Grants and contributions	TOTAL
<i>Enterprise development</i>			
■ main Estimates	25.5	117.6	143.1
■ planned spending	25.5	117.5	143.0
■ total authorities	25.2	93.5	118.7
■ actual expenditures	24.9	106.8	131.7
<i>Improvement of the economic environment of regions</i>			
■ main Estimates	18.9	96.3	115.2
■ planned spending	18.9	96.3	115.2
■ total authorities	18.7	96.4	115.1
■ actual expenditures	17.8	82.8	100.6
<i>Improvement of community infrastructure</i>			
■ main Estimates	1.9	156.0	157.9
■ planned spending	1.9	156.0	157.9
■ total authorities	1.9	183.0	184.9
■ actual expenditures	1.6	85.4	87.0
<i>Provision of special adjustment measures</i>			
■ main Estimates	1.2	10.7	11.9
■ planned spending	1.2	10.7	11.9
■ total authorities	1.6	11.4	13.0
■ actual expenditures	2.4	11.4	13.8
Total			
■ main Estimates	47.5	380.6	428.1
■ planned spending	47.5	380.5	428.0
■ total authorities	47.4	384.3	431.7
■ actual expenditures	46.7	286.4	333.1

3.2.3 Summary of voted and statutory appropriations

This table repeats the summary table from the *Main Estimates* and shows appropriations voted by Parliament for resources provided for in the *Report on Plans and Priorities 2004-2005*, changes made to resources following Supplementary Estimates, other authorities, and the use of funds.

Vote or statutory item	Vote or statutory item wording (in millions of dollars)	2004-2005			
		Main Estimates	Planned Spending	Authorities	Actual expenditures
2	Operating expenditures	42.2	42.2	42.4	41.7
6	Grants and contributions	380.6	380.5	384.3	286.4
(S)	Minister of the Economic Development Agency of Canada for the Regions of Quebec and Minister responsible for the Francophonie - Car allowance	-	-	0.05	0.05
(S)	Contribution to employee benefit plans	5.3	5.3	5.0	5.0
(S)	Spending of proceeds from disposal of surplus Crown assets	-	-	0.03	0.01
	Total for the Agency	428.1	428.0	431.7	333.1

A \$94.1-million decrease is observed in actual expenditures compared with planned spending in the grant and contribution vote. The explanations provided for the financial table in subsection 3.2.6 also apply to the financial table above.

3.2.4 Net cost for the Agency during Fiscal Year 2004-2005

This table, like the financial table in subsection 3.2.1., indicates the Agency's net cost. Details concerning services received free of charge are also provided.

Net cost	(in millions of dollars)	2004-2005
Actual expenditures		333.1
Plus: Services received free of charge		
Accommodation provided by Public Works and Government Services Canada		2.9
Employer's contribution to employees' insurance plans and expenditures paid by the Treasury Board Secretariat (from renewable funds)		2.3
Salaries and associated expenditures for legal services provided by Justice Canada		0.3
Total services received free of charge		5.5
Less: Non-respendable revenue ¹		(38.5)
Net cost for the Department in 2004-2005		300.1

Note:

1 Details concerning non-respendable revenue are presented in the financial table in subsection 3.2.5.

3.2.5 Sources of non-respondable revenue by program activity

This table presents the Agency's revenue, along with an historical perspective. The revenue consists primarily of repayments from beneficiaries of the repayable contributions awarded by the Agency.

<i>Non-respondable revenue</i> <i>(in millions of dollars)</i>	Revenue 2002-2003	Revenue 2003-2004	2004-2005	
			Planned revenue ¹	Actual revenue ²
Promotion of the economic development of the regions of Quebec				
<i>Enterprise development</i>	28.5	31.6	30.0	36.6
<i>Improvement of the economic environment of the regions</i>	1.5	1.7	1.5	1.9
<i>Improvement of community infrastructure</i>	-	-	-	-
<i>Provision of special adjustment measures</i>	-	-	-	-
Total non-respondable revenue	30.0	33.3	31.5	38.5

Notes:

- 1 In the *Report on Plans and Priorities 2004-2005*, the data were presented on the basis of receipts (amounts cashed) rather than revenue (amounts billed). At that point, forecast receipts stood at \$20.5 million.
- 2 Non-respondable revenue excludes the amount of \$50.7 million billed to *Papiers Gaspésia inc.*, which has placed itself under the protection of the *Companies' Creditors Arrangement Act*.

3.2.6 Information on Transfer Payment Programs (TPPs)

This table presents the resources for each of the Agency's programs, their background, information from the *Main Estimates* and appropriations voted by Parliament for resources provided for in the *Report on Plans and Priorities 2004-2005*, changes made to resources following Supplementary Estimates, as well as the use of funds.

<i>Promotion of the economic development of the regions of Quebec¹</i> Programs <i>(in millions of dollars)</i>	Actual expenditures 2002-2003	Actual expenditures 2003-2004	2004-2005			
			Planned spending	Total authorities	Actual expenditures	Variance
Grants						
Innovation, development of entrepreneurship and access program for SMEs	0.06	0.06	0.3	0.3	0.07	(0.2)
Other ²	3.3	6.0	-	-	-	0.0
Total grants	3.4	6.1	0.3	0.3	0.1	(0.2)
Contributions						
Innovation, development of entrepreneurship and access program for SMEs	59.1	72.2	79.3	72.8	72.8	(6.5)
Regional Strategic Initiatives program	122.5	98.5	109.4	94.3	94.2	(15.2)
Community Futures Program	25.7	26.6	24.0	31.1	31.1	7.1
Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy	27.0	30.9	11.5	2.8	2.8	(8.7)
Infrastructure Canada Program Canada-Quebec Agreement 1994	0.2	0.06	-	2.0	0.04	0.04
Infrastructure Canada Program Canada-Quebec Agreement 2000	37.9	70.7	156.0	181.0	85.3	(70.7)
Special Coastal Quebec Fund	2.1	0.4	-	-	-	0.0
Total contributions	274.5	299.4	380.2	384.0	286.3	(93.9)
Total	277.9	305.4	380.5	384.3	286.4	(94.1)

Notes :

- The Agency has a single TPP: *Promotion of the economic development of the regions of Quebec*. It does, however, have several grant and contribution programs. Additional information is available on the Agency's Web site.
- In 2002-2003, \$3,3 million was paid in grants to the Quebec Port Authority for development of a cruise terminal and enhancement of Pointe-à-Carcy, while in 2003-2004, \$6 million was paid to *Grand Prix F1 du Canada inc.*

The total difference between actual expenditures and planned spending is \$94.1 million. Most of this difference, \$70.7 million, is attributable to the Infrastructure Canada Program and is the result of a deferral of funding to FY 2005-2006. In the RSI program, a difference of \$15.2 million is attributable to the deferral of funds for the Integrated Pulp and Paper Centre project in Trois-Rivières and the reallocation effort pursuant to the government's expenditure review. Of the total difference observed, \$8.7 million is attributable to the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy, more specifically to a deferral of funds for a large-scale project that was not carried out; and the *Papiers Gaspésia inc* project in Chandler. *Papiers Gaspésia inc* has placed itself under the protection of the *Companies' Creditors Arrangement Act*. Finally, concerning the IDEA-SME and CFP programs, only the choice of projects with respect to each program explains the variations between planned spending and actual expenditures.

3.3 Response to Parliamentary Committees, audits and evaluations for FY 2004-2005



The reports listed below are available on the Agency Web site or upon request.

RESPONSE TO PARLIAMENTARY COMMITTEES

- No recommendations were issued by any Parliamentary Committees concerning the Agency during FY 2004-2005.

RESPONSE TO REPORTS FROM THE OFFICE OF THE AUDITOR GENERAL OF CANADA (OAG)

- The Agency was involved in only one OAG audit during FY 2004-2005, concerning Chapter 7 (November 2004) and entitled: *Process for Responding to Parliamentary Order Paper Questions*. The OAG issued no specific recommendations intended for the Agency.



The report is available on the Auditor General of Canada's Web site at:
www.oag-bvg.gc.ca

INTERNAL AUDITS

Infrastructure Canada Program

- Two audit reports on this program were conducted and approved in 2004-2005. Both audits concluded that the systems and procedures put in place by the Agency are appropriate and that the payments comply with government standards. The auditors (two different accounting firms) made no recommendations intended for the Agency.

Regional Strategic Initiatives program

- The independent accounting firm which conducted this audit concluded that the RSI program was managed in accordance with its authorities and its policy framework. The firm made recommendations concerning certain aspects of the following processes:
 - performance measurement
 - analysis of projects submitted in the context of an application for financial assistance
 - contract terms and conditions
 - monitoring
 - audit of agreements.

The Agency has determined the action to be taken in response to the recommendations and established a calendar accordingly. The internal audit team will monitor implementation.

Management and program information system

The operational computer system used by employees to manage grants and contributions as well as finances was audited by an independent accounting firm. Upon completion of the exercise, having examined only part of the existing controls in the system, the auditor made recommendations on system security and automatic data validation. The Agency has already implemented the recommendations concerning security. As to the other recommendations, they were submitted to the committee responsible for the system, which accepted or discarded them, depending on their relevance and the resources available to the Agency. Reinforcement of system security will shorten the data validation time usually required. It will enable the Agency to have at its disposal more accurate management information for decision-making.

Adjustment Measures for Quebec Fishing Communities

In the view of the independent firm conducting the audit, the systems, procedures, resources and measures implemented by the Agency, for the period audited, were appropriate for fulfilment of the objectives associated with the contribution agreements concluded in the two business offices responsible for managing the Adjustment Measures for Quebec Fishing Communities (Gaspésie—Îles-de-la-Madeleine and Côte-Nord). The Agency fulfilled its obligations under the *Privacy Act* and the Treasury Board Secretariat's *Policy on Transfer Payments*. These conclusions were highly positive in view of the short deadline for implementing the measures. The auditor made recommendations with respect to communication with other federal departments and administrative controls concerning participants (eligibility, attendance, salaries). The Agency implemented several of the auditor's recommendations before the measures terminated on March 31, 2005.

Innovation, development of entrepreneurship and access program for SMEs

- The audit emphasized that the IDEA-SME program management processes are adequate, operational practices are consistent with established policy and processes, and sound control mechanisms are in place.

Continued on page 71

INTERNAL AUDITS (continued)

The independent audit firm made recommendations on the following topics:

- ❑ annual planning and results measurement
- ❑ management of repayments and collections
- ❑ project analysis
- ❑ protection of records
- ❑ the financial and non-financial controls integrated into contribution agreements.

The Agency has determined the action to be taken in response to the recommendations and established a schedule accordingly. Development of a mechanism for measuring results attained by the business offices will lead to consistent observation of Agency intervention in regional development.

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

- The auditors consider that the program management processes are adequate, operational practices are consistent with established policy and processes, and sound control mechanisms are in place. The auditors from the independent firm made recommendations concerning:
 - ❑ supervision of personnel
 - ❑ risk management
 - ❑ controls
 - ❑ financial and program management system
 - ❑ performance measurement
 - ❑ promotion of information.

The Agency has taken the recommendations into consideration and determined the action to be taken as well as a schedule for implementation.

EVALUATION OF INTERVENTION IN INNOVATION AND KNOWLEDGE ECONOMY (IDEA-SME AND RSI)

- The observations made in the evaluation indicate that the Agency's general approach is appropriate with regard to needs and the economic context. The different case studies conducted by independent firms show that Canada Economic Development's business offices have successfully guided regional enterprises in their technological development and furthered the establishment of knowledge economy-related infrastructure. The international experts consulted consider that regional economic development intervention based on innovation is always timely, among other things for fostering adoption of an innovative mindset in an enterprise. The telephone survey conducted by an independent firm revealed that the Agency's interventions with enterprises has had a tangible impact on job creation and maintenance and on enterprises' competitiveness. Also, a significant proportion of them would not have been able to carry out their projects without Agency assistance or would have carried them out over a longer timeframe or on a smaller scale. In terms of both the number of projects and the financial assistance provided by the Agency, its intervention has intensified significantly since it received the balance of funds from the Canada Jobs Fund, thus meeting one of the Treasury Board's objectives. Finally, different possible improvements have also been identified, particularly with respect to the implementation of interventions.

3.4 Sustainable Development Strategy (SDS)

The Agency continued to implement its *2003-2006 Sustainable Development Strategy* during FY 2004-2005. The table below presents the results achieved to date with respect to the objectives pursued and the Department's expenditures concerning sustainable development projects funded by the Agency in 2004-2005, and the internal component of its strategy.

Under its Sustainable Development Strategy, the Agency raises SMEs' awareness and encourages them to adopt new business practices which translate into the establishment of tangible pollution prevention and eco-efficiency (greening) measures, in order to help them maintain and reinforce their competitiveness. The Agency helps SMEs optimize production processes in order, among other things, to increase recycling and enhancement (re-use) of residues, and reduce wasted raw materials, energy consumption, greenhouse gas emissions and production of waste. In that way, SMEs bring down their production costs and increase their profitability.

External targets			
To play a strategic role in advancing understanding and taking ownership of the principles of sustainable development within SMEs in the regions of Quebec and with the different economic agents, both private and public, in a perspective of financial, economic and social viability.			
Objectives for 2003-2006	Objectives	Results	Expenditures
Encourage and help SMEs to adopt sustainable development practices in their operations			
<ul style="list-style-type: none"> ■ establishment of Enviroclubs 	10 clubs	7 clubs	\$0.9 million
<ul style="list-style-type: none"> ■ raising of SMEs' awareness of new business practices associated with sustainable development 	500 SMEs	400 SMEs	
<ul style="list-style-type: none"> ■ completion of productivity projects through pollution prevention 	120 projects	90 projects	\$4.2 million
<ul style="list-style-type: none"> ■ direct assistance to SMEs for completion of productivity projects through pollution prevention. 	30 projects	27 projects	
Foster development and commercialization of innovations in sustainable development			
<ul style="list-style-type: none"> ■ experimentation, demonstration and development of innovative products, technologies and services in sustainable development 	40 SME projects	64 projects	\$12.7 million
<ul style="list-style-type: none"> ■ commercialization of innovations in sustainable development on international markets. 	25 SME projects	25 projects	\$2.2 million
Foster development, dissemination and sharing of knowledge with respect to sustainable development to contribute to development and reinforcement of knowledge-based competitive advantages			
<ul style="list-style-type: none"> ■ financial support for research centres, institutions and university chairs. 	15 projects	30 projects	\$19.9 million

Internal targets

To make the Sustainable Development Strategy a tool for change within the organization to further integrate sustainable development concerns in day-to-day operations.

Objectives for 2003-2006	Objectives	Results	Expenditures
Empower staff			
<ul style="list-style-type: none"> ■ development and dissemination of a definition of sustainable development ■ training for Agency managers and advisors ■ development of an integrated tool ■ development of mentoring. 		<i>Activity completed</i> <i>Activity to be performed</i> <i>Activity completed</i> <i>Activity to be performed</i>	
Promote sustainable development			
<ul style="list-style-type: none"> ■ promotion of best practices ■ establishment of ad-hoc initiatives. 		Article in Agency in-house newspaper Activity to be continued	
Continue greening			
<ul style="list-style-type: none"> ■ multi-product recycling 	12	5	N/A ¹
<ul style="list-style-type: none"> ■ agency vehicles equipped with hybrid engines or an electromagnetic module ECONOPRO®. 	20	15	N/A
Promote good sustainable development practices, for instance, duplex printing and car pooling			
<ul style="list-style-type: none"> ■ promotion of telework 		Activity to be continued	
<ul style="list-style-type: none"> ■ maintenance and update of a sustainable development component in the handbook for new employees. 		Activity to be continued	
Ensure better environmental reporting			
<ul style="list-style-type: none"> ■ document environmental results attained. 		Training on performance measurement and adjustment of tools	

Note:

1 N/A: not available

The Agency also encourages innovation in sustainable development by contributing, on the one hand, to the development of the capabilities of research centres, institutions or university chairs and, on the other hand, by providing direct assistance to SMEs for experimentation, demonstration and commercialization of innovative products, technologies and services in sustainable development.

The Agency has initiated the process of evaluating its third SDS with a view to preparing its next version which will be tabled in Parliament in December 2006. As part of this work, a broad consultation of federal partners and private organizations is planned.

3.4.1 Long-term contribution of goals, objectives and targets to attainment of the Agency's strategic outcomes

The Agency's Sustainable Development Strategy ties in with the two strategic outcomes of its intervention framework:

- *Enterprises' competitiveness*
- *Vitality of communities.*

Under its Sustainable Development Strategy, the Agency helps SMEs adopt pollution prevention practices in two ways. In conjunction with Environment Canada and the National Research Council Canada - Industrial Research Assistance Program (NRC-IRAP), it sets up Enviroclubs fostering the implementation of sound pollution prevention and environmental management practices within SMEs. The Agency also contributes to the completion of productivity projects through greening in SMEs. These projects generally aim to optimize the use of raw materials and reduce energy consumption, pollutant releases and residues that are often harmful to the environment. Pollution prevention projects show that sustainable development prompts SMEs to make productivity gains and increase their market competitiveness.

3.4.2 Adjustments made as a result of lessons learnt

External targets

When the Agency's second SDS was evaluated, it was evident that advisors lacked expertise to identify sustainable development projects, analyse them and monitor results. In order to correct this problem:

- a definition of sustainable development was drawn up and integrated in the Agency's third Sustainable Development Strategy
- an analysis and monitoring tool was developed during FY 2004-2005 and will be implemented during FY 2005-2006.

In-house targets

In its 2003-2006 SDS, the Agency reiterated its commitment to empowering its employees with respect to sustainable development. Indeed, it planned to put in place measures that will enable it to attain this objective. Adapted management and training tools will be developed and placed at employees' disposal.

3.5 Service Improvement Initiative

In its concern for excellence and with a view to delivering quality services to its beneficiaries, the Agency has since 1997 imposed on itself the requirements of the ISO international standard in the context of its programs. Thus, when the government launched the *Service Improvement Initiative* in 2000, the Agency, through its quality management system, already had at its disposal the mechanisms necessary for delivering quality services and ensuring their continuous improvement. In 2003, the Agency renewed its commitment to quality service and successfully moved to the ISO 9001:2000 standard.

To fulfil its mission, the Agency undertakes to deliver adapted, professional, courteous, accessible and confidential service while following the principles of results-based management and sound management of public resources. It also undertakes to promote the continuous improvement of its programs, services and ways of doing things.

3.5.1 Programs and services targeted by an improvement plan

All the Agency's intervention tools are part of the corporate service improvement plan. Of course, the emphasis is placed on the Agency's two main programs, IDEA-SME and RSI. To ensure the continuous improvement of its programs and services and properly understand the needs and expectations of the beneficiaries targeted, the Agency uses several information sources.

Since 1996 the Agency has measured its beneficiaries' satisfaction, and it received recognition in that regard in 2001 from the Secretariat of the Treasury Board of Canada as a Service Improvement Pioneer. As well as measuring its beneficiaries' satisfaction, the Agency measures the satisfaction of enterprises and economic agents whose financial assistance applications were not accepted. The Agency also uses the findings of program evaluations or studies. The information in the evaluation reports enables the Agency to highlight opportunities for improvement in program implementation and service delivery.

A quality circle on service improvement was set up in order to put forward objectives and plans for improvement to meet Agency beneficiaries' expectations more closely. Under its quality management system, the Agency each year presents to senior management the results of comments and suggestions from beneficiaries. Action plans are drawn up where necessary, and follow-up is carried out within the framework of internal and external quality audits. In this way, the Agency is still pursuing its approach: *Targeting excellence*.

3.5.2 Establishment of base levels with respect to beneficiary satisfaction and progress accomplished with a view to attaining satisfaction-related objectives

Objectives concerning beneficiaries' satisfaction are established by means of historical data, revised yearly and approved by senior management. In view of the high levels of satisfaction obtained over the past few years, the Agency set itself the objective of maintaining them while pursuing its continuous improvement efforts. The table below presents the Agency's results with respect to its beneficiaries' satisfaction for the past five years.

Over the past five years, for all aspects of services except deadlines, beneficiaries' levels of satisfaction have risen or held steady. On the deadline front, the levels observed in 2003-2004 may have been caused at that time by the hiring of large numbers of new employees, budgetary uncertainty early in the year, or the deployment of a new automated financial and program management system. As to the other satisfaction results, for each of the past five years, they exceed the established satisfaction objectives.

Beneficiary satisfaction

Main aspects of service ¹	Objectives	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Quality of services in general	90%	91.1%	92.0%	93.0%	94.5%	96.0%
■ access to services	85%	88.0%	87.7%	90.9%	91.4%	92.8%
■ ability to meet beneficiaries' needs	85%	83.3%	87.3%	85.3%	88.6%	90.0%
■ fairness and impartiality of services	N/A ²	N/A	N/A	91.4%	92.5%	93.5%
■ financial assistance application response time	80%	N/A	86.0%	75.5%	78.2%	81.1%
■ claim response time	80%	N/A	82.0%	81.0%	84.6%	86.7%
■ clarity of administrative documents received	N/A ³	88.5%	88.2%	85.2%	86.5%	90.7%
■ courtesy of staff	95%	99.6%	97.3%	97.6%	98.4%	98.4%
■ competence of staff	90%	91.2%	91.2%	93.0%	93.9%	96.2%
■ guidance through procedure	85%	87.8%	90.5%	89.9%	89.1%	91.7%

Notes:

- 1 Percentage of beneficiaries stating that they are very satisfied or satisfied with the services received. The Agency uses the satisfaction scale from the *Government of Canada's Common Measuring Tool*, namely: very satisfied, satisfied, neutral, dissatisfied, very dissatisfied.
- 2 N/A = Not applicable
- 3 While it has no specific objective for this aspect of service, in a concern for continuous improvement, the Agency follows its beneficiaries' satisfaction in this regard.

3.5.3 Service standards for all key public services: establishment of standards and associated performance

The Agency established its service standards in September 2000, thus underscoring its commitment to quality service. These standards are published on the Agency Web site and enclosed with correspondence addressed to beneficiaries following a request for service. The Agency measures all aspects of its standards on an ongoing basis.

3.5.4 Main achievements with respect to citizen-oriented service improvement

Over the past five years, in the Agency's pursuit of its quality approach, several achievements have contributed to improved services and increased beneficiary satisfaction, in particular:

- Development and dissemination of a beneficiary handbook, adapted to the type of project, to guide beneficiaries in documenting their application properly and help them compile a comprehensive file more quickly when applying for financial assistance (2002-2003).
- Development and dissemination of a handbook for beneficiaries to facilitate preparation of claims and reduce corrections and processing times.
- Development of tools, employee training and improvement of the approval process for applications for more than \$100,000 led to an almost 40% reduction in approval times for contributions between \$100,001 and \$200,000 and a 25% reduction for those of more than \$200,000 compared with 2000-2001.
- A pilot project to integrate risk management with the management of contributions was conducted in 2004-2005. Its implementation across all financial services will lead to a simplification of documentation for the recommendation, thus reducing processing time for low-risk projects.
- A *CED on-line* service was set up in order to centralize reception of requests received via the Agency's Web site and provide faster front-line service.

Section 4

INITIATIVES LINKED WITH THE GOVERNMENT'S MANAGEMENT ACCOUNTABILITY FRAMEWORK

In its *Report on Plans and Priorities 2004-2005*, the Agency undertook to carry out activities within the framework of the government's management initiatives, many of them directly linked with the *Modernization of Management Practices*. That initiative took a new course during FY 2004-2005 to give its place to the government's *Management Accountability Framework* (MAF). The MAF is intended to translate the vision of modern public service management, as established in *Results for Canadians*, into a set of management expectations. It reflects the many management-focussed initiatives currently under way and the vision they share. It brings together the principal elements of management frameworks like those on Modern Comptrollership, Human Resources Modernization, Service Improvement and Government On-Line.

The Agency's action plan for modernization of management practices had identified four priorities for which improvements were sought, with respect to information management, risk management, people management and optimization of the planning process. The Agency had also made commitments with respect to Government On-Line (GOL) and Official Languages, and on the basis of its Sustainable Development Strategy. Most of the commitments made by the Agency are to be found in the new MAF, corresponding to the following headings:

- governance and strategic policy
- risk management
- learning, innovation and change management
- public service values
- people
- citizen-focussed services.

Thus, the subsections below present Agency achievements with respect to management commitments made in the *Report on Plans and Priorities 2004-2005* in the perspective and in line with the headings of the Government of Canada's *Management Accountability Framework*.

4.1 Governance and strategic policy

The Agency made the commitment in its 2004-2005 RPP to aim for better integration of planning and performance evaluation. This commitment translated into stronger links between the main elements of planning and evaluation and performance measurement, as may be seen from the strategic framework, business plans, RPP and departmental performance report. For instance, the commitments with respect to performance contained in the *Report on Plans and Priorities 2005-2006* were established on the basis of historical information on results from the latest performance reports and annual surveys, and from evaluation reports. The responsibility centres' business plans were used to validate the organization's ability to meet the commitments established.

In order to facilitate implementation of the Government of Canada's *Management Accountability Framework*, the Agency now aims to set up an integrated planning process that harmonizes the strategic, operational, financial and human resources dimensions. This will lead to an alignment of resources and plans on the basis of the strategic outcomes and effective management of the changes the Agency will be undergoing in the next few years.

4.2 Risk management

During FY 2004-2005, the Agency undertook to integrate risk management in the analysis, processing and monitoring of the development projects considered under its financial programs.

As the first phase in introducing risk management in advisors' practices and ways of doing things, the Agency conducted a pilot project from late November 2004 to mid-February 2005. This enabled seven Agency advisors to adjust their action to the level of risk specific to each development project requiring financial assistance. The approach advocated involved integrating a project risk analysis with each of the three key stages in its usual life cycle.

Risk analysis is guided by three distinct charts, each containing a series of questions relating to the beneficiary's context and organization. The total points assigned to each of the elements are used to rank each project according to a level of risk, which then guides the advisor in his subsequent action within the framework of the project.

The evaluation of the pilot project conducted in March 2005 aimed to:

- validate the intelligence and consistency of the approach
- test the effectiveness of the tools developed (risk charts)
- ensure a sound approach in the processing of claims
- ensure enhanced efficiency in the processing and monitoring of development projects of a financial nature.

This evaluation led to the conclusion that the four objectives were met and the approach could be extended to the entire Agency.

The advisors involved in this project were behind more than 30 recommendations for enhancing the model and the computer tool used for risk charts. As of March 31, 2005, most of the recommendations from the evaluation had already been implemented, and preparations for a training tour in the Agency's 14 offices were well under way. The implementation provides for close monitoring of the ownership and use of the model and tool over the first few months, as well as a more formal evaluation after one year's use.

4.3 Learning, innovation and change management

Application of government policy on information management primarily involves guaranteeing that the information generated and used by the Government of Canada is managed efficiently and effectively throughout its life cycle. In the first phase of policy implementation, partly carried out in 2004-2005, the Agency seeks to manage the information at its disposal which it is in a position to produce, and to understand how it circulates in its decision-making processes. The approach adopted to optimize its information management is results-based management. Moreover, to implement new ways of doing things with respect to information management, the corporate quality management system is the tool of choice.

In the next phase, following the analysis of its information management, the Agency plans to put in place a specialized information management function during FY 2005-2006. This function will enable it to consider the financial and non-financial information contributing to performance and decision-making as resources to be managed.

4.4 Public Service and people values

The Agency has drawn up and disseminated a human resources management framework for 2004-2007. This framework sets out five major organizational priorities which are closely linked to those of the federal Public Service.

A code of values and ethics known, shared and integrated with all Agency activities

A great deal of energy was invested over the past year in training and supporting managers and employees in the understanding and ownership of the *Values and Ethics Code for the Public Service*. To that end, all managers and more than 80% of employees took part in a workshop on the subject. Guidelines were issued, and several consultations led to discussions and to our procedures being challenged. Furthermore, human resource management policy was revised in order to include the values and ethics dimension.

The efforts devoted to raising managers' and employees' awareness of the values and ethics code will, in the short and medium term, guide their behaviour in the workplace and have a positive impact on the organizational climate.

Employees with the competencies and necessary training to ensure the relevance of the organization

The Agency conducted an exercise to identify the main competencies for all employees. The competencies selected are closely linked to the corporate results targeted and will be used to guide employees along their career paths.

Over the past year, close to 70% of employees have drafted learning plans, and most of them are participating in the activities set out in their plans. The equivalent of 4% of payroll was allocated to learning activities; this is comparable to many private sector firms and other federal departments. Managers invested primarily in the staging of activities set out in the training curriculum with respect to modernization.

Work organization and assignment facilitating innovation, decision-making and optimization of productivity

The Agency has revised the classification of certain positions in order to comply with current directives, standards and policy. Managers have received training in classification and work organization. A review process was undertaken in different directorates, in order to define roles and responsibilities more clearly, optimize decision-making and enhance work organization

Organization which integrates human resources needs with strategic and operational planning

The workforce profile produced in 2005 will support the development of the 2006-2007 departmental human resources plan. The Agency's planning cycle is currently under review, with a view, among other things, to integrating human resources planning with departmental results-based planning. Guidelines and the departmental staffing plan are currently being drafted, and these will guide staffing decisions over the coming year.

A work environment conducive to wellness, health, safety and professional growth and a balance between employees' personal and professional lives

The labour-management advisory committee set up in December 2004 fosters co-operation and understanding between the Agency and the various organizations representing employees in order to enhance organizational wellness jointly.

In 2004-2005, the committee contributed to setting up a dispute management system. In effect since April 1, 2005, this will offer employees additional access to means conducive to healthy communication, harmonious interpersonal relations and settlement of disagreements.

A one-day workshop on dispute settlement was developed and will be offered to all employees over the coming year, with a view to equipping them to manage their disagreements and maintain harmonious relations in their workplace.

The Agency was successful in maintaining the level of representativity of members of designated groups over the past year and in providing opportunities for acting secondments to 17 of them. A new employment equity plan for 2005-2008 was approved by the Departmental Management Committee. The plan primarily targets the inclusion in the organization of members of designated groups and raising awareness of differences.

4.5 Citizen-centred services

The Agency contributed in many ways to improving this aspect of the MAF, in particular through the Service Improvement Initiative presented in Section 3, the Government On-Line initiative, and the Agency's application of the *Official Languages Act*.

4.5.1 Government On-Line (GOL)

Over the past year, the Agency put significant effort into the GOL initiative and service transformation. In that regard, different studies were conducted to develop this new vision, and a business model was developed to bring about multimode service delivery, with revised, simplified processes, in line with the Government of Canada's continuum of services model.

The *CED on-line* service centralizes reception of applications from the Agency's Web site and allows the Agency to provide front-line service more rapidly and more personally. Since the client's profile can be determined through the Agency Web site, it is now easier to forward requests to the business offices, service centres or collaborators best placed to respond to the requests received. Information requests are processed by *CED on-line* within a maximum of four hours during working hours. In addition, service agreements have been signed with a number of our collaborators in order to ensure the quality of the service.

The Agency will begin in fall 2005 paying contributions by direct deposit for beneficiaries wishing to use that service. The Agency thus plans to reduce processing times for claims and thus meet clients' expectations.

The Agency is also working to improve the information available on-line on programs and services. A major revamping project is under way, but Canadians can already appreciate the accessibility of detailed information on policy concerning the Agency's areas of intervention, such as the social economy, and festivals and sporting events.



The Agency's GOL 2005 report is available on the Agency Web site at: www.dec-ced.gc.ca, under *Publications*.

4.5.2 Official languages - Part VII - Section 41 of the *Official Languages Act*

The Agency has drawn up a new action plan for the period covering fiscal years 2004-2005 to 2007-2008 and has carried out varied activities in order to meet the objectives of Part VII of the *Official Languages Act* aimed at the development of Official Language Minority Communities (OLMCs). These activities tie in with the different categories of intervention set out in the government's new *Horizontal Results-based Management and Accountability Framework* with respect to official languages.

Within the organization, the Agency has taken steps to improve staff awareness of Part VII, and has seen to the operation of its OLMC support network, which comprises 10 or so advisors in the business offices serving English-speaking clients.

The Agency contributed to consultations, to information sharing with OLMCs and to information dissemination of its programs and services in order to foster their use by English-speaking clients. The Agency has also been actively involved in reinforcing partnerships, in particular through its involvement in the review of the initiative funded under Human Resources and Skills Development Canada's Support Fund and through its active participation on the different committees arising from it, particularly with respect to economic diversification. It has also attended all the Section 41 co-ordinator meetings co-ordinated by the Department of Canadian Heritage and produced an article for that department's *Bulletin 41-42* publication.

The English-speaking clients also benefited from more than 100 economic development projects, complemented by facilitation initiatives and guidance from the different development agents. Financial assistance exceeded \$18 million. In addition, a contribution of over \$9 million was awarded for construction of the Language Technologies Research Centre in the Outaouais.

The Agency signed a new three-year memorandum of understanding with PCH for Interdepartmental Partnership with the Official-Language Communities under which four new projects were put forward. Also, implementation of the economic component of the *Government's Action Plan for Official Languages* continued, in co-operation with Industry Canada, through the implementation of two pilot projects in entrepreneurship-oriented tele-learning and 24 internships in fields related to the Agency's mandate.

Appendix I

THE AGENCY'S REGIONAL DEVELOPMENT INTERVENTION TOOLS

As presented in the first section, Canada Economic Development uses and places at its beneficiaries' disposal a broad range of tools in support of regional development in Quebec. This range of intervention tools consists of guidance and advice, information and referrals, and financial support.

These tools, used alone or in combination by the Agency, contribute in particular to:

- empowering regional development agents; in other words, the Agency provides development agents with means and opportunities (studies, workshops, seminars) to:
 - become aware of the scope of the issues they face (awareness process)
 - acquire competencies and knowhow in various specialized fields (development of capabilities)
 - strengthen and broaden their business partnership networks (development of business networks and partners).
- initiating growth-generating projects, that is, identifying a development potential and initiating processes aimed at local mobilization and joint action to design and implement a plan, strategy or growth-generating project for a region's development
- facilitating local participation in defining the regional development priorities and strategies of the Agency and the Government of Canada
- helping the local milieu to gather information and put forward regional issues to government decision-makers.

Business Contact is an economic facilitation concept developed by Canada Economic Development in conjunction with the Community Futures Development Corporations and Business Development Centres. This event is aimed at business people and organizations that support SMEs, and aims to:

- contribute to enhancing the economic development of all regions of Quebec
- raise entrepreneurs' awareness and inform and guide them by providing them with timely information with respect to the strategic issues specific to their region in order to foster their enterprises' growth
- raise the profile of Government of Canada programs and services
- encourage dynamic exchanges among the Government of Canada, business support organizations and entrepreneurs.

Since 2003, eight Business Contact events have been held in seven Quebec regions. In 2004-2005, three such events took place in Montréal (April 1, 2004), the Montérégie (November 10, 2004) and the Îles-de-la-Madeleine (March 15, 2005). In addition to the Canada-wide themes of business startup, growth, exports, productivity and innovation, topics targeted by and for each of the regions visited were covered through conferences and on the Business Floor, where departmental booths were located.

The topics targeted in Montréal were: bio-food, nanotechnology, environment and plastics; those covered in the Montérégie were: agri-food, nanotechnology, environment, tourism and transportation; and in the Îles-de-la-Madeleine: innovation and environment, fishing and aquaculture, tourism and culture, new information technology, and climate change and wind power.

The three events drew 406 entrepreneurs, 256 economic development agents and 29 government departments. Participants' satisfaction rate was as high as 95.6% in Montréal, 85% in the Montérégie and 95.2% in the Îles-de-la-Madeleine, whereas departmental representatives' level of satisfaction stood at 70% in Montréal, 87.5% in the Montérégie and 100% in the Îles-de-la-Madeleine.

The Îles-de-la-Madeleine Business Contact was an innovative event, since visits to enterprises by the departmental representatives preceded the day of conferences. This tour meant real contact with local entrepreneurs, and this led to business links and greatly influenced the following day's event. For government departments and agencies, this Business Contact was a chance to raise the profile of their programs, services and expertise, and to enhance customer loyalty in the region. More than 15 follow-ups have since been carried out by departmental representatives with entrepreneurs they met at the event.

Guidance and advice

For the Agency, guidance and advice involve helping a development agent design and develop policy, a strategy, a business plan, an action plan or a project, or helping plan a financial package, identify funding sources, and so on. At Canada Economic Development, advice or guidance provided by a staff member are services delivered to an entrepreneur or a local development agent on an individual basis, geared to his or her specific situation. Provision of advice is done as needed. Guidance constitutes systematic, sustained, prolonged assistance, at various stages along the beneficiary's path toward design and implementation of his or her project.

Information and referrals

The Agency produces timely information so entrepreneurs and local and regional development agents may reach informed decisions, and it makes this information more easily accessible and usable. This also involves referring them to resources likely to provide a timely, appropriate response to their specific needs.

In this regard, the Agency works with the Canada Business Services Centres operating in Quebec, namely, *Info entreprises* in Montréal and *Ressources Entreprises* in Québec City, for Eastern Quebec. These organizations deliver information, referral and reference material services to entrepreneurs and local and regional development agents throughout Quebec.

Financial support

Under its programming, the Agency makes both repayable and non-repayable contributions and, in exceptional cases, grants to beneficiaries. The Agency's programs are divided into the different categories presented in the following table.

CANADA ECONOMIC DEVELOPMENT PROGRAMMING

❶ Regular programming associated with the Agency's core mandate

- Innovation, development of entrepreneurship and access program for SMEs (IDEA-SME)
- Regional Strategic Initiatives program (RSI)
- Community Futures Program (CFP)

❷ Dedicated programming under the Agency's core mandate

- Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy
- Adjustment Measures for Quebec Fishing Communities

❸ Programming under mandates from the Government of Canada and other federal departments

- Infrastructure Canada Program (2000)
- Canada Infrastructure Works (1994)
- Canadian Apparel and Textile Industries Program (CATIP) – CANtex component
- Softwood Industry and Community Economic Adjustment Initiative contribution program

Regular programming associated with the Agency's core mandate

The Agency's main regular programs of financial assistance are IDEA-SME, RSI and CFP. Completing the programming inherent in the Agency's core mandate are the Canadian Support Program for the Gaspésie—Îles-de-la-Madeleine Economy and the Adjustment Measures for Quebec Fishing Communities, which have dedicated budget envelopes.

Innovation, development of entrepreneurship
and access program for SMEs

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

As to planned results, the program should lead to:

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



For information:

http://www.dec-ced.gc.ca/asp/ProgrammesServices/prg_idee_pme.asp?LANG=EN#1

Regional Strategic Initiatives program

This program involves developing and implementing strategies and action plans fostering the creation of a socio-economic environment conducive to reinforcing the assets and competitive advantages of Quebec regions, with a view to enabling them to realize their regional development potential, leading in the long term to lasting improvement in prosperity and employment. The program supports major initiatives likely to have a growth-generating impact on the regional economy, in response to major regional issues identified through a process of local consultation, dialogue and mobilization. The projects and activities it generates can be extremely flexible and varied in line with the needs of a single region or a given group of regions.

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

Planned results from the program include:

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

Community Futures Program

This Canada-wide program provides support for communities in all parts of the country to help them take charge of their own local economic development. In Quebec, the CFP financially supports 57 Community Futures Development Corporations, as well as providing support for 14 Community Economic Development Corporations and nine Business Development Centres.



For information:

<http://www.dec-ced.gc.ca/asp/ProgrammesServices/PDC.asp?LANG=EN>

Dedicated programming under the Agency's core mandate

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

This program is a special measure, funded from the Agency's core budgets, to improve the economic situation in the Gaspésie—Îles-de-la-Madeleine region. It is in addition to the Agency's regular activities and gives priority to the following elements:

- enhancement of federal infrastructure
- development of medium-sized enterprises
- young people
- local empowerment
- emerging initiatives.

This program ends on August 22, 2005.



For information:

http://www.dec-ced.gc.ca/asp/ProgrammesServices/PCAEGIM_Gaspesie.asp?LANG=EN

Adjustment Measures for Quebec Fishing Communities

In an approach involving horizontal federal intervention, the Agency has joined with other federal departments and agencies, notably Human Resources and Skills Development Canada and Fisheries and Oceans Canada, to assist communities affected by the reduction in fishing activity as a result of the cod moratorium and restrictions on the crab fishery. Having received additional funding for this initiative, through the RSI program, the Agency supports projects leading in the short term to the creation of employment in those communities.

This program ends on March 31, 2005.



For information:

http://www.dec-ced.gc.ca/asp/NouveauSurSite/Annonce_speciale.asp?LANG=EN

Programming under mandates from the Government of Canada and other federal departments

Infrastructure Canada Program (2000)

Within the framework of the pan-Canadian Infrastructure Program under Treasury Board responsibility, a Canada-Quebec Agreement was signed in October 2000, with the objective of upgrading urban and rural municipal infrastructure in Quebec as well as improving Quebecers' quality of life. The Agency acts on behalf of the Government of Canada as the federal department responsible for implementation of the program in Quebec. The Agency's third strategic outcome solely comprises projects carried out under the Infrastructure Canada Program.



For information:

http://www.infrastructure.gc.ca/icp/partners/qc_ip_e.shtml

Canada Infrastructure Works (1994)

Initiated in 1994-1995 for a three-year period, the Canada Infrastructure Works program was extended by two years in 1997-1998 and superseded by the Infrastructure Canada Program in 2000. A few projects approved under the Canada Infrastructure Works program are still the subject of expenditures by the Agency.

Canadian Apparel and Textile Industries Program

Through the IDEA-SME program, the Agency is implementing part of the new CATIP established by Industry Canada to help those industries adjust to the potential effects of the *Access to markets granted to least developed countries* initiative. Apparel and textile enterprises in Quebec can thus benefit from contributions to carry out projects aimed at diversifying their markets and increasing their competitiveness.



For information:

<http://www.dec-ced.gc.ca/asp/ProgrammesServices/PICTV.asp?LANG=EN>

Softwood Industry and Community Economic Adjustment
Initiative contribution program

The Softwood Industry and Community Economic Adjustment Initiative is a special initiative under the responsibility of Industry Canada whose implementation falls to the regional development agencies. Its goal is to generate long-term economic spinoffs in the regions and communities affected by the lumber trade dispute, primarily by supporting projects to reinforce community capabilities, diversify local economies and enhance productivity. The main planned results from the initiative are:

- increased use of new technology
- diversification of the economies of communities dependent on softwood lumber
- enhanced viability and autonomy for the communities
- drafting of community action plans
- development of local leadership with regard to development.

This program ends on March 31, 2005.

Appendix 2

AGENCY PERFORMANCE MEASUREMENT METHODOLOGY

Project reference base

The reference base for this performance report consists of projects in progress in 2004-2005, that is, projects for which an expenditure was made during FY 2004-2005. These projects can include new contribution agreements signed between April 1, 2004 and March 31, 2005 as well as projects prior to April 1, 2004, provided the latter projects were subject to an expenditure by the Agency in 2004-2005.

The reference base for projects used to measure results differs from that used in 2000-2001. In 2000-2001, projects approved during that fiscal year, or more specifically new agreements signed, comprised the project base used to gather information on results. The reference base used in 2004-2005 is similar to that used in 2001-2002, 2002-2003 and 2003-2004. It is representative of the Agency's intervention as it allows for measurement of the results of a larger number of projects which have gone beyond the implementation phase or have been completed. In short, this reference base provides a more accurate picture of the results obtained by the Agency in 2004-2005.

Data collection methods

The results presented in this report were achieved through two service delivery modes: direct assistance to SMEs, administered by Agency advisors, and indirect assistance to SMEs and entrepreneurs through intermediaries whom the Agency supports financially.

As the Agency intervenes in two ways with enterprises, its performance measurement strategy involves two data collection methods. These were used to gather information on results from the chosen reference base:

- yearly client survey
- project follow-up by advisors.

A telephone survey of the Agency's overall clientele yielded information on results for enterprises, organizations which hold ad-hoc activities and some managers of assets with community impacts who organize festivals, for instance.

Project follow-up by advisors from the Agency's different business offices provided the necessary information on results for non-profit organizations which deliver services to enterprises. This involved identifying all the projects as well as the indicators to be documented by the advisors in the regions; one person in each of the Agency's business offices was responsible for the coordination of information gathering. This individual compiled the information from activity reports or by contacting the representatives of the relevant business service or development organizations.

Data gathered by the advisors and consolidated by the individuals responsible in the regions were validated in each of the Agency's business offices and at Head Office by the Quality and Review Directorate, who produce the performance report.

With respect to the results for organizations funded under the CFP, these were gathered from all CFDCs, BDCs and CEDCs. The individuals responsible in the business offices forwarded to the organizations a file specifying the indicators to be documented and asking them to supply the information. Data from organizations were gathered by the regional offices and then sent on to the Quality and Review Directorate, which consolidated them. The Local Entrepreneurship Directorate validated and verified the data received from the business offices.

Job creation and maintenance

The results with respect to job creation and maintenance come from the two information sources listed above, namely, the yearly client survey and the information gathered on results by the business offices.

The methodology for measuring job creation and maintenance under the Community Futures Program was altered in 2001-2002. The new data collection method used is more comprehensive, since it consolidates all the data from each CFDC and BDC. Previously, data were gathered through a telephone poll of clients from a sample of CFDCs (one-third of the Quebec CFDC network each year), and the results were used to make a projection for all CFDCs.

Incentive nature of assistance

This indicator is used to confirm whether projects which received a financial contribution from the Agency would not have been carried out without its assistance or would have been carried out differently. On the one hand, it corresponds to the proportion of respondents to the yearly telephone poll who stated that, without Agency assistance, they would not have been able

to carry out their projects. On the other hand, with regard to respondents who stated that they would have been able to carry out their projects without financial support from the Agency, it corresponds to the proportion of those respondents who said they would not have been able to carry out their projects on the same scale or within the same timeframe.

Methodological limitations with respect to performance measurement

Documenting the results associated with Agency interventions presents some major methodological challenges. First there are the problems associated with the time-specific character of the results, which depends on the nature of the projects. In fact, while it is possible to account for expenditures associated with financial contributions provided for implementation of projects as of March 31, 2005, it is, on the other hand, far harder to isolate and measure their results. For instance, certain projects such as capital projects or projects associated with innovation can be spread over more than one year, so anticipated results do not necessarily arise during the year in which they were approved and in which the contributions were paid. Moreover, other projects may have ended only shortly before, and their main effects, notably in terms of job maintenance or creation, will appear only later and therefore cannot be documented in this report.

Regardless of the information collection method used, the Agency's measurement strategy cannot measure the chain effect which these projects will have on regional economies over time. Performance measurement covers the immediate impact of the interventions rather than the long-term effects. It will be possible to document these longer-term effects through an evaluation process. In short, the results presented in this report constitute only part of the results to which the Agency contributes.

Methodological limitations with respect to job creation and maintenance

Aside from the time-specific character of the results associated with the nature of certain projects, the types of clients supported by the Agency also represent another methodological challenge with regard to performance measurement, in particular the measurement of job creation and maintenance. As was mentioned above, the Agency serves SMEs either directly or indirectly. Through Agency staff, it provides direct support to SMEs by awarding financial contributions. It supports SMEs indirectly when it provides financial assistance for intermediary groups which in turn dispense services directly to SMEs. In short, some of the jobs created or maintained stem directly from the Agency's financial assistance, whereas in the case of services provided by intermediary groups, these jobs are an indirect consequence of Agency intervention. In the context of this report, the Agency counts jobs created or maintained directly or indirectly through its interventions.

The definition used by the CFDCs and BDCs for measuring job creation and maintenance differs from the Agency's. Whereas the Agency measures job creation and maintenance through its financial contributions, the CFDCs and BDCs count jobs maintained or created as a result of financial support and/or following technical assistance.

Attribution of results

Moreover, since the Agency works closely with several departments and agencies of the Government of Canada and the Government of Quebec, as well as with many local and regional agents in providing funds for projects, the Agency cannot alone claim responsibility for the results presented. The support provided by the Agency for project implementation *contributes* to the achievement of results.

Appendix 3

MAIN CHANGES ASSOCIATED WITH THE NEW PROGRAM ACTIVITY ARCHITECTURE

In recent years, the Agency's planning and reporting structure comprised three strategic outcomes and the following intervention components:

Strategic outcome #1:
Enterprise development

Intervention components:

- general information and awareness
- establishment of strategic enterprises
- competitiveness—new business practices
- competitiveness—innovation in processes, equipment and products
- competitiveness—commercialization
- development of small enterprises.

Strategic outcome #2:
Improvement of the economic environment of regions

Intervention components:

- local capability to energize development of the local economy
- economic enhancement of regional development assets
- development and reinforcement of knowledge-based competitive advantages.

Strategic outcome #3:
Development and renewal of community infrastructure

Intervention components:

- drinking water and wastewater infrastructure
- local transportation infrastructure
- projects with economic, urban or regional impact.

The new program activity architecture, as presented below, involves some changes from the Agency's former planning and reporting structure, primarily including the following:

- The Agency moves from three strategic outcomes down to two, *Enterprises' competitiveness* and *Vitality of communities*. The Agency's former second and third strategic outcomes become program activities under the new *Vitality of communities* strategic outcome.
- The Agency has created a new program activity, *Provision of special adjustment measures*, to report on its actions and results concerning communities' adjustment to economic shocks or natural disasters.

STRATEGIC OUTCOME #1: ENTERPRISES' COMPETITIVENESS

Program activity: <i>Enterprise development</i>	Program sub-activities: <ul style="list-style-type: none">■ general information and awareness■ establishment of strategic enterprises■ new business practices■ innovation in products, processes and equipment■ commercialization and exports■ development and reinforcement of knowledge-based competitive advantages.
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STRATEGIC OUTCOME #2: VITALITY OF COMMUNITIES

Program activity: <i>Improvement of the economic environment of regions</i>	Program sub-activities: <ul style="list-style-type: none">■ local capability to take charge of local development■ economic enhancement of regional development potential■ development of small enterprises.
Program activity: <i>Improvement of community infrastructure</i>	Program sub-activities: <ul style="list-style-type: none">■ water quality■ highways and public transit■ assets with economic, urban and regional spinoffs.
Program activity: <i>Provision of special adjustment measures</i>	Program sub-activities: <ul style="list-style-type: none">■ community adjustment to economic shocks■ community adjustment to natural disasters.

Appendix 4

LIST OF ACRONYMS

BDC	Business Development Centre
CATIP	Canadian Apparel and Textile Industries Program
CED	Canada Economic Development
CEDC	Community Economic Development Corporation
CFDC	Community Futures Development Corporation
CFP	Community Futures Program
FTE	Full-time equivalent
FY	Fiscal Year
GDP	Gross domestic product
GOL	Government On-line
ICP	Infrastructure Canada Program
IDEA-SME	Innovation, development of entrepreneurship and access program for SMEs
MAF	<i>Management Accountability Framework</i>
NPO	Non-profit organization
NRC	National Research Council Canada
OLMC	Official Language Minority Communities
PA	Program Activity
PCH	Canadian Heritage
PWGSC	Public Works and Government Services Canada
R&D	Research and development
RIS	Regional Intervention Strategy
RPP	Report on Plans and Priorities
RSI	Regional Strategic Initiative
SDS	Sustainable Development Strategy
SME	Small- and medium-sized enterprise

Appendix 5

LIST OF CANADA ECONOMIC DEVELOPMENT BUSINESS OFFICES

Abitibi-Témiscamingue

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

Bas-Saint-Laurent

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

Centre-du-Québec

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

Côte-Nord

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

Estrie

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

Gaspésie—Îles-de-la-Madeleine

120 De la Reine Street, 3rd Floor
Gaspé, Quebec G4X 2S1
Tel.: (418) 368-5870 • 1 866 368-0044
Fax: (418) 368-6256

Île-de-Montréal

3340 De l'Assomption Blvd.
Montréal, Quebec H1N 3S4
Tel.: (514) 283-2500
Fax: (514) 496-8310

Laval—Laurentides—Lanaudière

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

Mauricie

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

Montérégie

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

Nord-du-Québec

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

Outaouais

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

Québec—Chaudière-Appalaches

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

Saguenay—Lac-Saint-Jean

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

CORPORATE SERVICES

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

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

Appendix 6

RESOURCE-PERSON AND STATUTES ADMINISTERED

Resource-person for further information

Jean Pierre Lavoie
Director General
Quality, Information and Technologies

Canada Economic Development for the Regions of Quebec
Tour de la Bourse, 800 Victoria Square
Suite 3800, P.O. Box 247
Montréal, Quebec H4Z 1E8
Telephone: (514) 283-7982, Fax: (514) 283-0041
Email: jean_pierre.lavoie@dec-ced.gc.ca

Statutes administered (Fiscal Year 2004-2005)

The Minister of Industry has sole responsibility to Parliament for administering the following statute:

Department of Industry Act (S.C. 1995, c. 1)

The Minister of Industry shares responsibility to Parliament for administering the following statutes:

Small Business Loans Act (S.C., 1993, c. 6)
Canada Small Business Financing Act (S.C., 1998, c. 36)
