



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Western Economic Diversification Canada

2003-2004

Estimates

Report on Plans and Priorities

Minister of Western Economic Diversification

Canada 

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LIST OF ACRONYMS

ADM	Assistant Deputy Minister
CBSC	Canada Business Service Centre
CFDC	Community Futures Development Corporation
CFI	Canada Foundation For Innovation
CFI-SP	Canada Foundation For Innovation Support Program
CFP	Community Futures Program
CSP	Conference Sponsorships Program
DIAND	Department of Indian Affairs and Northern Development
DM	Deputy Minister
EMS	Environmental Management System
FEDO	Francophone Economic Development Organization
FJST	First Jobs in Science & Technology Program
GDP	Gross domestic product
GOL	Government of Canada On-Line
ICIP	Innovation & Community Investment Program
ITPP	International Trade Personnel Program
LIP	Loan Investment Program
OECD	Organization for Economic Co-operation and Development
PCO	Privy Council Office
R&D	Research and Development
RPP	Report on Plans and Priorities
SI	Strategic Initiatives
SME	Small- and medium-sized enterprises
SD	Sustainable Development
SDNP	Service Delivery Network Program
SDS	Sustainable Development Strategy
TBS	Treasury Board Secretariat
WCBSN	Western Canada Business Service Network
WD	Western Economic Diversification Canada
WDP	Western Diversification Program
WEI	Women's Enterprise Initiative
WEPA	Western Economic Partnership Agreement

SECTION I: MESSAGES

Minister's Portfolio Message

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

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

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

The Industry Portfolio Organizations are:

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

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

*** Not listed in printed version.*

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

It is my great pleasure to present the *Report on Plans and Priorities* for Western Economic Diversification Canada (WD), which describes their expected achievements and results over the next three years.

In the coming years, Western Economic Diversification Canada will build on its strong record of advancing innovation in the West. Working in partnership with all levels of government, communities, research institutes and the private sector, WD will continue to leverage resources and set the stage for the growth of emerging innovation clusters such as new media, health technologies and micro-technologies throughout the West. Entrepreneurship is also a key focus. Through its Western Canada Business Service Network, WD will continue to assist small businesses with the information and resources they need to grow and succeed. Sustainable Communities is a new priority for the Department, and will ensure that in addition to economic considerations, social and environmental factors are taken into account in initiatives designed to foster community growth and development.

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

The Honourable Allan Rock

Secretary of State Western Economic Diversification

The mandate of Western Economic Diversification Canada (WD) has remained consistent since it was established in 1987. We promote the development and diversification of the western Canadian economy, coordinate federal economic activities in the West, and reflect western Canadian interests in national decision-making.

That does not mean our program objectives, priorities or delivery structures have remained static. Indeed, WD has experienced continuous and constant evolution throughout the past 15 years, and 2002-2003 was no exception.

The softwood lumber dispute and the Kyoto Agreement are just two examples of factors that pointed to a need for the department to undertake a strategic realignment that will permit us to play a stronger role in managing and coordinating complex horizontal policy and economic issues.

In order to consolidate our efforts, WD has undergone a natural evolution of our strategic direction that more accurately represents the outcomes we strive to achieve, rather than the means of achieving those outcomes.

The strategic focus of WD is now comprised of three pillars: Innovation, Entrepreneurship, and Sustainable Communities, directions that are congruent with the Government of Canada's economic development priorities, and those of the Industry Portfolio. Innovation and Entrepreneurship have been a major focus for several years, but our activities and priorities have evolved in response to emerging economic trends, government priorities, and our own experience.

Within the Innovation pillar, WD works to enhance the rate of technology development, commercialization and adaptation; improve the western Canadian knowledge infrastructure and capacity; and increase the growth and job creation in knowledge-based sectors.

The Entrepreneurship pillar improves access to capital, services and information; promotes increased trade and export opportunities; and improves the skills and capacity of western Canadians and western Canadian businesses to enhance their competitiveness in the global economy.

Sustainable Communities is a new pillar reflecting the reality that economic prosperity cannot be pursued in isolation. Many other factors affect the ability of communities to access and take advantage of opportunities for economic growth.

Within the Sustainable Communities pillar, WD ensures that social, environmental and economic factors are considered when addressing community needs. We work to integrate federal programs so their impact on community development and sustainability is maximized; strengthen the capacity of urban and rural communities to implement activities promoting sustainability; and help identify new economic opportunities for communities facing severe adjustment impacts.

Across all three pillars, WD uses strategic partnerships –with other levels of government, the private sector, universities and communities – to maximize the investment in Western Canada’s most valuable resources, the talents, energies and ideas of its people. The goal of ensuring that all western Canadians – including Aboriginals, youth, women, and residents of remote and northern communities – have an opportunity to participate in, and contribute to, the economic success of the region and our country underlies all of our activities.

Western Economic Diversification Canada has made – and will continue to make – a difference by acting as a catalyst for change that results in a measurable impact on the sustainable and diversified growth of the western Canadian economy.

The Honourable Stephen Owen

Management Representation
Report on Plans and Priorities

I submit, for tabling in Parliament, the 2003-04 Report on Plans and Priorities (RPP) for Western Economic Diversification Canada.

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

It accurately portrays the organization's plans and priorities.

- **The planned spending information in this document is consistent with the directions provided in the Minister of Finance's Budget and by TBS.**
- **Is comprehensive and accurate.**
- **Is based on sound underlying departmental information and management systems.**

The reporting structure on which this document is based has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.

Oryssia J. Lennie
Deputy Minister
Western Economic Diversification Canada

Date: _____

SECTION II: RAISON D'ÊTRE

“WD is a catalyst for the sustainable and diversified growth of the western Canadian economy.”

Founded in 1987, Western Economic Diversification Canada (WD) has been mandated to “promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy”.

Western Canada – A Complex Landscape

Excluding the northern territories, Western Canada comprises almost half of Canada's landmass, accounts for about a third of the country's population, and about a third of the country's economic output.



Economic growth in Western Canada is uneven. Economic differences and opportunities exist between sectors, and geographically. Each province has unique challenges to address and opportunities to pursue. Differences exist between communities as well.

For example, there are essentially two ‘Norths’: one composed of a few resource-based industrialized cities that face challenges due to growth and labour shortages, and the other consisting of a number of smaller, isolated communities with high rates of unemployment and lack of infrastructure needed to become part of the mainstream economy.

It has been estimated that over 200,000 Aboriginal jobs are needed by 2016 across the West in order to meet the demands of a growing Aboriginal population. At the same time, labour shortages will continue to impede western economic development. The Aboriginal population growth could potentially help to address the labour shortage problem if appropriate training

and skills development initiatives are put in place.

Although Western Canada is still heavily reliant on resource-based sectors and lags behind in the development of an innovation system, there is much optimism regarding the many opportunities to be realized; this is where WD looks to make a difference.

WD partners with others, particularly those who are most likely to provide the scope and reach to make a difference. Our efforts are aimed at building knowledge infrastructure to create nodes of excellence by capitalizing on existing resource-based strengths and technologies, and include new areas such as life sciences, biotechnology, and nanotechnology, for example. These efforts are aimed at creating a sustainable, competitive business sector, leading-edge workforce, and thriving communities. These efforts benefit all Canadians.

WD, due to our makeup and size, is in essence a strategic, pragmatic, responsive and flexible department that is able to look for and create opportunities that a larger entity could not achieve. We often deliver national programs to western Canadians on behalf of other federal departments. Bottom line, WD is a catalyst for collaboration and leveraging

**financing together with other
governments, small start up firms,**

**universities, research institutes and large
established enterprise.**

Alignment with the Speech From the Throne

An important part of WD's mandate is delivering on national objectives as

“The government will target its regional development activities to better meet the needs of the knowledge based economy and address the distinct challenges of Canada's urban, rural and northern communities”

- 2002 Speech From the Throne

described in the Speech from the Throne.

WD will continue to respond to the following government priorities reflected in the Throne Speech:

- Working with universities on strategies for research commercialization to create opportunities for entrepreneurs and to fuel innovation in a number of sectors;
- Promoting entrepreneurial skills and job creation including youth, persons with disabilities, and Aboriginal people; and,
- Working with provinces and municipalities to put in place a ten-year program for infrastructure.

WD is already working across Western Canada with universities and technology commercialization agencies through a number of mechanisms such as the TRILabs (Telecommunications Research) Laboratories Initiative, WestLink Innovation Network and the WestLink Technology Commercialization Internship Program. These activities are creating a new generation of innovative entrepreneurs in Western Canada. WD's activities in biotechnology and agriculture value-added sectors are an

important and continuing contributor to innovation in the agriculture sector.

Entrepreneurial skills among aboriginal people have been developed through a number of initiatives, including training initiatives in northern Saskatchewan, and through specific Aboriginal initiatives with provincial and municipal governments. WD has built a sustained relationship with provincial and municipal governments through federal-provincial development agreements, urban development



agreements, and the delivery of the Infrastructure Canada Program in the West.

WD's priorities and associated activities must be developed within the western Canadian context— reflecting the challenges and needs of western Canadians. Understanding the economic fundamentals and outlook

of this diverse region is important if initiatives are to meet the needs and address the opportunities. Specific factors such as trade tariff disputes,

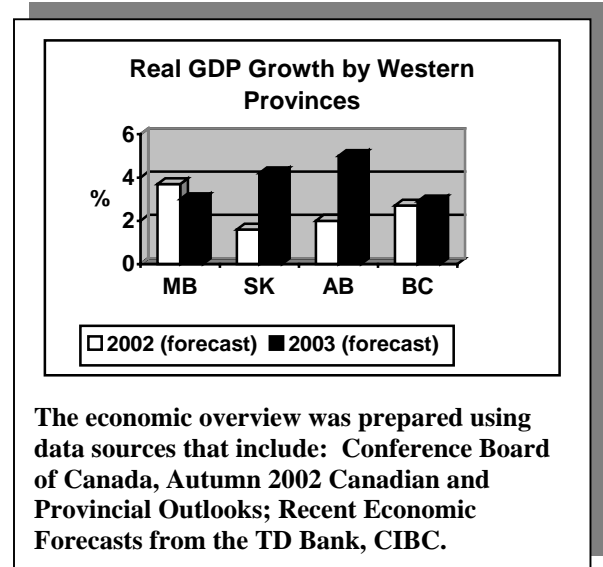
droughts, and floods affect the economic performance of the region and define the environment within which WD must respond.

Outlook for the Western Provinces

The four western provinces share an important common denominator in their heavy reliance on natural resources compared to other regions of the country. Natural resources account for a large part of output and employment in Western Canada, and they comprise the vast majority of exports from the region. Today, the reliance on natural resources is creating some distinct challenges across the West.

British Columbia accounts for almost all of Canada's trade with the Pacific Rim. The province is facing a difficult economic transition as it copes with major biological, environmental, and trade related challenges in the fishing and forestry sectors. In Alberta, reliance on the energy industry brings mixed blessings. When oil and gas prices are high the province leads the nation in economic growth, prosperity and inter-provincial migration. When prices are low the province faces economic hardship and the challenge of coping with a huge number of newly unemployed workers. In addition to price instability the industry faces a new and fundamental environmental challenge in meeting commitments under the Kyoto Accord.

In Saskatchewan, along with parts of Alberta and Manitoba, longstanding reliance on an agriculture sector facing massive international challenges, combined with unpredictable moisture conditions, has placed a large part of



The economic overview was prepared using data sources that include: Conference Board of Canada, Autumn 2002 Canadian and Provincial Outlooks; Recent Economic Forecasts from the TD Bank, CIBC.

the sector in peril. Manitoba is the most economically diversified of all western provinces. But the natural resource industries of mining, agriculture, and hydroelectricity production are still important contributors to an economy that is challenged to reduce reliance on traditional manufacturing industries such as bus manufacturing, furniture and garment production and food processing.

Despite the continued reliance on natural resources, regional development and diversification efforts are paying off. Traditional industries are making progress in becoming more productive and innovative, and new industries are being created – often through diversifying by building on inherent skills and knowledge.

The results are becoming apparent across the West. British Columbia is

now home to world-leading clusters in fuel cell technology and new media technology. Alberta's innovative oil sands extraction and processing industry will result in a nationally secure supply of oil as long as it continues to be a required energy source. A downstream petrochemicals industry continues to make an important economic contribution, while new investments in nanotechnology, genomics and proteomics are turning Alberta's universities into international leaders in these new age technologies. Saskatchewan is now home to one of the world's leading subatomic particle accelerators, in addition to the already well-established biotechnology and agricultural research industries. And Manitoba's health and life science research facilities are becoming increasingly important sources of innovation and economic contribution.

A key to economic growth and job creation is the cultivation of the small business community in Western Canada. While large businesses still dominate the output and export pictures, it is the small business community that continues to account for most job creation in the West. In Western Canada, there are over 740,000 small enterprises comprised of businesses with less than five employees and people who are self employed, and the trend line shows that small business creates over 45,000 jobs per year across the West. Since 1992, high technology, business and investment services, and health and social services are the three leading sectors of small business formation. To cultivate this sector of dynamic job creation, new small business owners must have access to the investment capital, management and export training, and productivity

enhancements that will result in the small business sector continuing to provide jobs and sustained employment across the West.



Manitoba's diversified economy will help the province record a steady performance in 2003. It is anticipated that a

normal crop year and sustained strength in the livestock industry will allow agriculture output to grow by 5 percent over the 2002 level. Moderate growth in the manufacturing sector is also anticipated in 2003 thanks to strength in the processed food, plastics and rubber, and machinery and transportation equipment industries. Higher mortgage rates are expected to dampen new housing construction in 2003, but private and public investment in mining, hydroelectric and health facility projects will pick up some of the slack. The rate of growth in the Manitoba economy is forecast at 3.7 per cent in 2002 and 3 per cent in 2003.



The Saskatchewan outlook for 2003 is highly dependent on weather conditions. After two successive years of devastating drought conditions the

agriculture sector is forecast to make a strong rebound – but that can only occur through an early return to normal precipitation levels. The mining sector could also provide an economic stimulus, but global factors are proving to be a significant obstacle. If metal prices improve with a global economic recovery in 2003, and if the current excess world grain

capacity is reduced resulting in increased potash production, then the mining industry could provide a significant economic boost in 2003. Higher mortgage rates and the completion of many large industrial construction projects in 2002 will dampen the outlook for the construction sector in 2003, although there is a potential benefit if key projects on the drawing board move to the building phase. The rate of growth in the Saskatchewan economy is forecast at 1.6 per cent for 2002 and 4.2 per cent in 2003—but that is predicated on a return to a normal crop year.



The Alberta forecast is heavily dependent on the outlook for the energy industry. With an improvement in the U.S. economy in 2003, and oil prices buoyed

by a potential war with Iraq, it is expected that the oil and gas industries will see a drastically improved performance over 2002. However, there is a downside risk in that forecasts are showing some excess supply in the global oil industry in 2003, which would dampen the oil side of the outlook. The drilling industry, which took a beating in 2002, is also expected to recover strongly in 2003 and combined with another healthy investment year in oil sands the overall economic forecast is for strong growth. It is also expected that the bright economic outlook will continue to attract people from other provinces, giving another boost to domestic demand. Despite strong population growth, higher mortgage rates will result in new housing starts declining from a record year in 2002. The rate of growth in the Alberta economy is forecast at 2 per cent in 2002 and 5 per cent in 2003.



British Columbia's forestry sector continues to act as a brake on the province's economy. Since the levying of U.S. tariffs at the end of the second quarter

of 2002, exports south of the border have been down significantly. This has reduced overall forestry sector output despite increased production from some mills as they try to squeeze out weaker competitors. Forestry is not expected to make a full-scale recovery until 2004. On the upside, the remaining goods-producing industries have fared much better. All non-forestry goods-producing sectors are forecast to turn in solid growth in 2003, with the utilities, construction and mining sectors leading the pack and contributing to strong employment gains. This growth and associated job creation is spurring new home construction, and housing starts are expected to remain strong in 2003 despite higher mortgage rates. The job creation record and resulting personal income growth are also supporting healthy consumption levels. Strong retail sales levels are helping offset some of the weakness in the tourist industry that still exists after the events of September 11th, 2001. The 2003 tourism outlook is at this point uncertain. The rate of growth in the British Columbia economy is forecast at 2.7 per cent for 2002 and 2.9 per cent for 2003.

SECTION III: PLANNING OVERVIEW (Strategic Plan)

Western Economic Diversification Canada is a small yet dynamic organization. Our strength is in our ability to build relationships that foster partnerships and alliances with all levels of government, industry and other stakeholders. WD nurtures a wide network, which provides access to valuable strategic business intelligence. The department's aim is to leverage advantage and opportunity by using ideas, knowledge and talent within Western Canada. Sometimes

that means responding to ideas presented to WD, or WD catalyzing a group of like-minded players to respond to an opportunity. WD looks for opportunities to leverage grants and contributions funding and to invest those funds in partnership with other stakeholders to maximize their impact. Collaborating with other public and private sources achieves mutually desired outcomes focused on pre-positioning the West as a leader in the knowledge-based economy.

Economic Research

The first step in developing new policies and initiatives for western Canadians is to understand the region's needs, aspirations and opportunities. WD sponsors a select number of research projects that lead to better information in critical areas such as; opportunities in medical research, start-up and growth trends

in small business, research infrastructure capacity, urban growth challenges, and broad economic and social trends. WD collaborates with provincial governments, academic institutions, think tanks and private sector donors to share in the costs of undertaking these research initiatives.

Advocacy

Once an understanding of a key issue is achieved, WD often undertakes advocacy activities to ensure western needs are taken into account in

national policy decisions. Advocacy activities can involve working with stakeholders to achieve the synergy necessary for collective action.

A Strategic Approach

Since 1987, Western Economic Diversification Canada has evolved with changing economic pressures and has virtually eliminated direct financial support to small- and medium-sized businesses. WD investments help the West to respond to opportunities and challenges by recognizing business drivers that support small businesses to thrive and by consolidating partnerships in both the public and private sector to share the costs of major new initiatives. The department's efforts are undertaken within three core areas, referred to as pillars: Innovation, Entrepreneurship, and Sustainable Communities.

Innovation

WD is working to close the gap between the discovery of new ideas and processes and the marketing of new products and services. Efforts will result in a strengthened western Canadian innovation system.

Entrepreneurship

Small businesses are the driving force behind nearly 80 per cent of new jobs in Canada and the West. To fuel this engine of economic growth, Western Economic Diversification Canada, through the Western Canada Business Service Network (see next section for more detail), supports entrepreneurs in both urban and rural settings



resulting in a competitive and expanded business sector in Western Canada.

Sustainable Communities

WD is working with partners and stakeholders to build sustainable and competitive communities in rural areas and, more recently, in cities. The department cannot do this alone; nor does it pretend to have all the answers or resources to pursue activities independently. WD can however, leverage its relationships, sharing its expertise and knowledge, and gathering intelligence to support those with ideas to coalesce toward solutions that are right for each unique situation.

Innovative WD Service Delivery Mechanisms

Partnering for Results

Western Economic Diversification Canada is a small department with limited resources. In order that western Canadians have direct access to the products and services that support their economic success, the Western Canada Business Service Network (WCBSN) was established. This network is a partnership of various organizations that help entrepreneurs across the West, in both urban and rural communities, find what they need to establish a business or make it grow. Services range from marketing information and funding options to counselling and support. The network comprises over 100 points of service, including the partners detailed below:

Canada Business Service Centres

Canada Business Service Centres (CBSCs) are managed through federal-provincial cooperative agreements that provide a single, seamless gateway to information for business. CBSC offices are located in Vancouver, Edmonton, Saskatoon and Winnipeg. The services of the CBSCs are extended to rural and northern communities by a network of CBSC regional access and Aboriginal service sites throughout the West. Each Centre offers toll-free telephone service and Internet access at: www.cbsc.org.

Community Futures Development Corporations

Community Futures Development Corporations (CFDCs) are volunteered, non-profit organizations located across Canada that take a grassroots approach to economic development.

The 90 CFDCs across the West deliver a variety of services that include strategic economic planning, technical and advisory services, loans to small and medium-sized enterprises, and self-employment programs aimed at youth and entrepreneurs with disabilities. CFDCs focus on integrating the social and economic needs of their communities and on developing a vision for the future. For more information on the CFDCs, see <http://www.communityfutures.ca/provincial/index.html>.

Women's Enterprise Initiative

Women entrepreneurs are playing an increasingly important role in creating and operating small businesses across Canada. In many ways, women are leading the entrepreneurial wave – starting businesses at twice the rate of their male counterparts. Many encounter barriers and a lack of support. Western Economic Diversification Canada helps to remove these barriers by supporting Women's Enterprise Centres in each of the western provinces. These centres provide business advice and information, networking, mentoring, and access to capital specially designed for women clients. More information on these organizations can be found at their web sites:

British Columbia

<http://www.wes.bc.ca/about/main.htm>

Alberta

<http://www.aweia.ab.ca>.

Saskatchewan

<http://www.womenentrepreneurs.sk.ca/whoweare/index.html>

Manitoba

<http://www.wecm.ca/aboutus.html>

Francophone Economic Development Organizations

In April 2001, Western Economic Diversification Canada welcomed four Francophone Economic Development Organizations (FEDOs-

<http://www.wd.gc.ca/eng/pos/fedo/default.htm>) to the Western Canada

Business Service Network. FEDOs enhance the vitality of francophone

communities in Western Canada by assisting in their economic development.

Support from WD enables these four provincial organizations to provide enhanced services to Francophones – including training, business and community economic development, access to capital, information services, marketing advice, networking and mentoring.

Aboriginal Business Services Network and Ancillary Partnering Opportunities

The primary focus of WD's Aboriginal strategy is on working with partners, including Aboriginal economic development organizations to assist Aboriginal peoples in the West to participate in the development and diversification of the region's economy.

The department links Aboriginal businesses to the broader business community activities pursued via the Sustainable Communities pillar through the Aboriginal Business Services Network (See URL <http://www.cbsc.org/absn/> for additional detail.) WD is also a partner in the Industry Portfolio Aboriginal Business Development Initiative.

WD recognizes that most long-term solutions to Aboriginal economic development issues require a

horizontal approach that involves Aboriginal peoples, all orders of government, and the business community at large. WD promotes an approach to Aboriginal issues, which takes into account the mandate and objectives of partnering federal government departments and western provincial governments. In this respect, the department assumes a facilitative and coordinating role on behalf of the federal government to address Aboriginal issues that require a horizontal approach, which sometimes may include aspects outside of WD's core economic development mandate. Examples include the Canada Saskatchewan Northern Development Agreement, the Vancouver Agreement and WD's leadership role in the Urban Aboriginal Strategy.

Multi Channel Delivery

The geographic landscape in the West presents additional challenges given the distance between those who need access and the closest point of service. WD recognizes the need to respond to

citizen needs in whatever mode of service they prefer. This means continuing with the traditional ways of conducting business that we all are familiar with while enhancing our

**ability to use information technology
to enable our ability to serve clients**

electronically as well.

Delivering National Priorities to Serve the West

Consistent with WD's legislated mandate to be the federal government's lead economic development agency in the West, the department is called upon to implement national programs and, as required, to address the economic impacts of natural disasters, military base closures and other situations arising from changes in federal policies. Subject to Treasury Board guidelines, WD delivers these programs in a manner that will support the objectives of the sustainable communities strategic priority. For example, Western Economic Diversification Canada delivers the Infrastructure Canada Program (ICP), a \$557-million federal investment in the West, which levers matching funds through partnerships with provincial and municipal governments. The goal of the ICP is to enhance municipal infrastructure in urban and rural communities across the country, and improve Canadians' quality of life through investments that protect our environment and support long-term economic growth. The program primarily focuses on projects such as water and wastewater systems,

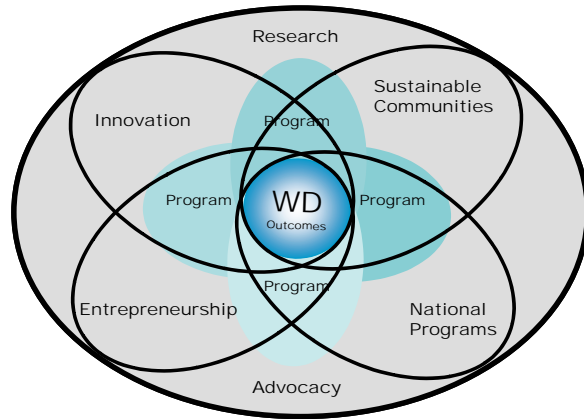
solid waste management and recycling, and capital expenditures to retrofit or improve the energy efficiency of buildings and facilities owned by local governments.

During 2003-04, the department will also continue to implement the Red River Flood Protection Program. National program funds are reflected within the Sustainable Communities pillar. For funding details, please refer to Annex 1.

WD will begin to deliver Western Canada's share of the Softwood Industry Community Economic Adjustment Initiative, on behalf of Industry Canada, in partnership with CFDCs and the softwood advisory council. This \$110 million federal assistance package is aimed at supporting economic development and diversification in communities across Canada directly impacted by the softwood lumber trade dispute. While WD is responsible for delivering this program in Western Canada, funds for the program are provided through Industry Canada.

A More Focused Approach

In WD’s Report on Plans and Priorities for 2002-03, key results were outlined using the following headings: Innovation, Partnerships, Entrepreneurship, Economic Research and Advocacy, and National Programs and Other Initiatives. In an effort to consolidate our efforts, WD’s strategic approach is now defined under three strategic outcomes: Innovation, Entrepreneurship, and Sustainable Communities. “Partnerships”, “Economic Research”, and “Advocacy” still remain important in how service is delivered. The new headings allow outcomes to be more easily identified and defined. WD also continues to



deliver non-core programs such as the Infrastructure Canada Program in concert with national criteria. WD grants and contributions are managed via various funding programs that are described in more detail below.

WD Funding Programs

WD’s “core” funding refers to programs that are available under WD’s strategic outcomes of Innovation, Entrepreneurship, and Sustainable Communities, while “non core” funding represents the funds delivered by WD in support of national initiatives such as the Infrastructure Canada Program. Refer to Section VI, Annex 1 at the end of this document for more details about these programs.

CORE Funding						NON-CORE
WDP	ICIP	Loan Invest	CFP	SDNP	WEI	Infrastructure Canada
						Red River Flood Protection Program
						ITPP

Western Economic Diversification Program (WDP):

Contributions under the WDP are made towards activities that support the development and diversification of the western Canadian economy. Funding is focussed on activities that

support innovation, development and expansion of the business sector in Western Canada, creation or enhancement of partnerships that promote collaboration and investment in economic development and diversification and economic research

to provide a sound base of knowledge for the economic development and diversification of the western Canadian economy. Under the WDP, there are several sub-programs or initiatives, examples include:

International Trade Personnel Program (ITPP):

This program assists export-oriented SMEs in Western Canada. The program helps small businesses hire unemployed or under-employed recent post-secondary graduates to work on international trade-related projects.

First Jobs In Science & Technology Program (FJST):

Assists SMEs to adopt new technologies. The First Jobs Program provides funding to hire recent science and engineering graduates. As well as providing SMEs with valuable technological expertise at a reasonable cost, the program also provides Western Canadians with their "first jobs" in areas related to their field of training.

Conference Sponsorships Program (CSP)

Conference sponsorships offer a means for WD to develop and maintain valuable linkages with important western stakeholder groups. This program offers support to industry associations, economic development organizations and academic institutions holding conferences and events that support federal government and WD objectives.

The Canada Foundation For Innovation Support Program (CFI-SP):

Designed to enhance western institutions' rates of participation in the Canada Foundation for

Innovation (CFI). The program provides eligible applicants with access to funds in order to prepare a proposal for the CFI program.

Innovation and Community Investment Program (ICIP):

ICIP supports innovation and creates new economic opportunities in western Canadian communities.

WD Loan Investment Program (LIP):

This program establishes loan funds in partnership with various financial institutions. WD contributes funds to a loan-loss reserve, which offsets a portion of the higher risk associated with eligible loans and leverages significant additional loan capital. This encourages financial institutions to supply loan capital to higher risk clients who would otherwise have trouble accessing capital.

Community Futures Program (CFP):

This program supports community economic development in rural and non-urban areas by assisting communities to develop and diversify their communities. Contributions are made to support the operating costs of Community Futures Development Corporations (CFDCs) in the four western provinces and to provide capital for an investment fund to provide financial assistance to small- and medium-sized enterprises (SMEs) that can not obtain funding from conventional sources.

Service Delivery Network Program (SDNP):

This program increases access to services in Western Canada through community-based organizations that provide business information services

and access to capital to SMEs. Examples of Service Delivery Network Program Partners include the Entrepreneurs with Disabilities Program (EDP), the Urban Entrepreneurs with Disabilities Initiative (UEDI) and Francophone Economic Development Organizations (FEDOs).

Non-Core Programs

Infrastructure Canada Program:

This program is aimed at improving urban and rural infrastructure in Canada and Canadians' quality of life.



The program is cost-shared with provincial and municipal governments and with private partners where applicable. WD delivers this national program in the four western provinces.

Red River Flood Protection Program

This program reflects the on-going support associated with rebuilding efforts following the Manitoba flood.

A Good Governance Approach

The department has three pillars to focus our efforts, and many activities achieve outcomes associated with more than one pillar. The ongoing challenge is to represent financial information in a manner that reflects this diverse impact and to align information management systems to display this information from various perspectives. Improvements have

Women's Enterprise Initiative (WEI):

This program addresses the financial and business counselling needs of women-owned micro-enterprises that cover a wide range of sectors and types of projects.

There is \$4.9 million dollars available as reflected in Annex 1.

Small Business Loans Act and Canada Small Business Financing Act

These two Acts target the development and expansion of small business across Canada in cooperation with financial institutions. Through this program loan loss guarantees are provided to the financial institutions who grant loans to eligible businesses as provided for under the Acts in return for guarantee fees. Although WD reports the western Canadian portion of these Statutory Programs and related fees, the program is administered entirely by Industry Canada. These items are reported under WD's Sustainable Communities Pillar.

been made to reporting this information and further refinements are being made.

Excellent progress has been made in developing results-based management accountability frameworks, which include an audit and evaluation component. An enhanced risk management framework will be

incorporated into an improved

business planning process.

SECTION IV: PLANS AND PRIORITIES BY STRATEGIC OUTCOMES

Summary

In an effort to increase our focus and concentrate the impact of our resources, effective this reporting period, WD has revised our focus to three areas: Innovation, Entrepreneurship and Sustainable Communities.

Strategic Outcomes	Planned Results
<p>Innovation</p> <p>A strengthened western Canadian innovation system.</p>	<ul style="list-style-type: none"> ▪ Enhanced technology commercialization and adoption. ▪ Improved knowledge infrastructure and capacity. ▪ More innovative communities. ▪ Enhanced coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players.
<p>Entrepreneurship</p> <p>A competitive and expanded business sector in Western Canada.</p>	<ul style="list-style-type: none"> ▪ Improved business management capabilities of SMEs. ▪ Improved access to financing for SMEs. ▪ Increased investment in Western Canada. ▪ Increased participation in international markets.
<p>Sustainable Communities</p> <p>Increased economic activity that improves the competitiveness and the quality of life in western Canadian communities.</p>	<ul style="list-style-type: none"> ▪ Greater collaboration and integration among governments and communities. ▪ Increased economic opportunity and investment within Western Canada's communities. ▪ Increased participation of Aboriginal people in the economy. ▪ Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development.

Details

The transition to three strategic outcomes – Innovation Entrepreneurship, and Sustainable Communities, simplifies our approach. It also means that we are moving to a new structure both physically and philosophically. Our human resources are being realigned to match this three-pillar structure, while our business processes are being enhanced to maximize the return for the resources invested. In addition to the priorities identified for each of the three pillars, two corporate crosscutting priorities will also be addressed:

- 1. Working with the Western Canada Business Service Network (WCBSN) and other partners to explore innovative ways to deliver products and services to enhance the results achieved in all three pillars.**
- 2. Developing clearer performance indicators and have an enhanced**

process in place by March 31, 2004 for measuring results.

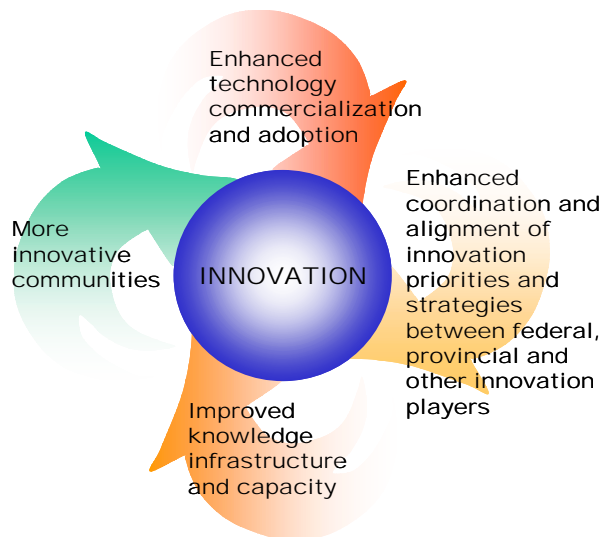
All organizations are confronted with a deluge of information, increasing demands, competing priorities, and the need to remain responsive and relevant to their clients. A knowledge-based economy requires a well-informed and strategic response. WD will reallocate resources that had been targeted toward direct service to SMEs toward increasing our policy capacity to respond more effectively to Westerners' needs. The WCBSN and other partners will absorb the services to SMEs, without disruption to the current level of service.

A more detailed description of each of the three pillars follows. Priorities are set out in each pillar that link to one or more of the corporate crosscutting areas identified above. Please refer to pages 36 to 39 for a consolidated view of WD's priorities.

Innovation

Strategic Outcome: A strengthened western Canadian innovation system.

Total Planned Spending - \$76.6 million



- **Sufficient early stage venture capital financing to support the commercialization of technologies;**
- **Organizations which facilitate communications between the players in the innovation system such as industry associations;**
- **Firms with the capacity to develop and adopt new technologies with linkages to both local and global markets; and**
- **A business environment that is conducive to innovation.**

Overview

Innovation is the process through which new economic and social benefits are extracted from knowledge by the generation, development and implementation of ideas to produce new products, processes and services. It is widely recognized that much innovation occurs at a regional level and occurs best in an environment where a number of factors comprising an innovation system are optimum. A highly developed innovation system, focused on a specific area of strength, is called a cluster. An innovation system includes:

- **Knowledge infrastructure (universities, research facilities, industry, government labs, etc.) that yield new technologies and a skilled workforce;**

In Western Canada, innovation indicators such as expenditures on R&D, manufacturing output, percentage of science jobs, number of patents issued, and technology commercialization and adoption rates are lower than those of Central Canada, and other international benchmarks. This points to structural weaknesses in the western innovation system. Although Western Canada has a strong resource sector and well-recognized research capacities in the universities, this masks the need to build a more integrated system of innovation.

WD's innovation strategy contributes directly to its mandate "to promote economic development and diversification in Western Canada". By strengthening the western Canadian innovation system, WD works to improve knowledge infrastructure and capacity, to

enhance technology commercialization, to assist communities to develop and implement innovation strategies and to enhance the coordination and alignment of innovation priorities between innovation system players. Innovation systems connect research strengths with industry's commercialization and product development focus. By building and sustaining a critical mass of research, technological, financial and human resource in the West, and by forging strong linkages among innovation players, WD contributes to the formation of technology clusters and to the economic growth and prosperity of Western Canada.

Over the past year, WD has once again been very active in supporting innovation in Western Canada. In 2001-02, approximately 59%, (\$63M) of WD's new approvals has been made to innovation projects, up from 44% in the previous year.

Benefits

WD's strategic outcome for the priority area of innovation is: "A strengthened western Canadian innovation system." By continuing to strengthen the western innovation system by enhancing capacity through investments in infrastructure and linkages, by increasing technology commercialization, by strategic investments in R&D, and skills, the West will continue its evolution towards a knowledge-based economy that is less reliant on natural resources. These plans and priorities, supporting WD's strategic outcome for innovation, remain consistent with previous years, however have been re-ordered to reflect an increased

priority on technology commercialization.

WD's investments in innovation contribute to key technology sectors in Western Canada, and to establishing a foundation for emerging clusters. WD is responsive to gaps and opportunities by sector and location and plays a leadership role in creating linkages between jurisdictions. Investments in the innovation system, some of which will develop into world-class clusters, is an on-going process. Supporting innovation at the community level requires different strategies including community planning, creating access to technology developers and marshalling community resources to a common goal.

Priorities

Implementing innovation activities will continue to be a top priority for WD. In addition, over the next year, efforts will focus on:

1. Undertaking a strategic priority setting and planning process to identify emerging sectors for future investments;
2. Over the next three years, WD will align innovation priorities among stakeholder groups by directing efforts to create capacity and synergies in the innovation system; and,
3. Enhancing performance measurement and reporting – working with the Senior Officials Forum on Innovation, WD will review and improve its measurement of innovation performance and impacts and communicate the results to Canadians.

Challenges / Risks

For the innovation system to operate efficiently there is a need for all members to work toward mutual goals, in a timely synchronized manner. This requires a shared vision and priorities, creativity, ongoing communication among stakeholder groups, dedicated budgets and mechanisms for investments, and the ability to measure performance of both individual investments and the innovation system as a whole. Over the next year, WD will continue to work towards strengthening the innovation system in the West, with a priority on measuring performance and results.

Key Partnerships and Relationships

Due to the scope and nature of innovation investments, WD has developed partnerships with key innovation stakeholders in Western Canada. These include provinces, other federal departments, universities, industry associations and other innovation stakeholders. Of the WD projects approved in the past year, WD's contributions averages one-third of costs, these partners contributed the remainder.

Linkages With Government Themes or Management Initiatives

In 2003-04, innovation continues to be a top priority for WD, provincial

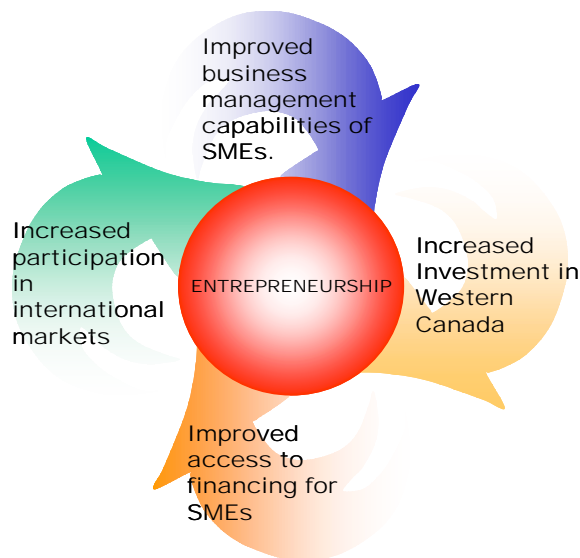
governments and the federal government. In 2002, Industry Canada released Canada's Innovation Strategy *Achieving Excellence – Investing in People, Knowledge, and Opportunities*, which identified Canada's innovation challenges under the broad themes of Knowledge Performance, Skills, Innovation Environment and Strengthening Communities. Human Resources Development Canada's (HRDC) companion document, *Knowledge Matters: Skills and Learning for Canadians* focuses on issues related to highly skilled personnel (HQP). An extensive consultation process, with seven summits in Western Canada in 2002 revealed the following priorities of westerners: increasing R&D capacity; fostering linkages between government, academia, and industry; enhancing technology commercialization; increasing the supply of and access to venture capital; improving mechanisms for increasing the experience of skilled workers; building an innovation culture; and undertaking joint efforts to build on regional strengths.

Planned Results, Performance and Timeframes

Refer to the priorities and performance indicator matrix on page 36 for detail.

Strategic Outcome: A competitive and expanded business sector in Western Canada.

Total Planned Spending - \$71.6 million



Overview

Since the department was established in 1987, it has recognized that small and medium sized enterprises (SMEs) are critical to the economy in Western Canada. Small and micro businesses account for about fifty percent of all jobs in Western Canada, which is about five percent higher than for the rest of Canada. However, in order to grow and be successful in today's global economy, SMEs require business and management information and access to capital. SMEs also require assistance in adapting to new technology, exporting, selling to government and e-commerce.

In 1995 WD formed client service units to assist SMEs in accomplishing

their goals, including working with entrepreneurs to provide one-on-one business advisory services. Since that time, the Western Canada Business Service Network (WCBSN) has grown and matured to the point where it can provide many of these business advisory services. This shift will allow WD to reallocate its staff resources to other priorities while maintaining a high level of client services to SMEs. WD remains committed to entrepreneurship and entrepreneurial development and will focus its efforts on more advanced levels of services to stakeholders.

Benefits

The expected benefits of WD's entrepreneurship activities are:

1. Improved access by western Canadian businesses to the capital, services, and information they require to start or expand their operations;
2. Access by individuals and groups outside of the economic mainstream (e.g. Aboriginals, youth, women entrepreneurs, remote communities) to capital, and business;
3. Increased trade and export opportunities for western businesses;
4. Increased investment in Western Canada; and,

5. **Improved skills and capacity of western Canadians and western Canadian businesses to start, expand, manage and innovate in order to increase their competitiveness within the global economy.**

Priorities

WD will work with the WCBSN and other stakeholders to ensure that entrepreneurs have access to services in the areas of business planning, e-business, exporting, investment, procurement and financing. The WCBSN includes the Community Futures Development Corporations (CFDCs), Women’s Enterprise Initiatives (WEIs), Francophone Economic Development Organizations (FEDOs) and the Canada Business Service Centres (CBSCs). Through the WCBSN, WD will continue to provide citizen-centred service to meet the needs of western entrepreneurs including rural, women, youth, Francophone and Aboriginal entrepreneurs as well as entrepreneurs with disabilities.

WD will continue to be engaged in entrepreneurship development through the delivery of business programs, capacity building with partners, industry collaboration on initiatives and support to industry sector groups focused on entrepreneurship. The type of challenges faced by industry sectors may vary from forestry issues in British Columbia to agriculture value-added issues in Manitoba, but it is envisioned that by collaborating with industry to address systemic issues, barriers to growth and success in the western economy can be reduced.

The government has placed a high priority on investment attraction and enhanced Foreign Direct Investment (FDI). Canada has fallen behind in its “share” of world FDI and the West has fallen behind the rest of Canada. WD has always been involved in promoting new investment in Western Canada but over the next three years plans to increase emphasis in this area because of the potential to stimulate economic growth, innovation, and sustainable development. Foreign direct investment (FDI) can increase the productivity of Western Canadian businesses by transferring new technologies, upgrading management skills and broadening market access and trade opportunities. WD will place a priority on working with Investment Partnerships Canada (IPC) and the IPC Advisory Board in promoting Western Canadian investment opportunities. WD will also work with industry, other government organizations, and communities to identify and generate new investment into Western Canada.

Increasing export activity is also critical to creating a competitive and expanded business sector in Western Canada. Increased involvement in key trade policy developments that impact Western Canada and advocate for western priorities and positions will be a priority for WD over the next three years. WD will also continue to work with federal, provincial and private sector partners to undertake enhanced trade promotion and trade development activities including activities which support enhanced management skills to increase export readiness and export activity of SMEs.

Changes From Previous Plans and Priorities

WD has worked for several years to build a cost-effective business service network to help entrepreneurs to grow and expand their businesses. Included in this network has been a contingent of WD client service officers located in each WD office in Western Canada. As a member of Team Canada Inc (TCI), WD and other regional development agencies have the mandate to provide skill development and export readiness services to SMEs.

Until this year, WD staff provided SME clients with direct, one-on-one services related to export skills development and export readiness training. Following a review of departmental operations the department has determined that the WCBSN will continue to provide these services in the future, which will require these contractual arrangements with the service partners to be renewed. WD will continue to participate as active members of the Regional Trade Networks (RTNs) in Western Canada. RTNs are federal-provincial Trade and Investment Teams, established through Memorandums of Understanding in every province. WD employee resources will be refocused to meet other program and policy demands being placed on the department.

Adjustments Derived From Previous Performance Assessments

Over the past year the CFDCs and WEIs commissioned impact studies of their programs and WD has had evaluations carried out of the CBSCs and Loan Investment Fund Program.

All of these studies were very supportive of the programs and their recommendations will be considered as we strive to continuously improve client service and reporting on results.

Challenges and Risks

All of the funding agreements with WCBSN members expire in March 2005 and will need to be renegotiated for fiscal year 2005-2006. WD has engaged its partners in a dialogue to examine funding needs as well as address the challenges associated with contributing to WD's strategic outcomes, reporting on results, improving efficiency and examining opportunities to access other sources of funding. WD is challenged to ensure that WCBSN partners have the capacity to deliver quality services in all aspects of WD's entrepreneurship strategy.

Key Partnerships and Relationships

WD objectives relating to entrepreneurship will be accomplished largely through partnerships with other organizations. The CFDCs, WEIs and FEDOs are each governed by volunteer boards of directors drawn from the communities they serve. WD's network of service delivery partners ensures the involvement of key community stakeholders who can identify local community priorities and opportunities. Contacts in rural communities in particular assist WD and its federal partners to work together with communities to promote improved planning and greater coordination of programs and services that respond to community economic and social development needs. WD will continue to provide assistance to these organizations to help them

provide local solutions to community challenges.

WD also works with financial institutions to address access to capital issues facing entrepreneurs. These organizations provide loans using their own capital with support from WD in the form of “loan loss reserves” designed to offset a portion of net losses on defaulted loans. All of these funds are designed to assist the financial institutions to increase the level of risk taken to support entrepreneurs in the early stages of their businesses or moving into new product lines and markets.

WD’s work in trade and investment will be carried out with other federal departments and in partnership with the four western provinces. Within the federal government, WD’s deputy minister is a member of two key committees that oversee federal activities in trade and investment: the Deputy Ministerial Committee on International Business Development and the Investment Partnerships Canada Advisory Board. With respect to federal-provincial liaison, WD’s deputy minister chairs the western federal-provincial Deputy Ministers’ Economic Development Forum. The DM Forum meets to discuss and, where possible, direct joint action on a broad range of economic development issues, including trade and investment.

At the officials level, WD participates as a member of both the Western Trade Officials and Western Investment Officials committees. Each of the committees includes membership from the four western provinces and the Northwest Territories, the International Trade

Centres in the West, Investment Partnerships Canada, and WD. The purpose of both committees is western coordination, information exchange and joint planning. Finally, WD participates actively in the four provincial trade/investment teams that are part of the countrywide Regional Trade Network (RTN). RTNs are the primary coordination mechanism for a broad range of trade and investment activities.

Linkages With Government Themes or Management Initiatives

As part of a continuous management improvement plan as envisioned by the Treasury Board Modern Comptrollership Initiative, the Action Plan for the department includes several items related to the transition away from direct client service. Action items relate both to the potential impact on the entrepreneurs the department serves as well as on staff whose jobs are impacted by the change. Managing this process will be a priority for the department.

The transfer of responsibilities for direct client service delivery to SMEs will create a challenge for WD to ensure that its responsibilities under the Service Improvement Initiative and Government on Line are met. In order to address these challenges, WD will need to work even more closely with its partners to ensure delivery standards and accountabilities are in place.

Planned Results, Performance and Timeframes

Refer to the priorities and performance indicator matrix on page 37 for detail.

Sustainable Communities

Strategic Outcome: Increased economic activity that improves the competitiveness and the quality of life in western Canadian communities.

Total Planned Spending - \$222.1 million



Overview

Promoting sustainable communities in Western Canada is one of three priorities for Western Economic Diversification Canada.

WD's sustainable community activities ensure that economic, social and environmental considerations are taken into account in initiatives designed to foster community growth and development.

Benefits

The Sustainable Communities strategic priority involves economic development and diversification initiatives and coordination activities that allow communities to sustain their economies and adjust to changing and often very challenging economic circumstances. It includes facilitating economic recovery from depressed economic circumstances

and working collaboratively with other federal departments, other governments and communities. It encompasses WD's work in urban centres through urban development agreements. Federal provincial agreements, such as Western Economic Partnership Agreements, Northern Agreements and the Infrastructure Canada Program reflect the department's coordination and support for community-based economic development opportunities. Community Future Development Corporations and other members of the Western Canada Business Service Network carry out aboriginal economic development and community economic development coordination.

Priorities

WD expects to enter into and implement agreements and arrangements with other governments and other federal departments to enhance economic activity and quality of life in urban, rural, northern and Aboriginal communities across Western Canada. Specifically, WD expects to carry out the following over the next three years:

- 1. Support urban development through formal and informal arrangements with provincial and municipal government;**

2. Consider new partnering arrangements with provincial governments (e.g. Western Economic Partnership Agreements);
3. Increase Aboriginal participation in the western economy;
4. Address economic challenges and opportunities in northern areas of the western provinces; and,
5. Assist communities to develop and implement long-term economic development plans to enhance their sustainability.

WD is responsible for the delivery, on behalf of the federal government, of a number of National Programs in Western Canada that are congruent with the department's core programming. Subject to Treasury Board guidelines, WD will deliver National Programs, such as the non-core Infrastructure Canada Program and the Softwood Industry Community Economic Adjustment Initiative, in a manner that will support the objectives of the Sustainable Communities priority.

The department will also continue to actively engage westerners in consultations to identify needs and priorities and to forge new and expanded partnerships with western stakeholders. The department has unique insights into the activities of provincial and municipal governments in the West. It also has a strong network including business associations, research organizations, voluntary organizations and other interests that provide insights into, and sensitivity to, the regional dynamic. The Secretary of State's Business Advisory Councils, the

western federal provincial Deputy Ministers Economic Development Forum and the Assistant Deputy Ministers' Policy Forums have been established in order to allow WD to anticipate emerging issues, communicate these clearly to other federal agencies and plan effective responses.

Changes From Previous Plans and Priorities

Sustainable Communities is a new priority within WD's strategic directions. Sustainable Communities replaces the strategic priority identified last year as "Partnerships". Working in partnership with other departments and other governments, and with community organizations will continue to be a defining element of WD's approach. However, we believe that this new strategic priority more accurately captures the desired outcome of the department.

Adjustments Derived From Previous Performance Assessments

In 2001-02, the department spent a total of \$27.4 million, or 13.6% of total grants and contributions expenditures, on the Partnerships strategic outcome. The majority of these expenditures were carried within the federal-provincial Western Economic Partnership Agreement (WEPA) framework. These agreements have now expired although previously approved WEPA projects and expenditures will continue during 2003-04. Discussions are continuing with the provincial governments on the development of shared framework visions for the next round of WEPAs. A new round of agreements will be subject to the availability of financial

resources over the life of the agreements.

Challenges and Risks

1. **The Sustainable Communities strategic focus encompasses economic, social and environmental outcomes. WD's primary role is to support economic development activities, while taking into account social and environmental considerations. Learning how to apply this balanced approach to economic development will challenge the department.**
2. **Effective community-based action requires considerable flexibility to tailor approaches to local needs, opportunities and strengths. The challenge is to tailor approaches while maintaining a focus on federal priorities and appropriate accountabilities.**

Key Partnerships and Relationships

Partnering is the modus operandi of WD. Partnering with other governments, federal departments, community organizations such as Community Futures Development Corporations and Francophone Economic Development Organizations, non-profit groups and the private sector, reduces overlap and duplication, levers additional

resources to address western issues and involves westerners in federal decision making. The Vancouver Development Agreement addresses economic development issues in that city, for example.

Linkages With Government Themes or Management Initiatives

Both the 2001 and 2002 Speeches from the Throne noted the importance of building and strengthening Canadian communities in general and Aboriginal communities in particular. The 2002 Throne speech was unequivocal in this regard:

- *“Government will target its regional development activities to. ...address the distinct challenges of Canada's urban, rural and northern communities.”*
- *“The government will work with interested provinces to expand on existing pilot programs to meet the needs of Aboriginal people living in cities.”*
- *“Modern infrastructure is the key to the prosperity of our cities.”*

Planned Results, Performance and Timeframes

Refer to the priorities and performance indicator matrix on page 38 for detail.

Innovation Strategic Outcome 1: A strengthened western Canadian innovation system.		On-going departmental Strategic Outcomes - Innovation	<i>Focus for 2003-2004</i>	2003-2004 Focus Expected Results	Performance Indicators & Measurement Methodology
		Planned Results	<p> Implementing innovation activities will continue to be a top priority for WD. In addition, over the next year, efforts will focus on: </p> <ol style="list-style-type: none"> 1. Undertaking a strategic priority setting and planning process to identify emerging sectors for future investments; 2. Over the next three years, WD will align innovation priorities among stakeholder groups by directing efforts to create capacity and synergies in the innovation system; and, 3. Enhancing performance measurement and reporting – working with Senior Officials’ Forum on Innovation, WD will review and improve its measurement of innovation performance and impacts and communicate the results to Canadians. (Links to corporate cross-cutting priority three.) 	<ul style="list-style-type: none"> A more focused, responsive and enhanced collaborative approach to innovation system development that is targeted, measurable, and reflective of Western Canada’s needs. Refer to the second corporate cross-cutting priority results on page 39. 	<ul style="list-style-type: none"> A WD Innovation Strategy document will be published before March 2004, including an action plan, performance indicators, and measurement methodology. Refer to the second corporate cross-cutting priority measurement methodology on page 39.

On-going departmental
Strategic Outcomes -
Entrepreneurship

Entrepreneurship

Strategic Outcome 2: A competitive and expanded
business sector in Western Canada.

Planned Results	<i>Focus for 2003-2004</i>	2003-2004 Focus Expected Results	Performance Indicators & Measurement Methodology
<ul style="list-style-type: none"> ▪ Improved business management capabilities of SMEs. ▪ Improved access to financing for SMEs. ▪ Increased investment in Western Canada. ▪ Increased participation in international markets. 	<p>While continuing with existing Entrepreneurship activities, WD will be:</p> <ol style="list-style-type: none"> 1. Exploring options and successfully executing an effective transfer of WD's direct client service to the WCBSN and other partners in a mutually beneficial manner. 2. Exploring investment attraction and export development options for Western Canada. 	<ul style="list-style-type: none"> ▪ Refer to the first corporate cross-cutting priority results on page 39. ▪ Approval and implementation of an investment attraction strategy supported by expected outcomes, delivery approaches, roles, responsibility, accountability framework, performance indicators, and measurement methodology options. ▪ Refer to the second corporate cross-cutting priority results on page 39. 	<ul style="list-style-type: none"> ▪ Refer to the first corporate cross-cutting priority measurement methodology on page 39 ▪ A document supporting the decision by midyear and evidence of the infrastructure in place to support implementation prior to fiscal year end, should it be approved. ▪ Refer to the second corporate cross-cutting priority measurement methodology on page 39.

On-going departmental Strategic Outcomes – Sustainable Communities

Sustainable Communities

Strategic Outcome: Increased economic activity that improves the competitiveness and the quality of life in western Canadian communities.

Planned Results	<i>Focus for 2003-2004</i>	2003-2004 Focus Expected Results	Performance Indicators & Measurement Methodology
<ul style="list-style-type: none"> ▪ Greater collaboration and integration among governments and communities. ▪ Increased economic opportunity and investment within Western Canada’s communities. ▪ Increased participation of Aboriginal people in the economy. ▪ Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development. 	<p>While continuing with existing Sustainable Communities activities, WD will:</p> <ol style="list-style-type: none"> 1. Develop new collaborative mechanisms to address urban development issues. 2. Address economic challenges or opportunities in northern regions. 3. Coordinate and participate in federal horizontal initiatives, including the Urban Aboriginal Strategy processes. 4. Undertake skill development initiatives to address shortages in the workforce. 5. Support/Strengthen community leadership and capacity to plan, lead, and implement activities that will promote community sustainability. 	<ul style="list-style-type: none"> ▪ Refer to the second and third corporate cross-cutting priority results on page 39. ▪ New cooperative urban development or northern development mechanisms. ▪ Implement Urban Aboriginal Strategy pilot projects in four cities. ▪ Implement at least one Aboriginal skills development initiative. ▪ Undertake community economic development processes in two regions/communities 	<ul style="list-style-type: none"> ▪ Refer to the second and third corporate cross-cutting priority measurement methodology on page 39. ▪ Number of cooperative urban development and northern development mechanisms. ▪ Number of people trained. ▪ New models to manage horizontal initiatives and numbers of people benefiting from pilot projects. ▪ Community economic development plans and results of projects flowing from plans. ▪ Amount leveraged from WD investments.

WD's 2003-2004 Corporate Cross-cutting Priorities

	Expected Results	Performance Indicators & Measurement Methodology
<p>1. Working with the Western Canada Business Service Network (WCBSN) and other partners to explore innovative ways to deliver products and services to enhance the results achieved in all three pillars.</p>	<ul style="list-style-type: none"> ▪ Neutral or positive impact on client satisfaction by maintaining client service via partnerships. ▪ Increased policy capacity within WD to enhance ability to respond to western needs in a knowledge-driven economy. ▪ Increased leveraging of resources. 	<ul style="list-style-type: none"> ▪ Survey and evaluation results measured via client satisfaction surveys and evaluations. ▪ Dollars and resources leveraged as per G/X Management System information.
<p>2. Developing clearer performance indicators and have an enhanced process in place by March 31, 2004 for measuring results.</p>	<ul style="list-style-type: none"> ▪ An improved ability to measure the impact of WD investments. ▪ Continuous improvement of programs, products and services delivered to western Canadians. 	<ul style="list-style-type: none"> ▪ Performance indicators developed to measure results for Canadians relative to WD's Strategic Objectives that are aligned with government-wide key societal indicators based on revised Results-based Management Accountability Frameworks.

Government Wide Initiatives

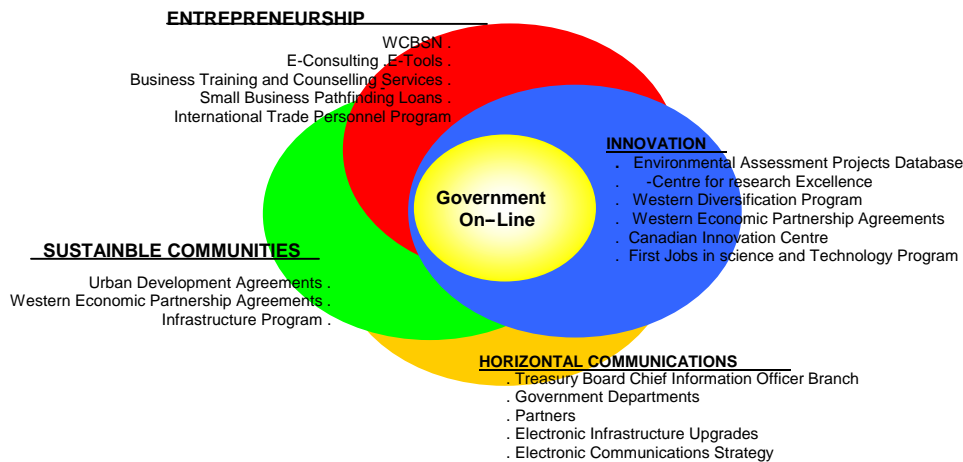
Government On-Line Vision and Strategy

Western Economic Diversification Canada's (WD) Government On-Line (GOL) vision includes a multi-channel approach to deliver the department's mandate by providing products and services to western Canadians through all types of service channels: in person, correspondence, fax, telephone, video-conferencing and through the Web. The challenge is to meet the diverse needs of WD's clients and to offer a variety of on-line products and services that meet those needs. The on-line products and services will complement - not replace - the use of existing methods of

interacting with external clients. Government On-Line strategies are centred on the three core business lines of Innovation, Entrepreneurship, and Sustainable Communities and are supported by a strong program of economic research and analysis. The WD GOL Public Plan can be found at:

▪ **English:**
<http://www.wd.gc.ca/eng/rpts/strategies/gol/GOLOct2002EN.pdf>

▪ **French:**
<http://www.wd.gc.ca/fra/rpts/strategies/gol/GOLOct2002FR.pdf>



Sustainable Development Strategy

As a department that supports economic development in Western Canada, WD believes that there is a responsibility to contribute to development in a way that is sustainable and recognizes the interaction of economic, social and environmental considerations. In 2003-04, WD will introduce

sustainable communities as a new priority within the department's strategic directions.

In 1997, federal departments tabled the first sustainable development strategies in Parliament and have been required to table new strategies every three years. The department is

moving into the final year of the SDS 2000. WD's priority will be to complete the strategy. Among the activities to be pursued are the final approval and implementation of the Environmental Management Systems (EMS) and the Strategic Environmental Assessment (SEA) for new programs. Also, the year will see the completion of various greening operations projects.

WD will also develop our third Sustainable Development Strategy in 2003-04. Through evaluations of WD's current SDS and consultations with stakeholders, the department will create a new SDS, which will incorporate the three departmental pillars: Innovation, Entrepreneurship

Modern Comptrollership

WD has always been committed to good management and continuous improvement. The Modern Comptrollership Initiative has provided us with a framework and resources to meet WD's management improvement goals in the short term with the intent to manage the department efficiently and effectively over the longer term.

WD's priorities for advancing Modern Comptrollership within WD are to:

- Increase internal dialogue on Modern Comptrollership, including its benefits, to raise awareness, increase understanding, build commitment that will promote positive change;
- Strengthen departmental policy and regional leadership capacity;
- Establish stronger linkages between departmental and regional operational

and Sustainable Communities and link to the Federal Sustainable Development Strategy (FSDS).

WD contributes to the FSDS by supporting sustained western community and economic prosperity. The department will continue to participate in federal interdepartmental sustainable development committees. In addition, a Green team will lead the department on "greening" activities, encouraging more environmentally friendly procurement practices, participating on the interdepartmental greening operations committees, and ensuring sustainable and energy efficient practices within the department.

plans and priorities to ensure a cohesive approach to the achievement of WD objectives;

- Develop an Integrated Risk Management Framework;
- Establish and monitor measures and indicators of organizational health to ensure a strong and sustainable workforce able to meet and deliver on organizational objectives; and,
- Further integrate and disseminate the culture of performance management into the planning and conduct of WD business to raise awareness, increase understanding, and build commitment to measuring and reporting on WD's performance.

Service Improvement Initiative

As a federal organization involved in the Service Improvement Initiative, WD's priority continues to be the provision of high levels of service to clients. Over the next year WD will be withdrawing from providing business advisory services directly to the public. Third parties will deliver these services. WD will encourage these delivery organizations to maintain the expectations of quality service that WD has established.

This realignment will require changes in performance measurement and service level evaluation processes. The coming year will challenge WD to find ways of incorporating:

- Service level accountabilities into partnership and 3rd party delivery agreements.

Official Languages

Western Economic Diversification Canada is committed to the objectives of Section 41 of the *Official Languages Act* of:

- (a) Enhancing the vitality of the English and French linguistic minority communities in Canada and supporting and assisting their development; and
- (b) Fostering the full recognition and use of both English and French in Canadian society.

In the last few years, WD has developed and implemented a strong Action Plan in response to its commitment to Section 41 of the *Official Languages Act*.

WD will continue to build on the strengths in the francophone communities in Western Canada, in partnership with the four Francophone Economic Development Organizations

- Measurement of client service satisfaction levels by those partner organizations working directly with the public, using common measurement tool methodologies.

Building on the satisfaction survey performed last year with WD's Grants and Contributions clients, WD will continue to survey the satisfaction levels of this client.

Through assisting in citizen-centred learning events and the sharing of information with the WCBSN, WD will seek to enhance its partner relations and encourage the overall improvement of client satisfaction levels.

(FEDOs.) The FEDOs have been members of WD's Western Canada Business Service Network (WCBSN) since 2001. The FEDOs are la Société de développement économique de la Colombie-Britannique, la Chambre économique de l'Alberta, le Conseil de la coopération de la Saskatchewan, and le Conseil des municipalités bilingues du Manitoba.

The department's priorities for 2003-04 will be to complete the current Action Plan. Other WD priorities for the official languages file will be to grow relationships with other departments and committees involved in Section 41 to advance Francophone economic development.

The current Action Plan terminates in 2003-04 and the challenge will be to create a new Action Plan, which will

encourage new partnerships and opportunities to expand on current community and economic development initiatives. The ultimate outcome sought will be an economically sustainable western Francophone community. In addition, WD will

advance community-based economic development projects under the Memorandum of Understanding between WD and Canadian Heritage through the Interdepartmental Partnership with the Official-Language Communities (IPOLC).

SECTION V: ORGANIZATION

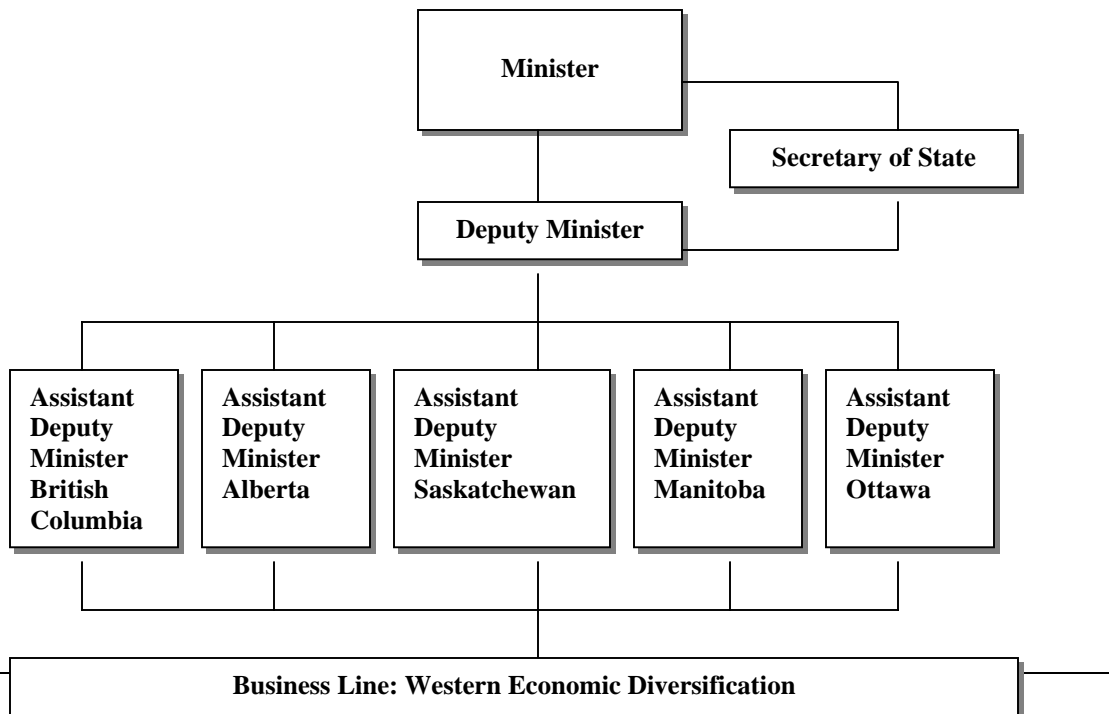
The Department has one business line, Western Economic Diversification. The objective of the business line is:

To more effectively guide, in close cooperation with western stakeholders, federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification.

The Department's Head Office is located in Edmonton, Alberta, co-located with the Regional Office for Alberta. There are regional offices located in each of the other western provinces, in Winnipeg, Saskatoon and Vancouver, and a Liaison Office located in Ottawa. Regional satellite offices have also been opened in Calgary, Regina and Victoria. The Department's Deputy Minister is located in Edmonton, and Assistant Deputy Ministers are located in Vancouver, Edmonton, Saskatoon, Winnipeg and Ottawa.

The department has one business line, Western Economic Diversification, and each of the western Assistant Deputy Ministers are responsible for the delivery of programs and services in their region which support this business line, as well as corporate responsibilities. The Ottawa based Assistant Deputy Minister plays the lead role in the department's advocacy activities.

Western Economic Diversification Canada Organization Structure



The following table identifies the resource relationships between Strategic Outcomes and WD's business line:

Strategic Outcomes

(\$ million)	Forecast Spending 2002-03	Planned Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06
Entrepreneurship				
Core	65.6	53.8	43.1	37.8
Statutory (SBLA, CSBFA)	20.6	17.8	18.1	11.9
	86.2	71.6	61.2	49.7
Innovation				
Core	75.8	76.6	77.3	64.9
Sustainable Communities				
Core	25.0	45.9	49.4	49.2
National Programs	75.6	176.2	152.0	112.3
	100.6	222.1	201.4	161.5
Total	262.6	370.3	339.9	276.1

Departmental Planned Spending

(\$ thousands)	Forecast Spending 2002-03	Planned Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06
Budgetary Main Estimates (gross)	338,078	320,443	282,049	218,246
Non-Budgetary Main Estimates (gross)	...	...	...	...
Less: Respendable Revenues	...	...	...	...
Total Main Estimates	338,078	320,443	282,049	218,246
Adjustments *	(75,461)	49,900	57,900	57,900
Net Planned Spending **	262,617	370,343	339,949	276,146
Less: Non-respendable revenue	28,220	23,650	15,510	13,620
Plus: Cost of services received without charge	4,444	4,371	4,311	4,219
Net cost of Program	238,841	351,064	328,750	266,745

Full Time Equivalents	363	365	365	365
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* Adjustments reflects the net combination of:

- *additional funds received through the 2002-03 Supplementary Estimates;*
- *transfer of contractual commitments through the 2003-04 Annual Reference Level Update (ARLU) (mainly Infrastructure Canada Program); and,*
- *adjustments to planned spending for 2003-04 and subsequent years, reflect additional resources received in the February 18, 2003 Federal Budget..*

**Reflects the best forecast of total net planned spending to the end of the fiscal year.

Explanation of change: The decrease in forecast spending for 2002-03 reflects the transfer of contractual commitments to fiscal 2003-04 primarily under the Infrastructure Canada Program. The decline in non-respendable revenues reflects the reduction in the repayable portfolio of the Department, a direct result of the virtual elimination of repayable contributions in 1994-1995.

SECTION VI: ANNEXES

Annex 1: Summary of Transfer Payments

(\$ thousands)	Forecast Spending 2002-03	Planned Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06
Grants				
Grants for the Western Diversification Program	...	5,000	5,000	5,000
Total Grants	...	5,000	5,000	5,000
Contributions				
Core				
Western Diversification Program	66,526	74,096	80,346	74,317
Community Futures Program	22,300	22,300	22,300	22,300
Partnership Agreements	12,800	11,200	...	...
Service Delivery Network Program	6,000	6,000	6,000	6,000
Innovation and Community Investment Program	10,774	10,774	10,774	...
Loan & Investment Fund Program	3,700	3,700	3,700	3,700
Total Core	122,100	128,070	123,120	106,317
Non-Core				
Canada Infrastructure Works Program	300	...	...	...
Whiteshell Underground Research Laboratory	...	1,000	1,000	1,000
Red River Flood Protection Program	1,500	3,400	...	...
Other	4,750	2,200	2,200	2,200
Infrastructure Canada Program	66,000	167,462	147,500	108,405
Total Non-Core	72,550	174,062	150,700	111,605
(S) Liabilities under <i>the Small Business Loans Act</i>	13,130	7,900	7,900	2,200
(S) Liabilities under <i>the Canada Small Business Financing Act</i>	7,510	9,900	10,200	9,700
Total Contributions	215,290	319,932	291,920	229,822
Total Transfer Payments	215,290	324,932	296,920	234,822

(S) Statutory Vote

Explanation of change: The increase in planned spending for 2003-2004 reflects transfer of contractual commitments from fiscal 2002-03 primarily under the Infrastructure Canada Program; and increased resources provided by the February 18, 2003 Federal Budget.

TABLE 2: Details on Transfer Payment Programs

Grants for the Western Diversification Program*

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	...	5,000	5,000	5,000

Objective:

To promote economic development and diversification in Western Canada and advance the interests of Western Canada in national policy, program and project development and implementation.

Planned Results:

- A strengthened western Canadian innovation system;
- An expanded business sector in Western Canada;
- Increased investment in strategic federal/regional economic development priorities; and
- A better understanding of Western Canada’s needs, opportunities and aspirations inside and outside of the region leading to improved programs and services for western Canadians.

*an evaluation of this program is underway

Western Diversification Program*

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	66,526	74,096	80,346	74,317

Objective:

To promote economic development and diversification in Western Canada and advance the interests of Western Canada in national policy, program and project development and implementation.

Planned Results:

- A strengthened western Canadian innovation system
- An expanded business sector in Western Canada;
- Increased investment in strategic federal/regional economic development priorities; and,
- A better understanding of Western Canada’s needs, opportunities and aspirations inside and outside of the region leading to improved programs and services for western Canadians.

Milestones:

- Recipients are requested to submit data, schedules, plans and reports in sufficient detail to confirm that planned results are being achieved; and,
- Results are monitored and reported regularly

* an evaluation of this program is underway

Community Futures Program

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	22,300	22,300	22,300	22,300

Objective:

Funding for the network of Community Futures Development Corporations (CFDCs) in the West. CFDCs are volunteer-led non-profit organizations that lead strategic economic planning, and provide advice and commercial loans to local entrepreneurs, which foster economic development and diversity of their communities.

Planned Results:

- **Strategic Community Planning:** Working with communities to assess local problems, establish objectives, plan and implement strategies to develop human, institutional and physical infrastructures; entrepreneurship; employment; and the economy;
- **Business Services :** Delivering a range of business, counselling and information services to small- and medium-sized businesses; and,
- **Access to capital:** provide capital to assist businesses or to help entrepreneurs to create new businesses.

Milestones:

- Community Futures Development Corporations complete annual business plans including establishment of performance targets, periodic activity reports, and annual audits of their operations; and,
- Assessed by program evaluation.

Partnership Agreements

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	12,800	11,200	...	...

Objective:

The mechanism for strong federal-provincial cooperation through co-ordinating priorities and funding for economic and regional development.

Planned Results:

- Expand the international competitiveness of the economy of provinces through investments in the economic growth of key sectors;
- Encourage the creation, expansion, modernization and value-added activities of small- and medium-sized businesses;
- Provide increased opportunities for private sector investment and entrepreneurship; and,
- Ensure the programming of this Agreement complements other federal and provincial programming.

Milestones:

- The agreement required the approval of projects by March 31, 2002, project completion by September 30, 2003, and claim receipt by March 31, 2004; and,
- Assessed by a final evaluation of the program.

Service Delivery Network Program

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	6,000	6,000	6,000	6,000

Objective:

The Service Delivery Network Program increases access to services in Western Canada through service delivery agreements with community-based organizations.

Milestones:

- The Service Delivery Organizations complete annual business plans which include the establishment of performance targets, periodic activity reports, and annual audits of their operations;
- Assessed by program evaluation.

Planned Results:

- **Business Services:** Delivering a range of business, counselling and information services to small and medium-sized enterprises;
- **Access to capital:** provide capital to assist businesses or to help entrepreneurs to create new businesses.

Innovation and Community Investment Program

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	10,774	10,774	10,774	...

Objective:

To improve innovation infrastructure and linkages in sectors of strategic importance to the West; enhance technology commercialization; enhance the capacity of firms to develop and adopt new technologies; and, assist communities to adapt to the new knowledge-based economy.

Planned Results:

- Increasing the number of knowledge-based jobs;
- Supporting the growth of knowledge-based businesses;
- Accelerating the commercialization and adoption of innovative processes and products by businesses; and,
- Increasing the diversification of community economies.

Milestones:

- Recipients are requested to submit data, schedules, plans and reports in sufficient detail to confirm that planned results are being achieved;
- Results are monitored and reported regularly; and,
- Evaluations are completed periodically.

Infrastructure Canada Program

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
	66,000	167,462	147,500	108,405

Objective:

To improve urban and rural infrastructure in Canada. It also includes improving Canadians' quality of life through investments that enhance the quality of the environment, support long-term economic growth, improve community infrastructure, and build 21st century infrastructure through the use of technologies, new approaches and best practices.

Planned Results:

- To improve urban and rural municipal infrastructure in Canada.

Milestones:

- Results are monitored and reported regularly; and,
- Evaluations are completed periodically.

Small Business Loans Act and Canada Small Business Financing Act

	Forecast	Planned	Planned	Planned
	Spending	Spending	Spending	Spending
(\$ thousands)	2002-03	2003-04	2004-05	2005-06
<i>SBLA</i>	13,130	7,900	7,900	2,200
<i>CSBFA</i>	7,510	9,900	10,200	9,700

Objective:

To encourage private sector lenders to increase the availability of loans for the purpose of the establishment, expansion, modernization and improvement of small business enterprises.

Planned Results:

- Refer to Industry Canada.

Milestones:

- Refer to Industry Canada.

TABLE 3: Source of Non-respendable Revenue

(\$ thousands)	Forecast Revenue 2002-03	Planned Revenue 2003-04	Planned Revenue 2004-05	Planned Revenue 2005-06
Repayment of repayable contributions	9,000	5,000	3,000	2,000
Adjustment to previous years payables at year-end	2,000	1,000	...	...
Service fees under the <i>Small Business Loans Act</i>	4,950	3,960	2,450	1,680
Service fees under the <i>Canada Small Business Financing Act</i>	11,770	13,490	9,860	9,840
Other Revenue	500	200	200	100
Total Non-respendable Revenue	28,220	23,650	15,510	13,620

Explanation of change: The decline in planned revenue for 2003-04 and on-going years reflects the reduction in the repayable portfolio of the Department as a result of the 1994-95 decision to virtually eliminate the provision of repayable contributions. Other Revenue for 2003-04 includes interest and other revenue associated with the collection of repayable contributions and other miscellaneous revenue.

TABLE 4: Net Cost of Program for the Estimates Year

(\$ thousands)	Total
Net Planned Spending	370,343
Plus: Services Received without Charge	
Accommodation provided by Public Works and Government Services Canada	2,382
Contributions covering employees' share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	1,867
Workman's compensation coverage provided by Human Resources Development Canada	43
Salary and associated expenditures of legal services provided by Justice Canada	79
Total Services Received without Charge	4,371
Less: Non-respendable Revenues	23,650
2003-04 Net Program Cost	351,064